

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of Columbus :
Southern Power Company :
and Ohio Power Company :
for Authority to Establish:
a Standard Service Offer : Case No. 11-346-EL-SSO
Pursuant to §4928.143, : Case No. 11-348-EL-SSO
Ohio Rev. Code, in the :
Form of an Electric :
Security Plan. :

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

- - -

PROCEEDINGS

before Ms. Greta See and Mr. Jonathan Tauber,
Attorney Examiners, and Commissioner Andre Porter, at
the Public Utilities Commission of Ohio, 180 East
Broad Street, Room 11-A, Columbus, Ohio, called at
8:30 a.m. on Friday, May 25, 2012.

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VOLUME VII

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1 Friday Morning Session,
2 May 25, 2012.

3 - - -

4 EXAMINER SEE: Let's go on the record.

5 Let's take brief appearances of the
6 parties. Let's start with the company, move around
7 the table.

8 MR. NOURSE: Thank you, your Honor. On
9 behalf of Ohio Power Company, Steven T. Nourse and
10 Matthew J. Satterwhite, Yazen Alami, Daniel R.
11 Conway, Christen M. Moore.

12 MS. GRADY: Thank you, your Honor. On
13 behalf of the residential customers of the Ohio Power
14 Company, the Ohio Consumers' Counsel, Maureen R.
15 Grady, Joseph P. Serio, and Terry L. Etter.

16 MR. HAYDEN: Good morning, your Honors.
17 On behalf of FES, Mark Hayden and Jim Lang.

18 MR. OLIKER: Good morning, your Honor.
19 On behalf of Industrial Energy Users-Ohio, Frank
20 Darr, Sam Randazzo, Matt Pritchard, and Joe Olikier.

21 MS. KINGERY: Good morning, your Honors.
22 On behalf of Duke Energy Retail Sales and Duke Energy
23 Commercial Asset Management, Amy Spiller, Jeanne
24 Kingery, and Philip Sineneng.

25 MS. KYLER: Good morning. On behalf of

1 the Ohio Energy Group, Michael Kurtz, Kurt Boehm, and
2 Jody Kyler.

3 MR. SIWO: Good morning, your Honors. On
4 behalf of OMA Energy Group, Lisa McAlister and Thomas
5 Siwo.

6 MR. SUGARMAN: Roger Sugarman, I'm with
7 NFIB-Ohio.

8 MS. THOMPSON: Good morning, your Honors.
9 On behalf of Interstate Gas Supply, Inc., Mark Whitt,
10 Andrew Campbell, Melissa Thompson, Vince Parisi, and
11 Matthew White.

12 MR. YURICK: Mark Yurick on behalf of the
13 Kroger Company.

14 MR. BARNOWSKI: Good morning, your
15 Honors. Dan Barnowski and Emma Hand on behalf of
16 Ormet.

17 MR. HAQUE: Good morning, your Honors.
18 On behalf AICU, City of Grove City, City of
19 Hillsboro, and City of Upper Arlington, Asim Haque,
20 Greg Dunn, Christopher Miller.

21 MR. STAHL: Good morning, your Honors.
22 On behalf of Exelon and Constellation, David Stahl
23 and Scott Solberg.

24 MR. PETRICOFF: Good morning, your
25 Honors. On behalf of the Retail Energy Supply

1 Association, RESA, Howard Petricoff and Lija
2 Kaleps-Clark.

3 MR. O'BRIEN: Good morning, your Honors.
4 On behalf of the Ohio Hospital Association, Rick
5 Sites and Tom O'Brien.

6 MR. BEELER: Steve Beeler and Vern
7 Margard, Assistant Attorneys General, on behalf of
8 the staff.

9 MR. MONTGOMERY: Your Honors, on behalf
10 of Paulding Wind Farm 2, LLC, Chris Montgomery,
11 Terrence O'Donnell, and Matt Warnock. Thank you.

12 EXAMINER SEE: Are there any matters we
13 need to discuss before we proceed with
14 cross-examination of the witness?

15 MR. MONTGOMERY: Your Honors, Chris
16 Montgomery on behalf of Paulding Wind Farm 2, LLC. I
17 sent out an e-mail last evening where it appears at
18 this point a majority of the parties in the case have
19 agreed to waive cross-examination of Paulding Wind's
20 witness, Mr. Steve Irvin.

21 We have agreed to a stipulation of facts
22 with IEU in exchange for their agreement not to
23 cross-examine Mr. Irvin. AEP is currently reviewing
24 that, and I just wanted to see if the Bench wanted to
25 resolve that today or if we wanted to deal with that

1 next week.

2 EXAMINER SEE: Are there any parties
3 present that have not responded to the request
4 whether or not they have cross-examination for
5 Mr. Irvin?

6 MR. MARGARD: Your Honor, Vern Margard on
7 behalf of staff. I represent that we have not
8 responded but that we do not intend to have any
9 cross-examination.

10 MR. O'BRIEN: Same for the Hospital
11 Association.

12 MR. PETRICOFF: Your Honor, on behalf of
13 RESA, same for RESA, we have not responded but we
14 have no cross.

15 MR. STAHL: Same for Exelon
16 Constellation, your Honors, no cross.

17 MR. BARNOWSKI: Same for Ormet, your
18 Honors, although we would like to see the stipulation
19 to see what is being agreed to.

20 I'm sorry, same for Ormet, your Honors,
21 although we would like to see the stipulation first.

22 MS. KYLER: Same for Ohio Energy Group,
23 yeah.

24 EXAMINER SEE: And you too would like to
25 see the stipulation?

1 MS. KYLER: Oh, no.

2 EXAMINER SEE: Okay.

3 MR. HAYDEN: Your Honor, we have no cross
4 for this witness for FES but we would like to see the
5 stipulation.

6 EXAMINER SEE: Okay. Mr. Montgomery, I
7 suggest you work with the parties that have indicated
8 that they wish to see the stipulation that you've
9 worked out with IEU and bring the status to the
10 Bench's attention at some point today.

11 MR. MONTGOMERY: Okay. Thank you very
12 much, your Honors.

13 EXAMINER SEE: Let's resume
14 cross-examination of AEP Witness Dias. I think we
15 were going to start with Mr. Yurick this morning.

16 MR. YURICK: Thank you, your Honor.

17 - - -

18 SELWYN J. DIAS
19 being previously duly sworn, as prescribed by law,
20 was examined and testified as follows.

21 CROSS-EXAMINATION

22 By Mr. Yurick:

23 Q. Mr. Dias, how are you this morning?

24 A. I'm doing fine, thanks, Mr. Yurick.

25 Q. Great. Could you turn, please, to page 9

1 of your testimony.

2 A. Exhibit 118?

3 Q. I'm sorry. 118. I'm not going to ask
4 you any questions about 119, so all of my questions
5 will be from your initial direct testimony.

6 MS. GRADY: Your Honor, could you request
7 that Mr. Yurick speak up. We have got a fan over
8 here that makes quite a bit of noise and it's very
9 difficult to hear.

10 EXAMINER SEE: I understand exactly.

11 Mr. Yurick.

12 MR. YURICK: Very reassuring to know
13 someone's listening, your Honor. Thank you, I'll try
14 to speak up.

15 EXAMINER SEE: Other than the Bench.

16 MR. YURICK: Oh, that's a given, your
17 Honor, absolutely.

18 THE WITNESS: Mr. Yurick, you did say
19 page 9?

20 Q. (By Mr. Yurick) Page 9, yes.

21 A. Okay, thank you.

22 Q. So if you look at the top of page 9, that
23 bullet, and it's sort of continued from page 8,
24 you're talking about differences between this
25 proposal and your previous proposal in the

1 stipulation, correct?

2 A. That's correct.

3 Q. And you say that, at the top of page 9,
4 that one of the differences is elimination of the
5 load factor rider to minimize customer rate impacts,
6 right?

7 A. Yes, I say the elimination of load factor
8 rider to minimize customer rate impacts.

9 Q. Now, the load factor rider, in general
10 terms, was a credit to high-load factor customers
11 that recognize that, in some instances anyway, it's
12 somewhat less expensive to serve high-load factor
13 customers because their usage over time is more
14 closely aligned with their maximum or their peak
15 load, right?

16 A. Generally I'll agree with you that the
17 LFR was intended to recognize the benefits of
18 high-load factor customers. Company Witness Roush is
19 the subject-matter expert as to all the intricacies
20 as to how that worked.

21 Q. I understand that. I'm talking at the
22 50,000-foot level that it was generally a credit to
23 high-load factor customers to recognize that there
24 is, at least theoretically, some cost benefit to them
25 to serve high-load factor customers; is that right?

1 A. I'll agree generally, yes.

2 Q. So if you're a high-load factor customer,
3 the elimination of that credit doesn't really
4 minimize the impact of your proposal to you as a
5 high-load factor customer, right?

6 THE WITNESS: Could I have the question
7 reread, please?

8 MR. YURICK: I'll restate it because it
9 was poorly crafted, if that's okay with your Honors.

10 Q. So if you're a high-load factor customer,
11 the elimination of the load factor rider doesn't help
12 you, correct?

13 A. My understanding of the load factor rider
14 is that while it did benefit the high-load factor
15 customers, there was an offsetting and corresponding
16 impact on low-load factor customers. So there was
17 this sort of balancing between those two
18 classifications of customers, high-load factor and
19 low-load factor.

20 By elimination of the load factor rider,
21 those that were getting the benefits of that rider
22 are not going to get those benefits, and those groups
23 of customers that were seeing a negative impact from
24 that rider are now seeing benefits.

25 Q. I understand, sir, and I appreciate the

1 thoroughness with which you answered the question,
2 but I'm really only talking about half the equation
3 here, just so I'm clear.

4 If you are a high-load factor customer,
5 elimination of the load factor rider is going to make
6 your service cost more, not less, correct?

7 A. If you're a high-load factor customer. I
8 don't know about making your service cost more. It
9 never went into -- well, it went into effect and it
10 was rejected. It was not in place prior to the
11 stipulation.

12 Q. I'm sorry, that was ambiguous of me. So
13 if you're a high-load factor customer, the
14 elimination of the load factor rider is going to make
15 your service or is going to result in your service
16 costing more than if there were a load factor rider
17 in the proposal.

18 A. I'll agree with you.

19 Q. So there are winners and losers to
20 elimination of the load factor rider just as there
21 were winners and losers with the proposal to do a
22 load factor rider in the first place, correct?

23 A. As I said earlier, there were -- by
24 virtue of the load factor rider there were some
25 groups of customers by way of how they used our power

1 that saw benefits, and then there were some groups of
2 customers by virtue of how they didn't use our power,
3 in essence, they were low-load factor and they only
4 peaked during the highest time of our peak, but the
5 rest of the time they didn't take power, we had to
6 build facilities for them, so it passed on a
7 corresponding cost to them.

8 Q. And since there were winners and losers
9 in the load factor rider and in the elimination of
10 the load factor rider, either way would be revenue
11 neutral to the company, correct?

12 A. Yeah, I'm a little bit troubled by the
13 term "winners and losers." I recall the load factor
14 rider morphed into the stipulation with a lot of
15 other provisions. There were benefits, different
16 benefits for different customers in that stipulation
17 agreement, and that stipulation agreement was
18 eliminated.

19 Again, we did not have the load factor
20 rider prior to the stipulation, so it is where we are
21 now.

22 Q. But using your terminology, if you're a
23 high-load factor customer, the load factor rider is a
24 benefit that you would have gotten under the
25 stipulation that you are not going to get under your

1 current proposal, correct?

2 A. Under a stipulation that no longer
3 exists, correct.

4 Q. I wanted to ask you a little bit toward
5 the bottom of the page you talk about rider EICCR.

6 A. Yes.

7 Q. That was your environmental investment
8 carrying cost rider, correct?

9 A. Correct.

10 Q. But you are -- the company is going to
11 recover environmental investment carrying costs
12 through rider RSR; isn't that right?

13 A. I don't -- I was looking for Company
14 Witness Allen's testimony and, unfortunately, I
15 didn't pull it out this morning. My recollection is
16 that the mechanism Company Witness Allen used had
17 some specific revenues associated with generation,
18 there was a credit for margins that could be achieved
19 from freed-up load, but there was no specific
20 reference to collecting revenue for environmental
21 investments in the retail stability rider.

22 Q. Well, would you accept, subject to check,
23 that on page 13 of Mr. Allen's testimony he testified
24 that there were three areas that were going to be
25 nonfuel generation revenues collected through the RSR

1 and those three areas were base generation revenue,
2 environmental investment carrying cost rider, which
3 is what I'm talking about, and CRES capacity revenue
4 shortfall?

5 A. Okay, yes, I'll agree, subject to check.

6 Q. So if that were true, subject to check,
7 the company's -- while the company may be eliminating
8 the specific EICCR rider, you would admit that at
9 least to your knowledge they may be recovering costs
10 related to environmental investment carrying costs
11 through another rider.

12 A. You know, Mr. Yurick, I really would like
13 to see the testimony you're referencing. I know I
14 said subject to check, but I'd like to check now.

15 MR. NOURSE: We can provide it to the
16 witness.

17 A. So can you help me find --

18 Q. Page 13.

19 A. Page 13, okay.

20 Q. I don't have a specific line reference,
21 but I can get you one.

22 A. That won't be necessary, I'll just read
23 it real quickly.

24 Q. Okay.

25 A. Okay. So I read it and I'm glad I

1 checked because I don't think I agree with your
2 characterization of the RSR collecting environmental
3 cost recovery or environmental investments.

4 Q. So it's your testimony you don't believe
5 that environmental carrying costs are something
6 that's recovered through the RSR.

7 A. That's correct. I'm not disagreeing with
8 Mr. Allen's testimony. I see what he's saying and I
9 understand what he's saying.

10 He's saying that the RSR -- in this
11 passage starting with line 17 forward he's
12 referencing the components that make up the RSR
13 calculation and he's referencing base generation
14 revenues. EICCR as it exists today is going to be
15 part of that base generation revenue.

16 So to the extent that there was
17 environmental revenues coming in under the EICCR,
18 they will be part of the base generation revenue,
19 that's the context of what he's describing.

20 Q. And you're recovering your shortfall on
21 base generation revenue through the RSR; isn't that
22 his testimony?

23 A. No. He's setting a predetermined
24 generation revenue of \$929 million, and to the extent
25 that we overcollect 929, it will be passed on to the

1 benefit -- back to the benefit of the customers. To
2 the extent that we do not meet the \$929 million
3 predetermined level of revenue, there would be a
4 collection to get us back to up 929.

5 Q. And one of the elements in the
6 calculation for your base generation revenue that
7 would change your amount of shortfall or overage is
8 environmental investment carrying costs; isn't that
9 right? Isn't that what he says?

10 A. Can you point me specifically to what
11 you're referring to?

12 Q. Well, I mean if you don't agree that
13 that's what he says in the passage you just read,
14 then --

15 A. I don't mean to agree or disagree, I need
16 to see specifically what you're talking about. I
17 described my reading of his testimony.

18 Q. Let me ask you this: RSR, the rider, an
19 important component of that is the difference between
20 what you propose to charge CRES providers for
21 capacity and what the company's going to receive for
22 that capacity; isn't that right?

23 A. That's one of the components that would
24 go into the ultimate makeup of the RSR.

25 Q. And what are the other components?

1 A. It would be anything --

2 Q. I'm sorry?

3 A. It would be anything that's generation
4 related in revenue, and you'd have to go back to
5 Company Witness Allen's testimony. He was the
6 subject-matter expert on the RSR.

7 Q. So I'm not trying to put words in your
8 mouth, but are you not -- are you just not familiar
9 with the calculation of RSR at that degree of
10 specificity?

11 A. I'm generally familiar with the
12 calculation, but Company Witness Allen sponsored the
13 calculation.

14 Q. To your knowledge, is the shortfall in
15 capacity, is that a major component of the RSR?

16 THE WITNESS: Can you have the question
17 reread for me, please?

18 (Record read.)

19 A. The "shortfall in capacity," Mr. Yurick,
20 are you referencing to the discount we're offering
21 off our cost of 355.72?

22 Q. Yes.

23 A. It's one of the components that make up
24 the RSR to keep the company financially healthy.
25 Recall I spoke yesterday about this balancing

1 mechanism. This balancing mechanism, on one side are
2 all these benefits that customers will be getting
3 from the modified ESP that ultimately get them to a
4 market standard service offer with robust competitive
5 choices from CRES providers. The other side there's
6 going to be financial impacts to provide those
7 benefits to the company.

8 If we don't have that RSR, Mr. Yurick,
9 there will be severe financial harm done to the
10 company and, as I talked quite a bit yesterday, it
11 could potentially put us into financial duress.

12 Q. So --

13 A. Let me -- I'm not finished.

14 To stay financially healthy, we want to
15 continue keeping jobs in Ohio, making investments in
16 Ohio. AEP Ohio -- AEP in general has had a great
17 track record of transmission investments, for
18 example, in Ohio. Through transmission investments
19 we've built a robust transmission network which has
20 benefited communities, it has benefited customers,
21 it's benefited the state of Ohio.

22 The RSR is that balance we need to keep
23 Ohio financially healthy. So that if we continue --
24 so that we can continue these kind of investments
25 that we've been making. It will improve tax base and

1 have jobs in the state of Ohio.

2 Let's just, you know, something to
3 just -- that's real clear to me and evident to me is
4 what happened most recently in the ATSI zone. The
5 pricing that we saw come out of there.

6 American Electric Power, for example, in
7 that specific example would love to help fix that
8 problem, we would love to be able to make investments
9 to relieve that congestion, and without the RSR we
10 would have to relook at that.

11 Q. Okay. So --

12 MR. HAYDEN: Your Honor. Your Honor, I
13 object. I move to strike that response.

14 MS. GRADY: Join.

15 EXAMINER SEE: Who said "join"?

16 MS. GRADY: I join that motion to strike.

17 MR. YURICK: So, your Honor, if I could
18 be -- I mean, I honestly, I think that my question
19 was "Is the capacity discount to CRES providers a
20 major component of the RSR," and I don't want to
21 necessarily stop Mr. Dias from speaking, but I don't
22 know that I got an answer to my question.

23 I understand and I think we've heard from
24 various witnesses that the RSR is very important to
25 the company's financial health, but I'm not really

1 sure I got an answer to the question: Is the
2 discounted capacity that the company believes it is
3 giving to CRES providers a major or a large or a big
4 portion of the costs that the company's seeking to
5 recover through rider RSR.

6 MR. NOURSE: Your Honor, if I could
7 respond.

8 EXAMINER SEE: Yes. Briefly.

9 MR. NOURSE: The question was a general
10 question about what's the driver for the RSR, you
11 know, "major," "large," those are all relative and
12 subjective terms. Mr. Dias explained, again, the
13 purpose of the RSR and gave an example supporting his
14 answer, so I think it is part of a full answer.

15 Mr. Yurick can follow up if he has a
16 better quantification of what he wants to say about
17 the largeness, but I believe the answer was
18 appropriate.

19 MS. GRADY: Your Honor --

20 MR. HAYDEN: Actually that was not the
21 question --

22 EXAMINER SEE: Let me rule on it.

23 "To your knowledge, is the shortfall in
24 capacity, is that a major component of the RSR" was
25 the question. It was answered, but there was a great

1 deal of extra context put with the question.

2 So I am not going to strike the complete
3 answer given, but from "Let's just, you know,
4 something" all the way to the end, relook at that.

5 MS. GRADY: Thank you, your Honor.

6 MR. HAYDEN: Thank you.

7 EXAMINER SEE: Let's stay focused with
8 our questions and focused with our responses.

9 Your next question, Mr. Yurick.

10 Q. (By Mr. Yurick) On page 9 you state that
11 the company has dropped its request for various
12 riders, including the provider of last resort rider.
13 Do you see that, it's on lines 16 through 18 on page
14 9 of Exhibit 118?

15 A. Okay. What was the question?

16 Q. You see where you say "The Company has
17 dropped its request for the Facilities Closure Rider,
18 NERC Compliance Cost Recovery Rider, Carbon Capture
19 Sequestration Rider, and Provider of Last Resort
20 Rider." Is that your testimony?

21 A. Yes.

22 Q. To your knowledge, did the company have
23 any problems in including a provider of last resort
24 rider in previous cases?

25 A. We had a provider of last resort in ESP

1 No. I, and in that proceeding I recall the Commission
2 had recognized there were costs associated with that
3 provider-of-last-resort obligation.

4 Q. So it's your testimony that the POLR
5 rider that was in the ESP I was approved by the
6 Commission?

7 A. Yes.

8 Q. Okay. So I asked you a question about
9 the environmental investment carrying cost rider and,
10 actually, Witness Roush's testimony as opposed to
11 Witness Allen's testimony is a little more on point
12 here.

13 If you look at page -- do you have
14 Witness Roush's testimony in front of you?

15 A. Yes, I do.

16 Q. If you go to the first full question and
17 answer, it says "Please explain AEP Ohio's change" --

18 A. I'm sorry, what page are you on?

19 Q. Page 8.

20 A. Okay.

21 Q. "Please explain AEP Ohio's changes to its
22 standard service offer tariffs," then the answer is
23 "In this case in order to avoid any rate design
24 concerns, AEP Ohio is proposing only one change to
25 the base generation charges included in its standard

1 service offer tariffs," right?

2 And then the next sentence says "The
3 change is to relocate the charges under the current
4 EICCR into base generation rates and to eliminate the
5 EICCR." Do you see that?

6 A. I do.

7 Q. And it says "This change is simply a
8 roll-in of the EICCR charges and is bill neutral for
9 all customers," right?

10 A. That's correct. Today the customers pay
11 a base generation charge dating back to December or
12 where it was in December of 2011, they are currently
13 paying the EICCR rider that was in effect currently,
14 and Mr. Roush has folded the EICCR rider into the
15 base generation rate and so customers will see no
16 change in the overall rate that they pay.

17 Q. Correct. So to the extent that you just
18 said earlier that rider RSR is to recover shortfalls
19 in base generation rates, which I understand is
20 extremely important to the company for all the
21 reasons that you went into, I don't think we need to
22 revisit those, but aren't you collecting
23 environmental investment carrying costs in your rider
24 RSR?

25 A. That's correct. Of the revenues that

1 were established as of the last rider update that was
2 done. It will not include any changes for new
3 investments made.

4 MR. YURICK: I have no further questions.
5 Thank you, your Honor.

6 EXAMINER SEE: Mr. Barnowski.

7 MR. BARNOWSKI: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Barnowski:

11 Q. Good morning, Mr. Dias. How are you?

12 A. I'm doing fine, thanks.

13 Q. I'd like to talk to you for just one
14 minute about this financial duress idea. To be
15 absolutely clear, the company does not have an RSR in
16 place right now and has been charging either RPM
17 pricing or 255 for the year 2012, and despite that
18 fact, the company earned approximately \$150 million
19 in net income, not gross income, net income during
20 the first quarter of the year, correct?

21 A. That's correct. That net income is
22 associated with the vertically integrated utility
23 which includes generation, transmission,
24 distribution, and includes margins that are earned
25 from generation that is sold into the market. The

1 RSR is very specific to generation.

2 I also want to point out to you --

3 MR. BARNOWSKI: Your Honors --

4 A. -- Mr. Barnowski --

5 MR. BARNOWSKI: -- my question was simply
6 did he earn, did the company earn \$150 million in net
7 income in the first quarter. He's answered the
8 question, he doesn't have to make a speech.

9 MR. NOURSE: Your Honor, first of all,
10 Mr. Barnowski interrupted Mr. Dias's answer.
11 Secondly, he asked about the 150 million so he's
12 explaining what that comes from and it's not all
13 related to the RSR proposal. It's certainly part of
14 a proper answer.

15 EXAMINER SEE: I'll allow the witness to
16 complete his answer and I'll consider your request
17 after his completed answer.

18 THE WITNESS: Thank you, your Honor.

19 And that \$150 million you referenced,
20 Mr. Barnowski, has in it \$35 million that had nothing
21 to do with the first quarter earnings from
22 operations.

23 \$35 million was nothing more than an
24 accounting reversal entry that was made of a
25 liability that was booked in 2011 related to the PWO

1 and the Ohio Growth fund that we had part of the
2 stipulation agreement.

3 Q. (By Mr. Barnowski) Thank you, Mr. Dias.

4 Turn to page 4 of your supplemental
5 testimony now, if you would.

6 A. I'm there.

7 Q. You list here the four benefits of the
8 RSR that you could identify, correct? I'm sorry, the
9 "four key benefits," in your words.

10 A. Yes, and there are others also, in fact,
11 I can think of another key benefit when I'm sitting
12 here looking at this.

13 Q. Mr. Dias, when I asked you in your
14 deposition if these were the only key benefits you
15 can think of, your answer was "yes," correct?

16 A. You'll have to point me to my deposition.

17 Q. Sure. Do you have it in front of you?

18 A. I do. Can you give me a page number?

19 Q. 107. Tell me if I read this correctly,
20 line --

21 EXAMINER SEE: Just a moment.

22 A. Let me catch up with you.

23 Okay, I'm on page 7. I'm sorry, 107.

24 Q. 107, lines 6 to 23. Here's the questions
25 and answers, tell me if I've read it correctly.

1 "I'm specifically looking at page 4 where
2 you identify the key benefits, and that's the word
3 that you use in your supplemental testimony, "key."
4 And I just wanted to ask you if these are all -- if
5 you agree or if you intended when you wrote your
6 testimony to use "key" to mean most important or most
7 significant.

8 "Answer: Yes and yes."

9 Did I read that correctly?

10 A. You read that correctly, and the next
11 question and answer was asking me if those were the
12 only key benefits and I go on to say that "...these
13 are the ones I've identified, you are correct. But
14 that does not necessarily mean that it's everything."

15 Q. The next question and answer, just to be
16 clear is "Okay. So there are no other key benefits
17 in your mind or else you would have included them in
18 this second round of testimony, right?"

19 And the answer you gave was: "Key
20 benefits as I describe them. Somebody else may see
21 another aspect of the proposal that they believe is
22 key; we have a lot of varied interests in this case.
23 But these are the ones I have identified, you are
24 correct, but it doesn't necessarily mean that's
25 everything."

1 Did I read that correctly?

2 A. You're correct.

3 Q. Okay. Let's talk about the four key
4 benefits that you identify. The first is frozen
5 nonfuel generation rates which you say will remain
6 the same as those in effect at the end of the 2009
7 through 2011 ESP, correct?

8 A. Correct.

9 Q. It's also true, though, that the company
10 is requesting implementation of new riders that were
11 not in place in 2009 through '11 that will have the
12 effect of raising rates, correct?

13 A. You are correct. I'm referencing in this
14 testimony key benefits that I see, and the frozen
15 nonfuel generation rates is one of several.

16 Q. Okay. So rates go up even though the
17 nonfuel generation rates don't, fair?

18 A. Some riders go up, correct.

19 Q. And, in fact, we heard from Mr. Allen two
20 days ago that the RSR alone, all by itself, will
21 raise the rates of my client, Ormet, by 7-1/2 million
22 dollars per year, correct?

23 A. I don't remember that value and I have no
24 reason to disagree with you on that number, if
25 Mr. Allen has verified it for you. But I do know

1 that Ormet's total bill annually is well over
2 \$110 million.

3 Q. Have you met a lot of customers who
4 consider it a benefit to have their rates go up by
5 7-1/2 million dollars just because the nonfuel
6 generation is frozen?

7 A. No, Mr. Barnowski, I have only met one
8 customer that has a bill of over \$110 million.
9 That's a lot of money. So the 7 million, you've got
10 to put it in perspective of the total bill.

11 Q. All right, let's put it in perspective
12 then. The second key benefit you list is that the
13 rate increases will be, in your words, "tempered" and
14 "modest," correct?

15 A. Correct. Yesterday I had given testimony
16 that talked about the rate -- the other increases
17 that you've mentioned that riders go up, the RSR, the
18 DIR, as examples where the first year it was
19 4.51 percent; year 2 it's 3.77 percent; year 3 it's
20 .26 percent.

21 I did the simple math of 8.54 divided by
22 three comes out to about 2.85 percent increase, just
23 over all classes of customers.

24 Q. Okay. But my question is simply the
25 words you used to describe the rate increase here are

1 "tempered" and "modest," correct?

2 A. That's correct. I still feel that way.

3 Q. Okay. Now, were you in the room when
4 there was confidential testimony given about fuel
5 adjustment clause changes, and that's just a "yes" or
6 "no" because I don't want you to testify to any
7 confidential information?

8 A. I don't think I was in the room.

9 Q. Okay.

10 A. I'm not sure.

11 Q. Well, I want to put that aside. I want
12 to put projected fuel adjustment clause rate
13 increases aside for now and just ask you, are you
14 aware that, putting that aside, within two years my
15 client's rates will go up, putting that aside, by
16 \$31 million?

17 A. I don't want to speculate on the amount,
18 Mr. Barnowski, because I wasn't here and I don't
19 know, and I don't -- we don't know what those fuel
20 forecast costs are going to be.

21 Q. I'm saying put that aside, I'm not even
22 talking about the fuel adjustment clause projection,
23 I'm talking about everything else.

24 A. Right.

25 Q. Are you aware, putting the fuel

1 adjustment clause costs aside, my client's rates will
2 go up in two years by \$31 million a year?

3 MR. NOURSE: Asked and answered, your
4 Honor.

5 MR. BARNOWSKI: If he did, I apologize, I
6 thought he was confused and was talking about the
7 fuel adjustment clause.

8 EXAMINER SEE: Part of it is like the two
9 parties cross-talked like they're having a
10 conversation and we're not in a hearing.

11 MR. BARNOWSKI: I apologize, your Honor.

12 EXAMINER SEE: So answer the question,
13 Mr. Dias.

14 A. I do know, Mr. Barnowski that your client
15 that you referred to paying the bill, in fact, does
16 not pay the total bill.

17 Q. Mr. Dias, did you understand my question?

18 A. I think I did.

19 Q. Okay. Just to be clear, the \$31 million
20 does not include any discount, it's the actual amount
21 that my client will have to pay within two years, a
22 \$31 million increase, are you aware or not?

23 A. I'm not aware.

24 MS. GRADY: Objection. I think it
25 assumes a fact not in evidence, your Honor.

1 MR. NOURSE: I join. There's no
2 foundation, because Mr. Barnowski's repeated that
3 three times and the witness has stated he could not
4 confirm it and did not make that calculation.

5 MR. BARNOWSKI: Your Honor, I just asked
6 him if he's aware. If he's not, that's fine. There
7 is evidence in the record.

8 EXAMINER SEE: This witness has stated
9 that he's not aware of the amount, he can't confirm
10 the amount. To the extent he can answer the question
11 without the amount, please do so, and if he can't,
12 say so. Let's move on.

13 Q. (By Mr. Barnowski) The third key benefit
14 you list, Mr. Dias, is discounted capacity, correct?

15 A. That's correct.

16 Q. Isn't it true that your captive
17 customers, those who are contractually barred from
18 shopping, will not be able to access discounted
19 capacity from CRES providers in the terms of the
20 ESP II? Correct?

21 A. To the extent that a customer, you used
22 the word "captive," I'm not sure I agree with that.
23 I'm not sure, but to the extent that a customer, as
24 you're describing, that may be captive and doesn't
25 shop, if you're referring to special contracts and

1 being specific to your client, I think I'll agree
2 with you that they may not see any direct benefit
3 from the discounted capacity being made available to
4 CRES providers, but they'll see other benefits.

5 They'll see other benefits from the
6 standard service offer that will be ultimately and
7 actually very soon be based on a auction market
8 price. That same customer currently sees benefits
9 and it's part of this ESP through the economic
10 development rider.

11 Q. Okay. We're talking about the four key
12 benefits you listed on the page. Let's look at the
13 fourth one now.

14 A. Okay.

15 Q. Certainty and stability. Those are your
16 words which will, quote, minimize customer rate
17 impacts, correct?

18 A. That's correct.

19 Q. Do you believe a company having to absorb
20 a \$31 million rate increase or a 7-1/2 million-dollar
21 annual rate increase promotes that company's
22 stability?

23 MS. GRADY: Objection.

24 EXAMINER SEE: I'll assume it's as to the
25 same dollar amount that Mr. Barnowski just put in the

1 record?

2 MS. GRADY: Yes, your Honor.

3 EXAMINER SEE: Sustained.

4 Q. Do you think, Mr. Dias, that a company
5 having to absorb just a 7-1/2 million-dollar rate
6 increase promotes that company's stability?

7 MS. GRADY: Objection.

8 MR. BARNOWSKI: Basis?

9 EXAMINER SEE: Would you like to give the
10 basis for your objection, Ms. Grady?

11 MS. GRADY: Yes, your Honor. In response
12 to your request for a basis I would state that that,
13 again, I don't believe that number is in evidence, a
14 fact in evidence. It assumes something that's in
15 evidence and I don't believe it is at this point.

16 MR. BARNOWSKI: Your Honors, Mr. Allen
17 testified just two days ago that a 7-1/2
18 million-dollar rate increase would come in through
19 the RSR against my client Ormet.

20 EXAMINER SEE: And I believe you're
21 correct, Mr. Barnowski.

22 The objection is overruled.

23 THE WITNESS: May I have the last
24 question reread, please?

25 EXAMINER SEE: Yes.

1 (Record read.)

2 A. Mr. Barnowski, I'm not testifying to the
3 7-1/2 million. I don't know. Sounds like there was
4 some discussion with another company witness,
5 specifically Company Witness Allen.

6 So setting that aside I will testify,
7 though, that the certainty and stability I'm
8 referring to is the known price increases or cost
9 increases that customers will see over the term of
10 the ESP, which are very modest and tempered, as I
11 discussed just two bullets above that.

12 And by virtue of the fact that those
13 increases are known, that creates certainty and
14 stability. This whole modified ESP brings certainty
15 and stability to the regulatory framework that we
16 have currently as we transition to market.

17 Q. (By Mr. Barnowski) Let's put aside the
18 FAC for a second. Again, are you aware that the PIRR
19 rider and the RSR rider together will raise rates by
20 approximately \$5 per megawatt-hour?

21 A. I don't know about that amount. But the
22 PIRR, let's be clear, Mr. Barnowski, and I think you
23 know this, that those are collecting costs that
24 should have been paid three years prior --

25 Q. Well --

1 A. -- and were not paid.

2 Q. I'm sorry, I didn't mean to interrupt
3 you. Are you finished?

4 A. Yes.

5 Q. You're also collecting certain carrying
6 charges and interest, correct?

7 A. Costs that we have incurred that have not
8 been collected from customers continue to have a cost
9 to the company.

10 Q. Okay.

11 A. And those are carrying charges that are
12 being applied that were approved by this Public
13 Utilities Commission.

14 Q. And if you just happen to be 4.5 million
15 megawatt-hours per year multiplied by \$5 per
16 megawatt-hour, it's a rate increase of approximately
17 \$23 million, putting aside all the FAC raises and
18 projections we talked about a couple days ago,
19 correct?

20 A. All related to the very large amount of
21 power Ormet uses.

22 Q. Thank you.

23 MR. BARNOWSKI: I have no further
24 questions, your Honor.

25 EXAMINER SEE: Mr. Haque.

1 - - -

2 CROSS-EXAMINATION

3 By Mr. Haque:

4 Q. Good morning, Mr. Dias.

5 A. Good morning.

6 Q. As we've already established in your
7 direct testimony and in your supplemental testimony,
8 you discuss certain economic development benefits
9 that the company believes this modified ESP provides
10 for, correct?

11 A. That's correct.

12 Q. In your response to a question from
13 Mr. Barnowski you mentioned the Ohio Growth fund from
14 the ESP that was filed in this case in January of
15 last year; is that correct?

16 A. That's correct.

17 Q. And are you generally familiar with the
18 Ohio Growth fund and the provisions of the Ohio
19 Growth fund from that original application?

20 A. I'm generally familiar with that, yes.

21 Q. Okay. Would you agree with me that the
22 purpose of that Ohio Growth fund, the anticipated
23 uses included, but were not limited to, short-term
24 rate incentives for startups and expansions,
25 infrastructure investment, and direct support for

1 public/private partnerships in the state and local
2 economic development arena? Does that sound about
3 right?

4 A. That all sounds familiar.

5 Q. Okay. Now, the Ohio Growth fund is not a
6 feature or a commitment that is found in this
7 modified ESP, correct?

8 A. That's correct. The Ohio Growth fund was
9 part of the proposal we had made back in January of
10 2011 when we first filed the ESP II. It continued in
11 the stipulation agreement with new provisions that
12 were added and deleted from the original application,
13 and then the stipulation agreement got rejected and,
14 as a result, the Ohio Growth fund got rejected too as
15 part of that stipulation.

16 We have presented a new ESP II modified,
17 and the Ohio Growth fund did not survive.

18 Q. Thank you.

19 Let's talk a little bit about the
20 economic development benefits of the modified ESP.
21 So you assert in your testimony that there are
22 economic development benefits that are embedded in
23 the modified ESP, correct?

24 A. That's correct.

25 Q. Okay. And namely the availability of

1 interruptible service and the economic development
2 rider specifically?

3 A. Those are two that I called out.

4 Q. Okay. Were there more that were in your
5 testimony that I'm not aware of?

6 A. Those are two that I called out in my
7 testimony, but I can think of others.

8 Q. Okay. But in your testimony those are
9 the two specifically that are mentioned.

10 A. I can't recall if there was anywhere
11 else, I'd have to look at my testimony. If you've
12 seen it somewhere else, please let me know.

13 Q. No, I have not, which is why I'm asking
14 you if there are other economic development benefits
15 or mechanisms that you list in your direct or
16 supplemental.

17 A. Yeah, I mean, I reference the RSR as
18 having a direct tie to economic development from
19 AEP's perspective. And I can expand on that, if
20 you'd like. But, yes, there is economic development
21 in other parts of this plan.

22 Q. No need to expand, thank you.

23 Now, did you perform a study, Mr. Dias,
24 to determine if, namely the availability of
25 interruptible service or the economic development

1 rider, if either of these would actually spur
2 economic development in the AEP service territories?
3 Was there a study performed?

4 A. I don't recall there being -- a study
5 being performed for the purposes of my testimony in
6 this modified ESP. What I'm basing this on is my
7 experience in my position as I have been involved
8 with many large manufacturing companies that have
9 been discussing the possibility of them relocating to
10 the state of Ohio, specifically AEP Ohio's service
11 territory; my experience in having discussions with
12 existing customers that are now on special contracts
13 and the benefits of their special contracts by
14 keeping them as healthy companies in this state
15 through the discounts, the economic development
16 benefits that come back to the state.

17 So those are the kinds of things that I'm
18 thinking about when I talk about the economic
19 development rider.

20 Q. Okay. So no actual study was performed
21 either by you or the company to determine whether or
22 not those two features would actually create jobs.
23 It is essentially --

24 A. I don't --

25 Q. I'm sorry, go ahead and answer.

1 A. I didn't think I needed a study, Mr. --
2 I'm sorry, I just lost your last name.

3 Q. Haque.

4 A. Haque.

5 -- because we have gone through that
6 process as this Commission was approving special
7 contracts and discounts and the jobs was discussed,
8 the tax base, the investment. In fact, I'm quite
9 certain -- I know that conditional for those special
10 contracts is a commitment from those companies that
11 get them that they will have jobs and they will have
12 investment expansions or will maintain investments.

13 So I didn't need to do a study. I was
14 basing it on experience and actually cases that were
15 presented right in front of this Commission.

16 Q. Okay. But despite whether or not you
17 believe you needed a study, no study was completed,
18 correct?

19 A. Not I'm aware of.

20 Q. Thank you.

21 Now, Mr. Dias, are you aware of whether
22 during the period that the stipulation was
23 implemented from the previous ESP, and when the
24 Commission asked the companies to start this process
25 over, if any businesses experienced financial

1 difficulty in the AEP service territories due to
2 increased rates during that period?

3 A. I am not aware of businesses that
4 experienced financial difficulties. I do know, and I
5 will acknowledge, that there were businesses that
6 complained that they had seen large increases as a
7 result of the stipulation agreement, and I -- as I
8 talked earlier, there were specific reasons related
9 to a couple of provisions that I attribute to that
10 cause, being the MTR and the LFR, which are no longer
11 in this modified ESP.

12 Q. Okay. So your testimony is, is that you
13 know of complaints from businesses, but you don't
14 know if those complaints stemmed from financial
15 difficulty.

16 A. That's correct.

17 Q. Okay. Are you aware of any businesses
18 that closed during that period? As a result of --
19 Sorry, let me qualify that question.

20 Are you aware of any businesses that
21 closed as a direct result of AEP's rate increases
22 during that period?

23 A. No, I do not.

24 Q. Now, in response to one of Ms. Grady's
25 questions yesterday about the company developing

1 community relationships, you stated that the company
2 invests, it was either "quite a lot" or "quite a bit"
3 in essentially, for lack of a better phrase, checks
4 it cuts to develop these community relationships. Do
5 you recall that line of questioning and that
6 response?

7 A. I do.

8 Q. And you could not yesterday and -- you
9 could not yesterday quantify the amount that AEP
10 spends in developing those community relationships,
11 let's say annually.

12 A. That's correct. I said a large amount, I
13 didn't have an amount. I know it's more than a
14 hundred dollars. It's a substantial amount, that's a
15 relative term, as you can imagine. But no, I do not
16 have a number in my mind. I just don't -- I don't
17 know.

18 Q. Okay. But, again, the testimony was
19 "quite a lot" or "quite a bit," whatever the actual
20 response was.

21 A. Yes.

22 Q. Okay. Despite this and despite what you
23 acknowledge to have been financial harm for some
24 businesses, however you want to derive that, you
25 understood that there were complaints, combine that

1 with the fact that AEP, the company, does essentially
2 fund these community relationships, all those factors
3 taken into consideration, the decision was made to
4 remove the Ohio Growth fund from this ESP.

5 THE WITNESS: May I have that question
6 reread, please?

7 (Record read.)

8 A. Sir, could you please break down that --
9 that was a long question, I think.

10 Q. Sure.

11 A. Which ended in a question at the end but
12 there was a lot of preface to it and I'm getting it
13 all mixed up, so can you break it down for me?

14 Q. Sure. The Ohio Growth fund is not in
15 this ESP, correct?

16 A. That's correct. I acknowledged that
17 earlier.

18 Q. And the reason why it was not included in
19 this ESP was because either you cannot tell me
20 because it is protected by some privilege, or because
21 the plan provided represents a balanced proposal that
22 the company has made in this case; is that correct?

23 A. It was -- the Ohio Growth fund was part
24 of a ESP I that was a totally different plan, it had
25 different provisions, it had a different set of

1 balance. The modified ESP is quite different from
2 the original ESP II filed and even the stipulated
3 agreement.

4 So we came up with this -- we presented
5 taking into account everything we heard; we heard
6 from our customer, we heard from this Commission, we
7 heard from the state saying we want you to get to
8 market as quickly as possible.

9 We re-balanced everything with the end
10 goal to get to market within a transitional period of
11 three years, and the Ohio Growth fund was not part of
12 that total package.

13 MR. HAQUE: Thank you, your Honors. I
14 have no more questions for this witness.

15 EXAMINER SEE: Mr. Petricoff.

16 MR. PETRICOFF: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Petricoff:

20 Q. Good morning, Mr. Dias.

21 A. Good morning. I have to move to see you.

22 Q. Good to see you again too.

23 If you would, do you have your
24 supplemental testimony with you?

25 A. I do.

1 Q. Okay. Turn to page 6 of your
2 supplemental testimony and I want to draw your
3 attention to line 6 where you say "A decrease in
4 value of the Company could lead to lower property
5 taxes."

6 A. I'm sorry, I didn't catch that. What
7 line is that?

8 Q. Page 6, line 6, and the sentence I want
9 you to focus on is "A decrease in value of the
10 Company could lead to lower property taxes."

11 A. Correct.

12 Q. You're familiar with how property taxes
13 are set in Ohio?

14 A. I'm not intimately familiar with how
15 property taxes are set in Ohio, but I do know there's
16 a correlation between investment value and the rate
17 that's assessed on the investment value or the
18 assessed value.

19 Q. Well, let's take that down one level of
20 detail. Isn't it true that the process is that the
21 County Auditor or employees from the County Auditor's
22 Office go out and assess each piece of real property
23 in the county, develop a market value, that is then
24 multiplied against the millage that's voted in by the
25 citizens, and that is how you calculate your property

1 tax?

2 A. I don't know.

3 Q. Okay. Assuming when we cite the
4 statutory scheme that it follows that pattern, is it
5 true, then, the individual income that's earned by a
6 company wouldn't affect its property tax obligation?

7 THE WITNESS: Can you reread the question
8 again?

9 Q. Let me ask it another way.

10 A. Okay.

11 Q. If, in fact, the property tax is assessed
12 by the market value times the voted millage, it
13 wouldn't affect the property tax for any particular
14 piece of property whether AEP earned a 10.5 percent
15 rate of return or a zero rate of return for a given
16 year.

17 A. Oh, but I think there is a correlation,
18 Mr. Petricoff, because as I've been saying, the
19 financial harm that will be caused to AEP Ohio, the
20 potential financial duress that will be caused to
21 AEP Ohio will ultimately translate, could translate,
22 to us not making investments that we would otherwise
23 make and investments that we have made we may walk
24 away from.

25 So I think there is a direct correlation

1 to property taxes.

2 Q. Okay. Well, let's focus in on that. So
3 temporally, your comments here on lines 6 through 9
4 have to do with either divesting property that you
5 own or not making additional property investments
6 that would be made had you not received the revenue
7 that's requested in the application or all the
8 revenue that's requested in the application.

9 A. Can you repeat the question, please,
10 again?

11 MR. PETRICOFF: Would you read back the
12 question, please?

13 (Record read.)

14 A. That's exactly correct, Mr. Petricoff. I
15 used an example just a minute ago of us likely
16 looking at trying to solve the problem in ATSI, for
17 example, with transmission investments. And without
18 being financially harmed, we would probably have to
19 reconsider that. That's a problem I would believe
20 American Electric Power would like to fix.

21 Q. If you would, turn to your direct
22 testimony, page 5, line 22.

23 A. I'm sorry, I lost the page again.

24 Q. Page 5.

25 A. 5.

1 Q. Line 20, I guess it's line 21.

2 A. I just have the word "proposed" on 21.

3 Q. No. It should be on --

4 A. On my direct?

5 Q. Of your direct testimony. It should be
6 the quote from Revised Code Section 4928.02(A), as in
7 "apple."

8 A. Yes, I see that line.

9 Q. And that statutory requirement says that
10 AEP will "Ensure the availability to customers of
11 adequate, reliable, safe, efficient, and
12 nondiscriminatory and reasonably priced retail
13 electric service."

14 Is it fair to say that none of the
15 discretionary spending that AEP would do without if
16 it doesn't get the RSR and the other portions of this
17 application would affect its investments or its
18 spending if it's required for adequate, reliable,
19 efficient, nondiscriminatory, and reasonably priced
20 electric service?

21 A. As you know, Mr. Petricoff, the EDU, even
22 when we get to the wires company only, has an
23 obligation to provide reliable, safe, efficient,
24 nondiscriminatory, and reasonable priced electric
25 service, and we will continue to do that.

1 There are -- the reference I'm making as
2 we had just come off the prior questions is that
3 discretionary investments that we normally do today
4 would have to be reconsidered.

5 Q. So when we're talking about the economic
6 impact in your -- when you're talking about the
7 economic impact in your supplemental testimony on
8 page 6 between lines 6 and 11, we are talking
9 about -- we are limiting it just to discretionary
10 spending that's not required to provide the
11 regulatory services that AEP Ohio has pledged to do
12 as an electric distribution utility certificated by
13 this Commission.

14 THE WITNESS: Can you have the question
15 reread for me, please?

16 (Record read.)

17 A. That was a pretty long question, but I
18 will agree with you that, or I will tell that you we
19 will continue our commitment under the wires
20 commitment, under the statutory requirements, to
21 provide safe, reliable distribution service.

22 Discretionary spending that we do today
23 that helps economic development in the state of Ohio
24 would have to be reconsidered.

25 Q. Does the company have any plans for,

1 other than the Turning Point facility, to build
2 generation during the ESP II period?

3 A. I'm not aware of any.

4 Q. And isn't it true that the Turning Point
5 facility, to the best of your knowledge, is not
6 needed -- the 50 megawatts of the Turning Point are
7 not needed for capacity, it is to satisfy solar
8 renewable energy credit requirements?

9 MR. NOURSE: Your Honor, I would object
10 to the question about the need for the Turning Point
11 Solar facility. That is a statutory legal matter,
12 it's pending in another case before the Commission.

13 EXAMINER SEE: Do you want to rephrase
14 your questions, Mr. Petricoff?

15 MR. PETRICOFF: Yes, thank you.

16 Q. To the best of your knowledge, is the
17 Turning Point proposal being made in order to fulfill
18 capacity requirements for Ohio Power?

19 A. I can tell you I know that the Turning
20 Point Solar project is necessary for our alternative
21 energy requirement mandates. Regarding generation
22 capacity, that's being done under a different case;
23 I'm not involved in that case as much so I cannot
24 speak to that part.

25 Q. Are you familiar with the operation of a

1 solar unit?

2 A. No.

3 Q. Is it fair to say from the knowledge you
4 do have of solar units that they are intermittent
5 generators, which means that you may not be able to
6 depend on them to deliver on any -- at any set clock
7 hour?

8 A. You know, I'm getting outside my
9 expertise, but I will agree with you, Mr. Howard,
10 that I think solar, just by virtue of the concept,
11 solar power, that their capacity factor would have
12 some correlation to sunshine.

13 Q. And --

14 A. I'm being overly simplistic here.

15 Q. That's right. Mr. Dias, you've been in
16 Ohio in November?

17 A. I've seen some wonderful days in
18 November, yes.

19 Q. Right. But this is -- despite what the
20 Chamber of Commerce might say, Ohio may not have the
21 same capability of generating as, say, Arizona or one
22 of the sunbelt states.

23 A. I thought you'd pick Texas from where I
24 came.

25 Q. That would have been a better example.

1 A. I agree geographically there are
2 variations to the amount, I'll use the word
3 "sunshine" again, it's not a very technical term, but
4 there are variations geographically to capacity
5 factors for solar. Solar power.

6 Q. I just have one other set of questions to
7 ask you, Mr. Dias. If you could turn to page 3 of
8 your direct testimony on line 11, and there it
9 says -- you're talking about the purpose of your
10 testimony and you state that it's additional customer
11 benefits in this proposal -- these are the things
12 that you're covering, you're covering additional --
13 in your testimony, additional customer benefits in
14 this proposal compared to the stipulated agreement
15 filed on September 7th, 2011. Do you see that?

16 A. That's one of several, yes.

17 Q. And you're familiar with the terms and
18 conditions in the September 7th, 2011, stipulation.

19 A. I am. I think I also call those out
20 further on in my testimony.

21 Q. And you'd agree with me that in the
22 September 7th, 2011, stipulation, commercial
23 customers were entitled to a greater -- a greater
24 percentage of tier 1 coverage than we have under the
25 current proposal?

1 MR. NOURSE: Your Honor, I would ask for
2 a clarification of this question. I don't know what
3 he means by "greater" because I do note that there
4 was a pending rehearing issue about the
5 interpretation in the stipulation that was still open
6 at the time, actually I think it's at the time the
7 stipulation was rejected.

8 MR. PETRICOFF: Your Honor, I'll rephrase
9 the question, and Mr. Nourse is quite correct, that
10 is exactly where I'm going.

11 Q. So let's start and we'll break this up
12 into smaller questions. The first question is: You
13 list here the additional benefits. Is it true that
14 nowhere in your testimony do you list the potential
15 detriments?

16 A. I focused on benefits, Mr. Petricoff.
17 Frankly, I didn't see any detriments.

18 Q. And that's fine. I mean, but I want to
19 explore that with you right now, or at least one
20 detriment I want to explore with you now.

21 Isn't it true that in the
22 September 7th, 2011, stipulation that roughly
23 30 percent of the commercial class was entitled to
24 tier 1 pricing?

25 A. That was my understanding of the

1 stipulated agreement we reached with a very large
2 group of parties, including your clients.

3 Q. And wouldn't you agree with me that in
4 the proposal that we have in the matter at bar today,
5 for the year 2012, 2011-2012 -- I'm sorry, calendar
6 year 2012, that the residential class will be limited
7 to only 21 percent for tier 1 pricing?

8 A. Okay. You know what, I think I may have
9 just got confused with the first question you asked.
10 Did you say 30 percent earlier?

11 Q. 30 percent in the September
12 stipulation --

13 A. For which year, for 2012?

14 Q. I'm sorry, what?

15 A. For 2012?

16 Q. For 2012 --

17 A. Can we start again? I've got a little
18 bit confused.

19 Q. Let's see if we can funnel this down
20 together.

21 A. Okay.

22 Q. The September 7th stipulation allowed
23 customers who were shopping as of September 7th to
24 get tier 1 pricing, correct?

25 A. That's correct.

1 Q. Okay.

2 A. And there was a percent set-aside
3 allocation for those.

4 Q. Right. And that for the commercial class
5 that was roughly 30 percent of the estimated
6 gigawatt-hours purchased by commercial customers.

7 A. Okay, now I know where I got confused.
8 So -- and I will have to tell you, Mr. Petricoff, I
9 am not the subject-matter expert when you get to that
10 level. I was thinking about the 21 percent,
11 31 percent, 41 percent set-asides. When you get into
12 that level of information you're looking for Company
13 Witness Allen was the subject-matter expert.

14 Q. But in your knowledge, isn't it true
15 that -- well, do you know whether or not there were
16 customers who received tier 1 -- commercial customers
17 who received tier 1 pricing during the time that the
18 stipulation was in effect who are now being charged
19 tier 2 pricing under the current interim rate?

20 A. You know, I don't know that level of
21 detail. I'm sorry.

22 Q. Okay. No; that's fine.

23 MR. PETRICOFF: Your Honor, that's all
24 the questions I have.

25 Thank you very much, Mr. Dias.

1 THE WITNESS: Thank you.

2 EXAMINER SEE: Mr. O'Brien?

3 MR. O'BRIEN: Thank you, your Honor.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. O'Brien:

7 Q. Good morning, Mr. Dias. How are you?

8 A. Morning. I'm doing fine, thanks.

9 Q. You're almost through, I think. I
10 shouldn't have said that.

11 Just a couple of follow-up questions. I
12 believe in response to questioning from both
13 Mr. Yurick and now Mr. Petricoff you indicated that
14 if the company does not receive the revenue relief
15 it's seeking through the RSR, that spending on
16 investment in transmission could be jeopardized; is
17 that correct?

18 A. Yes. As I said earlier, AEP Ohio's had a
19 great track record on transmission investments in
20 Ohio; our customers have benefited from it, our
21 communities have benefited from it. We have a robust
22 transmission network in this unconstrained zone, and
23 I referenced earlier the problem we've seen in the
24 ATSI constrained zone.

25 So I believe American Electric Power will

1 want to help fix that problem by relieving congestion
2 and by doing so making investments in the
3 transmission system in that zone similar to what we
4 have done in this zone. That's the kind of
5 investments that I'm referring to.

6 We have to stay financially -- AEP Ohio
7 has to be financially stable to be able to provide
8 the dividends to the corporation that ultimately get
9 to those kind of investments from subsidiary
10 companies through the transmission company,
11 et cetera.

12 I mean, this ATSI zone issue is a huge
13 problem. You know, I just looked at that thing doing
14 some simple math, customers in that zone are going to
15 see almost \$600 million of increased costs as a
16 result of that problem annually. That's a problem to
17 us we would like to fix by making investments.

18 MR. KUTIK: Your Honor, I move to strike
19 the last paragraph of his answer, his so-called
20 calculations. It has nothing to do with the question
21 that was being asked.

22 MS. GRADY: And I will join. I believe
23 this is in the nature of rebuttal testimony.

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

25 EXAMINER SEE: Hold on just a second.

1 Mr. Nourse.

2 MR. NOURSE: Thank you, your Honor. I
3 believe the question asked about how the RSR ties in
4 with the transmission investment and Mr. Dias's
5 answer certainly goes to explaining that tie-in.

6 As far as the last point, it's simply a
7 quantitative statement that supports the magnitude of
8 the issue and certainly part of the explanation, it
9 gives you a sense of what kind of investment benefits
10 would be associated with that, for example. And,
11 again, tying in with the benefit of the RSR. So it's
12 certainly within the scope of the question.

13 It's not rebuttal. Mr. O'Brien is not
14 representing AEP Ohio in this proceeding, he's
15 conducting cross-examination.

16 EXAMINER SEE: Motion to strike is
17 denied.

18 Q. (By Mr. O'Brien) Mr. Dias, is it your
19 position that the PJM tariff structure is inadequate
20 to support the transmission investments of AEP?

21 THE WITNESS: Can I have the question
22 reread, please?

23 (Record read.)

24 A. You know, I'm not the expert on the PJM
25 tariff structure, but it doesn't take an expert to

1 see what some of the inequities, or maybe not
2 inequities, but the differences you see in this
3 so-called RPM within rate zones.

4 In June of this year in the unconstrained
5 zone we're dropping to somewhere around \$20 a
6 megawatt day. In the constrained zone in ATSI we're
7 seeing numbers in the \$357 a megawatt-day just three
8 years later.

9 There are huge differences, and that's
10 why this RSR is so important for us during this
11 transition period.

12 MR. KUTIK: Your Honor, I move to strike
13 everything after and including the word "but."

14 MR. NOURSE: Your Honors.

15 MR. KUTIK: He asked about whether the
16 PJM tariff process, rate process, rate structure, was
17 adequate for transmission expenditures. The witness
18 has explained that he was not an expert, and then
19 went on to talk about other issues, about RPM
20 pricing, which has nothing to do with transmission
21 pricing or transmission costs.

22 MR. NOURSE: Your Honor, Mr. O'Brien
23 asked whether it's his testimony that the
24 transmission -- excuse me, that the PJM structure is
25 inadequate. While he stated he wasn't an expert, he

1 said it doesn't take an expert to make the
2 observations that he made, and, sorry, the last part
3 of Mr. Kutik's argument I think is wrong because it
4 does tie back, as Mr. Dias did in his answer, to the
5 RSR and to his testimony here today.

6 MR. KUTIK: Certainly the question had
7 nothing to do with RSR.

8 MR. NOURSE: That's why he tied it back.

9 EXAMINER SEE: Motion to strike is denied
10 in part and granted in part. We'll move all the way
11 down to "It doesn't take an expert to see what some
12 of the inequities, or maybe not inequities, but the
13 differences you see in the so-called RPM within rate
14 zones," after that.

15 MR. KUTIK: I'm sorry, your Honor, I
16 didn't hear what you said.

17 EXAMINER SEE: Hold on.

18 We're going to strike everything after
19 "In June of this year" till the end of Mr. Dias's
20 response.

21 MR. O'BRIEN: One more question.

22 EXAMINER SEE: Go ahead, Mr. O'Brien.

23 Q. (By Mr. O'Brien) Mr. Dias, can you give
24 me an example of an investment in a transmission
25 facility that would not be recoverable under the PJM

1 transmission tariff structure?

2 A. You know, I'm just not close enough to
3 that aspect of the recovery of those transmission
4 investments, Mr. O'Brien, sorry.

5 MR. O'BRIEN: Thank you. That's all I
6 have, your Honor.

7 EXAMINER SEE: Mr. Darr?

8 MR. MARGARD: Your Honor, staff.

9 EXAMINER SEE: Are you not going last,
10 Mr. Margard?

11 MR. MARGARD: We are happy to go before
12 Mr. Darr to accommodate the closing of the record for
13 the confidential portion.

14 EXAMINER SEE: Okay.

15 MR. MARGARD: And Mr. Beeler will handle
16 the questioning. Thank you.

17 EXAMINER SEE: Mr. Beeler.

18 MR. BEELER: Thank you, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Beeler:

22 Q. Good morning, Mr. Dias.

23 A. Good morning, Mr. Beeler.

24 Q. I just have some questions here generally
25 about the auction-based SSO.

1 A. Sure.

2 Q. And the auction-based SSO in your
3 proposal is a 5 percent slice of system and --
4 through June 2015 to a hundred percent, correct?

5 A. That's correct. You left out the
6 5 percent six months after the approval, then we get
7 to a full energy auction in January of '15.

8 Q. Sure. Why did you choose or why did the
9 company choose the 5 percent?

10 A. You recall earlier I talked about this
11 balanced plan and the dessert at the end, everybody
12 wants to get to market-based -- market SSO pricing,
13 auction SSO pricing, but there was a tremendous
14 amount of desire to get there sooner. We want to get
15 to the dessert immediately, and I said this was a
16 balanced -- there are vegetables in this balanced
17 plan.

18 This 5 percent was put in there in an
19 effort to show our good faith commitment to get to
20 that end state, to that market-based -- market
21 SSO-based pricing.

22 Q. And not based on anything else?

23 A. No. I can't think of anything specific
24 other than just in general to show our commitment to
25 get to market SSO pricing.

1 Q. Did the company consider any other
2 percentage?

3 A. There may have been some other
4 percentages discussed. I don't recall specifically,
5 Mr. Beeler, what those percentages were, but I know
6 in general we looked at, again, the total balanced
7 package and we thought 5 percent was appropriate.

8 Q. So in June of 2015 the transition is
9 going to go from 5 percent to a hundred percent,
10 correct?

11 A. Can you repeat that question, please?

12 Q. In June of 2015 the transition will go
13 from 5 percent to 100 percent, correct?

14 A. Now, let me try to clarify here. The
15 5 percent would happen within six months of a
16 Commission decision of this modified ESP and it would
17 stay in place through January of '15, at which time
18 we would go to a hundred percent auction for energy
19 only for five months, January through the end of May.

20 And then, you know, in June '15 it would
21 be a hundred percent of both energy and capacity, and
22 at that point we've reached the dessert.

23 Q. Okay.

24 A. The end state.

25 Q. That 5 percent to 100 percent jump, do

1 you see that as being problematic at all?

2 A. Just can you be more specific as to
3 "problematic"?

4 Q. The 95 percent margin there, do you see
5 that as problematic at all?

6 A. If you could be specific as to what
7 problem you're thinking about, if you are thinking
8 about something, because I don't.

9 Q. If the company were to choose, you know,
10 25 percent rather than 5 percent, you know, that's a
11 smaller margin there, just using --

12 A. Oh, 25 percent in January of '15?

13 Q. No, no, no. 5 percent after, you know,
14 5 percent, say the company chose 25 percent, you
15 would have less of a transition in that time. So the
16 question is, is do you see any problems with, you
17 know, that jump basically in 2015?

18 A. You know, I'm not the subject-matter
19 expert in that regard. I think probably Company
20 Witness Nelson would have been a more appropriate
21 person.

22 But, you know, the modified ESP as a
23 package is what it is. You know, I talked in my
24 testimony about it, and I'll just go real quickly to
25 page 6 and I used, if you go to line 13, I talk about

1 the company urging the Commission to adopt a modified
2 ESP II plan as approved, and then there was a lot of
3 discussion yesterday about the single line "The
4 Commission may approve the RSR as proposed
5 irrespective of whether it approves other aspects of
6 the Company's ESP as filed."

7 The context that failed to come out is
8 that we're not advocating the Commission to make
9 changes like what you're suggesting, going from 5 to
10 25 percent, but if those changes are made, there is a
11 correlating impact on the RSR. There could be a
12 correlating impact on the RSR, and that's why it's
13 imperative that the Commission approve the RSR as
14 proposed.

15 Q. I'm going to turn to another topic here
16 and just clear up some -- get some clarity on the
17 Turning Point project.

18 A. Sure.

19 Q. Is it your understanding that the energy
20 from Turning Point will be sold in the market?

21 A. I think my understanding is that the
22 energy and the capacity will be sold into the market
23 and then the revenues will ultimately be credited
24 against the GRR nonbypassable rider.

25 Q. And the Turning Point project can produce

1 RECs?

2 A. That's correct.

3 Q. Is it your understanding that those RECs
4 will be sold in the market?

5 A. You know, I don't know if those RECs, I
6 really don't know the detail, I'm not the subject
7 matter of how that value, whether there will be a
8 value quantified, but I do know this, the RECs that
9 come out of the Turning Point Solar Project will be
10 divided each year between the SSO customers and those
11 customers that shopped.

12 As I understand it, I think the
13 kilowatt-hours will be the basis of how many
14 kilowatt-hours we have in SSO versus how many quality
15 kilowatt-hours have been shopped to CRES providers
16 and those RECs will be allocated, given to those CRES
17 providers free. So that's the way I understand the
18 value of those RECs will ultimately get distributed
19 back out to SSO customers and CRES providers.

20 MR. BEELER: Thank you, Mr. Dias.

21 I have nothing further, your Honor.

22 THE WITNESS: You're welcome.

23 EXAMINER SEE: Mr. Darr, does all of your
24 cross-examination of this witness need to be in a
25 closed session?

1 MR. DARR: No, ma'am. Just the last
2 probably five to ten minutes.

3 EXAMINER SEE: Okay.

4 THE WITNESS: Can we take a quick break?

5 EXAMINER SEE: We certainly can. We can
6 take a five-minute recess.

7 (Recess taken.)

8 EXAMINER SEE: Let's go back on the
9 record.

10 Mr. Darr.

11 MR. DARR: Thank you, your Honor.

12 - - -

13 CROSS-EXAMINATION

14 By Mr. Darr:

15 Q. Since the merger of Central and South
16 West you've been employed by one of the AEP entities;
17 is that correct?

18 A. That's correct. I was employed by AEP
19 Service Corporation up to the closing of the CSP OPCo
20 units, and at that time I became employed by Ohio
21 Power Company --

22 Q. And since 2003 you've been a Vice
23 President of Regulatory Affairs either with regard --
24 either in the AEP Service Corp or in the Ohio Power
25 entity; is that correct?

1 A. That's correct.

2 Q. And there's been some, at least
3 expansion --

4 A. I'm sorry, did you say 2003?

5 Q. I thought that's what it was, yes.

6 A. Let me just make sure I answer the
7 question correctly. Could you repeat the question?

8 Q. Sure. Would you have been a Vice
9 President of Regulatory Affairs in one or the
10 other -- for one of the other of the companies that
11 we just mentioned?

12 A. Yes. That's correct. It was the "vice
13 president" part and I thought you associated it with
14 2003, that's what was not correct.

15 Q. When did you become a Vice President of
16 Regulatory Affairs?

17 A. In September of 2008.

18 Q. And prior to were you also involved in
19 Regulatory Affairs for the companies?

20 A. Yes.

21 Q. And has that been since 2003?

22 A. Correct.

23 Q. And prior to that you worked as an
24 internal auditor as well, correct?

25 A. Yes.

1 Q. And, in fact, your degree is in auditing,
2 or in accounting, actually I believe.

3 A. Correct.

4 Q. And as part of the internal audit
5 function, you've been responsible for reviewing
6 corporate compliance with the various internal and
7 external auditing requirements or accounting
8 requirements of the company; is that also correct?

9 A. That was part of it. And I also did a
10 lot of operations, internal control reviews.
11 Contract auditing.

12 Q. As part of your role with Service Corp
13 and Ohio Power, is it fair to say that you were also
14 involved in the ESP I case?

15 A. That's correct. I was one of several on
16 a management level that discussed and ultimately
17 decided the ESP I proposal application.

18 Q. And you were also a participant in the
19 ESP I remand case as well, correct?

20 A. I recall the remand case related to the
21 ESP I.

22 Q. And, in fact, you were present during the
23 hearings, not all the time, but a substantial amount
24 of time, when the company was presenting its case and
25 the other parties were presenting their cases with

1 regard to the remand case that took place last summer
2 in 2011.

3 A. I don't remember if I was or was not
4 present in those hearings.

5 Q. Would it be fair to say that the
6 Commission decision regarding the costs of POLR that
7 emerged from the ESP I remand case would be
8 authoritative as to the record of that case?

9 THE WITNESS: Can I have the question
10 reread, please?

11 (Record read.)

12 A. "Would be authoritative"?

13 Q. Yes.

14 A. I don't know what that means. Can you
15 explain that a little bit better?

16 Q. That would provide for us the findings of
17 fact and the conclusions of law that the Commission
18 made with regard to the case that Ohio Power made and
19 Columbus Southern Power made with regard to the costs
20 of the POLR obligation.

21 A. Are you asking me if they made a decision
22 in that case?

23 Q. I'm asking you whether or not you would
24 find that to be authoritative, that would give us the
25 description, would it not, of the findings and

1 conclusions?

2 A. I don't know. I know they made a
3 decision in that remand case.

4 Q. So you don't find the decisions of the
5 Commission to be authoritative, that is binding on
6 the parties?

7 A. Oh, I do find them as directive orders
8 that the company always complies with. I'm not
9 familiar with this term "authoritative" as it relates
10 to Commission orders. That would be a question, I
11 think maybe a legal question, I really don't know,
12 but I do agree with you that they did make a decision
13 and we complied with it.

14 Q. And that decision contained certain
15 findings of fact on which the Commission made its
16 decision, correct?

17 A. Typically there are findings of fact
18 listed in the Commission decision.

19 Q. Now, yesterday as part of the
20 cross-examination by Mr. Kutik, you described your
21 understanding of the electric transmission -- or,
22 excuse me, the ETP case, do you recall that?

23 A. I recall us having some discussion around
24 it, and I'm not even sure I recall which party that
25 was with, but I do recall the ETP coming up.

1 Q. And I believe you agreed with Mr. Kutik
2 that the company did not seek generation transition
3 charges as a result of the settlement or its
4 settlement of the ETP case; is that also correct?

5 A. What I do recall was my recollection in
6 the discussion yesterday that said I was aware that
7 the company had filed for or requested stranded costs
8 as part of the Senate Bill 3 process, but that
9 ultimately there was a stipulated agreement and we --
10 our request for stranded cost was foregone.

11 Q. So you would agree with me that the
12 company did not seek as a result of the settlement of
13 generation transition charges, correct?

14 A. I don't know if I can agree with you on
15 that part because I do recall we did recover some
16 regulatory assets.

17 Q. And I want to come to that in just a
18 second. But I'm speaking now specifically about
19 generation transition charges. You just indicated
20 the company, as a result of the settlement, decided
21 to forego seeking recovery of those charges, correct?

22 A. Of stranded costs as part of a
23 settlement, yes.

24 Q. Specifically -- this is very important,
25 Mr. Dias, specifically these were the generation

1 transition costs, correct?

2 A. You know, Mr. Darr, I don't -- this was
3 before my time. As you talked about, in 2003 I got
4 here, and some of this terminology is somewhat
5 foreign to me. The "generation transition charge" I
6 think is what you're calling that, I'm not familiar
7 with that term. I don't know what it means.

8 Q. What you understood, though, was that
9 they were stranded costs?

10 A. No. I said -- let me rephrase, and I'm
11 going to have to be very specific to what I do
12 remember, and what I said was that I do know just
13 from conversations over the years that the AEP
14 companies -- the AEP Operating Companies in Ohio had
15 filed for stranded costs as part of the Senate Bill 3
16 process.

17 In the ETP we gave up pursuit of those
18 stranded costs as part of a settlement, and then I
19 added just a few minutes ago that I'm aware that we
20 did recover some regulatory assets, and I believe
21 those regulatory assets were related to generation,
22 and that is the extent of my knowledge.

23 Q. You indicated previously that you began
24 working in the regulatory area in 2003, I think. Am
25 I correct in that?

1 A. I moved to Columbus in 2003 from Texas.

2 Q. Well, I appreciate that. Did you begin
3 working in the regulatory area with regard to Ohio
4 Power and Columbus Southern Power in 2003 as part of
5 your general duties when you moved to Columbus?

6 A. That's correct, I took the position and
7 relocated to Columbus, Ohio, and my responsibility as
8 Director of Regulatory Affairs was responsible for
9 the two Ohio operating companies.

10 Q. Now, with regard to the ETP, there was an
11 addition, as you just pointed out, a recovery
12 provision for regulatory assets related to
13 generation, correct?

14 A. That's my understanding.

15 Q. And for Columbus Southern Power that
16 recovery period was set for eight years, correct?

17 A. I do not know.

18 Q. Do you know whether or not the transition
19 recovery period for Ohio Power was set for seven
20 years?

21 A. No, I do not know.

22 Q. You're aware of the fact that the company
23 filed a request for a rate stabilization plan, as you
24 describe it, or others have described it, at the
25 request of the Commission in 2004.

1 A. I'm aware of that, yes.

2 Q. And in that case AEP Ohio proposed to
3 enter into a rate stabilization plan, correct?

4 A. We ended up in a rate stabilization plan,
5 correct.

6 Q. And as a term of that rate stabilization
7 plan, the plan itself stated that all provisions of
8 the approved ETP that were not changed by the rate
9 stabilization plan would not be changed by the RSP;
10 is that correct?

11 A. I don't recall.

12 MR. DARR: I'd like to have marked for
13 the record IEU Exhibit, I believe it's 118.

14 EXAMINER SEE: IEU 119 by my records.

15 MR. DARR: Okay, call it 119, then.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Mr. Dias, do you have in front of you
18 what's been marked as IEU Exhibit 119?

19 A. Yes.

20 Q. Could you identify that for the record,
21 please?

22 A. The cover page indicates it's the Opinion
23 and Order of this Commission related to the Matter of
24 the Application of Columbus Southern Power Company
25 and Ohio Power Company for Approval of a Post-Market

1 Development Period Rate Stabilization Plan, in Case
2 04-169-EL-UNC.

3 Q. And directing your attention to page 9 of
4 the decision, direct your attention to the first full
5 paragraph under Roman numeral IV, second sentence.

6 A. Okay.

7 Q. Does that assist you in determining
8 whether or not the RSP contained all provisions as
9 approved by the ETP that were not changed by the RSP?

10 A. Mr. Darr, this is a opinion and order
11 which has a lot of information in it. I typically
12 rely on my counsel to tell me what it really means.

13 Q. Is there something ambiguous with the
14 statement, "The RSP states that all provisions of the
15 approved ETP that are not changed by the RSP will not
16 be changed"?

17 A. That's what it says.

18 Q. And is it also -- is it your
19 understanding that the RSP would continue to recover
20 the amortized generation-related transition
21 regulatory assets under the ETP rates?

22 A. Can you point me to what you're looking
23 at?

24 Q. Do you recall that, sir?

25 A. Could you repeat the question prior to

1 this last one?

2 Q. Sure. Did not one of the provisions of
3 the RSP, the rate stabilization plan, contain a
4 provision that allowed for the recovery of the
5 amortized generation-related transition regulatory
6 assets under the ETP rates?

7 A. Mr. Darr, so much has happened between
8 then and now, I don't recall.

9 Q. Then, sir, turning your attention to the
10 last paragraph under Roman IV on page 9 which itself
11 is numbered (6), am I correct that as a part of the
12 RSP it was designed to recover the amortized
13 generation-related transmission regulatory assets
14 under ETP rates?

15 A. That's what it says.

16 Q. Do you recall, sir, that the EDUs were
17 permitted to increase their generation rates each
18 year under the proposed RSP?

19 A. I do know that as the market development
20 period was approaching its end, there was grave
21 concern by many stakeholders, including this
22 Commission, customers, IEU, about the company, or
23 utility companies in general, getting to market
24 prices, and as a result, RSPs were born and there
25 were revenues agreed upon or approved by this

1 Commission to be collected during the term of the
2 RSP.

3 Q. So the answer to my question is yes, that
4 the RSP proposed to increase rates by certain amounts
5 in each year of the RSP?

6 A. I think that's correct. Again, I don't
7 recall all the details, but that would make sense.

8 Q. Do you recall that for the years 2006,
9 2007, and 2008, Columbus Southern Power Company, the
10 proposal was that the rates be increased by 3 percent
11 annually?

12 A. That does sound familiar.

13 Q. And does it sound familiar that for 2006,
14 2007, and 2008, for the Ohio Power Company rates
15 would be increased 7 percent annually?

16 A. Yes, you're refreshing my memory, but
17 there were a lot of other provisions that go along
18 with it, but, yes, those two numbers, 3 percent and
19 the 7 percent, for the two companies are starting to
20 ring a bell with me.

21 Q. Well, if you turn to page 15, under
22 paragraph -- under the heading B.1., am I correct
23 that AEP proposed that for all customer classes the
24 generations will increase each year 2006, 2007, and
25 2008, by 3 percent for Columbus Southern and by

1 7 percent for Ohio Power?

2 A. I believe the percentages you've
3 described, the 3 percent for Columbus Southern Power
4 and 7 percent for Ohio Power Company, were part of
5 the overall proposal for the RSP in trade for not
6 going to market prices.

7 Q. We'll get to that in a second, Mr. Dias.

8 The Commission, in fact, approved these
9 increases as being acceptable to the Commission,
10 correct?

11 THE WITNESS: Repeat the question,
12 please?

13 (Record read.)

14 A. I believe those percent increases were
15 approved, so I must assume that they were acceptable
16 to the Commission.

17 Q. And that's because the Commission's
18 decisions are authoritative on these matters,
19 correct?

20 A. You're using that word again, Mr. Darr,
21 and all I can tell you is that when they approve
22 something, I go to counsel and counsel advises me
23 that these are things we've got to comply with.

24 Q. So you're obeying the authority of the
25 Commission, correct?

1 A. We do obey the authority of the
2 Commission, yes.

3 Q. Now, parties involved in the case,
4 including my client, Industrial Energy Users,
5 questioned whether or not the EDUs would be earning
6 too much under this RSP proposal, correct?

7 THE WITNESS: May I have the question
8 read for me, please, again?

9 (Record read.)

10 A. I don't recall.

11 Q. Well, let's turn to page 16 of the
12 decision. And would you review that for us, please?

13 A. The entire page?

14 Q. Take a look at it and review it, see if
15 that refreshes your recollection as to whether or not
16 there was opposition because the company might be
17 earning too much.

18 A. Okay. I glanced through this page 16.

19 Q. Have I fairly summarized that there were
20 objections made by a number of parties because the
21 company might be earning too much?

22 A. I don't know about a number of parties
23 indicating that the company may be earning too much.
24 I agree with you there are some objections listed on
25 this page 16 by parties to the proposal.

1 Q. And the Commission rejected that when it
2 rejected those arguments -- when it approved the RSP
3 rates as proposed by the company, did it not?

4 A. Mr. Darr, I'll tell you again, I don't
5 remember very much of this order, I don't remember
6 very much of the proposal. You refreshed my memory
7 on the 3 percent, 7 percent. I would guess there
8 were a lot of other provisions in that proposal that
9 I just don't remember anymore.

10 Q. Well, let's see if we can refresh your
11 recollection, sir. Turn to page 18 of the decision,
12 second paragraph. Would you review that, please.

13 A. Starting with "We also accept"?

14 Q. Yes.

15 MR. NOURSE: Your Honor, can I offer that
16 we take administrative notice of the Commission's
17 decision? I know that we're already a half-hour into
18 Mr. Darr's cross-examination and I think we're
19 repeating the loop here of Mr. Dias saying that he's
20 not familiar with the details and we're just reading
21 from the order anyway. If that would move things
22 along, we'd be happy to agree to that.

23 EXAMINER SEE: Are you willing to accept
24 that, Mr. Darr?

25 MR. DARR: Your Honor, there are a couple

1 more things I'd like to identify for Mr. Dias and I'm
2 not sure that administrative notice would fairly
3 present the record as it should be presented in this
4 case.

5 EXAMINER SEE: I'm going to allow you --
6 that's fine, make your case, but rather than us
7 needing to take time, if you have a specific
8 sentence, a specific passage that you would like for
9 him to focus on, please provide it so we can move on.

10 MR. DARR: I appreciate that, your Honor.
11 Thank you.

12 A. Okay, Mr. Darr, I've read this second
13 paragraph starting with "We also accept" and I ended
14 at "cited statutes."

15 Q. Is it fair to say that the Commission
16 rejected the argument that the rates would be -- or,
17 the rates would result in AEP Ohio earning too much
18 because the generation upgrades are subject to
19 market, not the Commission's traditional
20 cost-of-service rate regulation, and that the plan
21 was an option that AEP voluntarily proposed? Is that
22 correct?

23 A. I cannot agree or disagree with what
24 you're just asking me. I read the words, they say
25 what they say. I really don't -- I really don't

1 know.

2 Q. And is it not, in fact, the case that the
3 company's earnings would not come into play for
4 establishing generation rates that the market
5 tolerances would otherwise dictate just as AEP
6 argued?

7 A. Did you read some of those words in here?

8 Q. Same paragraph that I just asked you to
9 review.

10 A. Okay. So you've read them. Are you
11 asking me something specific?

12 Q. Isn't it your understanding that the
13 Commission found for the company on the basis that
14 market rates would govern?

15 A. I'm reading the same words you're
16 reading, Mr. Darr.

17 Q. And is it also true that all of these
18 rates, specifically the generation rates, were
19 bypassable?

20 A. I don't remember if they were bypassable.

21 Q. Turning your attention to the third
22 paragraph on page 18, would you review that, please?
23 And in keeping with the Examiner's instruction, is it
24 not correct that the Commission found, "While we have
25 found that the proposed generation rate increases to

1 be reasonable, both in concept and in number, it is
2 also appropriate to point out these increases will be
3 avoidable during the rate stabilization period.

4 Customers who choose another competitive generation
5 supplier can avoid AEP's increased generation rates
6 (because those customers will pay, instead, the rates
7 of their chosen supplier)."

8 Do you understand that to mean these
9 rates were bypassable?

10 A. Yes, as I read these words I would
11 conclude that the Commission is discussing, when they
12 use the word "avoidable," that it's bypassable.

13 Q. Thank you, sir.

14 Now, moving on to the second area that I
15 want to discuss with you today. In response to
16 examinations today and in your direct testimony
17 you've repeatedly indicated that the company would
18 suffer significant financial harm and be subject to
19 potential duress -- financial duress. Have I fairly
20 capsulated that?

21 A. I think you're properly characterizing my
22 reference to "financial harm" in context of the
23 benefits that we're offering under this proposed
24 modified ESP to get to the end state of market SSO
25 pricing and discounted capacity, et cetera,

1 et cetera, that there is financial harm as customers
2 shop and move to alternative suppliers.

3 Q. And yesterday --

4 A. And --

5 Q. I'm sorry, go ahead.

6 A. And I also discuss and use the words
7 "financial duress" in so much that if the Commission
8 adopted a RPM as the capacity pricing mechanism, we
9 see, as Mr. Powers addressed in his testimony,
10 somewhere in the neighborhood of 600 to 650 million
11 dollars annually loss of revenues, and as described
12 by Company Witness Allen in his testimony in the
13 capacity case, that would translate to ROEs in the
14 2 percent range, and I say in my testimony that is
15 financial duress.

16 Q. Thank you for summarizing that for us. I
17 think it will be very helpful in a few minutes.

18 A. Good.

19 Q. Now, you discussed with Mr. Sugarman
20 yesterday that you reviewed financial filings
21 submitted to the SEC, correct?

22 A. I do.

23 Q. And those filings are audited; is that
24 correct?

25 A. Yes.

1 Q. And those filings are also in compliance
2 with Generally Accepted Accounting Principles,
3 correct?

4 A. I believe so.

5 Q. And we learned from Mr. Mitchell that
6 these principles require a review to determine the
7 recoverability of assets if certain triggering events
8 occur, correct?

9 A. I'm not sure about that last part.

10 Q. Well, we were discussing impairment
11 analysis and impairment analysis requires that there
12 be a review of the value of assets if certain
13 triggering events occur, correct?

14 A. I'm not the subject-matter expert, I
15 don't know.

16 Q. You were here for his testimony, correct?

17 A. No, I was not.

18 Q. You are an accounting -- you were
19 involved in the accounting or obviously a degree in
20 accounting and spent a number of years in doing
21 accounting work for the company, correct?

22 A. It's kind of like lawyers, Mr. Darr,
23 there are all sorts of lawyers, ambulance chasers to
24 folks that work in the regulatory proceedings.

25 Q. You're aware of the fact that last year

1 such an event occurred when the EPA finalized the
2 Cross State Air Pollution Rule on July 6th, 2011,
3 correct?

4 THE WITNESS: Could you repeat the
5 question, please?

6 (Record read.)

7 A. I am aware that there are EPA rules and
8 regulations that are continuously being updated.

9 Q. And you're aware the company performed an
10 impairment or recoverability analysis at that time?

11 A. No, I'm not.

12 Q. So you're not aware of the record in this
13 case, specifically OCC Exhibit 104 that details the
14 recoverability analysis that the company performed.

15 A. No, I'm not. I'm very focused on my
16 testimony.

17 Q. Well, let's do it this way, then.

18 MR. DARR: OCC Exhibit 104.

19 Does the Bench already have copies?

20 EXAMINER SEE: Yes. Just give us a
21 minute.

22 We have it. The Bench has it.

23 MR. DARR: Thank you.

24 Q. (By Mr. Darr) I've handed you, Mr. Dias,
25 a copy of what's been previously admitted as OCC

1 Exhibit 104. Do you have that in front of you?

2 A. I do have in front of me.

3 Q. Now, since you've indicated a minute ago
4 that you're not familiar with the CSAPR review that
5 took place, what we're going to do is I'm going to
6 direct you to page 3 of 5 and under the section
7 headed "Cash Flow" direct your attention to the
8 sentence that begins "Since we do not have cash flow
9 statements." Do you see that?

10 A. I see the paragraph starting with "Since
11 we do not have cash flow statements."

12 Q. And this -- first of all, you're familiar
13 with the fact that this is essentially a description
14 of the procedures that were used to do the
15 recoverability based on your review of this document.

16 A. I really don't know, Mr. Darr. This is
17 the first time I'm seeing this document. It's not
18 meaning a whole lot to me at this moment.

19 Q. Okay. Well, let's go to the cash flow
20 statement again, page 3 of 5. Could you review that
21 first paragraph for us, please. Just review it.

22 A. Okay.

23 Q. Now, in OCC 104, the document that you
24 have in front of you, does that indicate to you that
25 the 2011 preliminary long-range plan was used to

1 develop the cash flow analysis?

2 A. That's what the words say, "used the
3 attached 2011 preliminary long-range plan to develop
4 the required cash flow."

5 Q. And it further indicates that the plan
6 was used since the reviewers did not have a cash flow
7 statement by function, correct?

8 A. Mr. Darr, let me help you here. I'll
9 remind you again, I'm not familiar with this
10 document. I have no knowledge of -- you used the
11 word "impairments" at some point in time, you
12 mentioned that you had apparently engaged Company
13 Witness Mitchell in this discussion, you asked me if
14 I was in the room, I told you I was not. I really
15 have no knowledge on any of this.

16 Q. And that's why we're going through this
17 process, sir. I'm trying to develop what the company
18 did here based on the documents and we'll come to a
19 conclusion, but am I correct that there were not
20 available cash flow statements by function, according
21 to the documents prepared by the company?

22 MR. NOURSE: Your Honor, I would object.
23 I mean, all we're doing is reading this in. I
24 believe there was extensive cross-examination with
25 Mr. Mitchell who is the subject-matter expert in this

1 case that was a witness for us.

2 Mr. Dias has already indicated he hadn't
3 seen it, he isn't familiar with the analysis, he
4 doesn't know anything about this process that
5 occurred, and it's beyond the scope of his testimony.

6 MR. DARR: Actually, it's not when I tie
7 it together, your Honor, with regard to the scope of
8 his testimony. Mr. Dias has repeatedly stated that
9 the company's likely to suffer significant financial
10 duress, distress, and a variety of other terms. And
11 I believe when we get to the end of this road, it
12 will be evident why I'm pursuing this line of
13 questioning.

14 MR. NOURSE: Well, your Honor, saying we
15 haven't gotten to it yet doesn't really address why
16 it's appropriate to ask this witness about a document
17 that he hasn't seen and doesn't know anything about.
18 There is no connection to his testimony.

19 The fact that some analysis was done in
20 the past doesn't relate to what's going to happen in
21 the future, and I believe Mr. Mitchell indicated very
22 clearly the purpose of this exercise that's
23 documented here does not have anything to do with the
24 projected impact of RPM pricing.

25 EXAMINER SEE: The witness has said he is

1 unfamiliar with this document, the objection is
2 sustained.

3 Q. (By Mr. Darr) Is it fair to say,
4 Mr. Dias, in your review of the corporate financial
5 statements, that the company has not taken an
6 impairment as a result of the CSAPR rule issuances in
7 July of 2011?

8 A. I don't know. I don't review the
9 corporate financial statements in detail. I'm may
10 casually look at them periodically. My focus is, as
11 Vice President of Regulatory and Finance, is on Ohio
12 Power Company.

13 Q. Based on your review of SEC statements,
14 including the annual report, is it fair to say that
15 the company has not taken -- now I'm speaking now of
16 AEP, the corporate entity -- has not taken an
17 impairment as a result of the Cross State Air
18 Pollution Rules?

19 A. And as I said, the answer to your
20 question is I don't know.

21 Q. And if we wanted to know the answer to
22 that question, we could review the 2011 10-K,
23 correct?

24 A. If it's in there. I don't know.

25 Q. Now, I take it, based on your answers to

1 my prior questions with regard to impairment, you're
2 not aware of whether or not the impairment analysis
3 included a assumption with regard to capacity prices;
4 is that correct?

5 A. That's correct. I don't know.

6 Q. That being the case, sir, let me show you
7 what's been previously marked as IEU Exhibit 117.
8 Now let me show you, sir --

9 MR. DARR: May I approach? I apologize
10 for not --

11 EXAMINER SEE: Do you want to show the
12 Bench what IEU 117 --

13 MR. DARR: I'm afraid I don't have
14 another copy of it, your Honor.

15 EXAMINER SEE: Got it.

16 MR. DARR: Have you located it?

17 EXAMINER SEE: Yes.

18 MR. DARR: Thank you.

19 May I approach again, please?

20 EXAMINER SEE: Yes.

21 Q. (By Mr. Darr) I'd also like to show you
22 what's been previously marked as AEP 117. Now, if
23 you would, sir, turn to page 5 of AEP 117.

24 A. Okay.

25 Q. And for the years 2011-2012, would you

1 compare the values given for capacity prices on AEP
2 117 with IEU 117?

3 A. Are you -- on AEP 117 are you looking at
4 the chart, Table 1?

5 Q. Yes.

6 A. And are you looking at the "Resource
7 Clearing Price" row?

8 Q. Yes, I am.

9 A. And you're focusing on the column
10 "2011/2012."

11 Q. You're correct.

12 A. Okay. You're asking me to compare that
13 number which is in dollars to IEU 117?

14 Q. Am I correct that the values are \$110 on
15 each of Exhibit AEP 117 and IEU 117 for the period
16 June 2011 through May 2012?

17 A. They do look similar, the numbers are
18 110. I really don't know whether they're comparable
19 or are the same. I mean, the number is the same,
20 I'll agree with you on that.

21 Q. And I'm correct, am I not, you're
22 responding in IEU Exhibit 117 to the question what
23 was the assumed price for capacity to be charged to
24 competitive retail electric service providers in
25 Ohio?

1 MR. NOURSE: Your Honor, I'll object.

2 This response was not prepared by Mr. Dias, it
3 relates to the CSAPR impairment memo that we just
4 talked about and moved on from I thought, pursuant to
5 the Bench's order.

6 MR. DARR: We're not even close to being
7 done with the impairment memo, your Honor.

8 MR. NOURSE: Well, that's my objection.

9 MR. DARR: At this point all I'm asking
10 him to do is identify that the values are the same.
11 The reason why I'm doing this is that Mr. Allen chose
12 to quibble about the numbers.

13 MR. NOURSE: I'm sure the IEU had plenty
14 of opportunity to cross-examine Mr. Allen and it's
15 not appropriate to -- he said Mr. Allen, I believe,
16 it's not appropriate to circle back with this witness
17 about a topic he's not familiar with to try to shore
18 up what was missed in cross-examination.

19 MR. DARR: There is nothing inappropriate
20 with challenging a witness who is a representative of
21 the company, your Honor. Any statement made by any
22 agent in an agency relationship can be used.

23 MS. GRADY: Your Honor, if I might add,
24 under 611(B), scope of cross-examination is on all
25 relevant matters, it is a wide-open cross rule that

1 applies to Ohio.

2 MR. NOURSE: My objection wasn't based on
3 relevancy, your Honor.

4 EXAMINER SEE: Thank you, all.

5 Now, I'll allow the witness to answer the
6 question to the extent that he knows, and let's move
7 it along.

8 THE WITNESS: May I have the question
9 reread, please?

10 EXAMINER SEE: Yes.

11 THE WITNESS: Thank you.

12 Q. (By Mr. Darr) Let me simplify this. Are
13 the values for each delivery year from 2011 through
14 2015 the same on IEU Exhibit 117 and AEP Exhibit 117?

15 A. As I previously stated, Mr. Darr, I see
16 the dollar 110.00 per megawatt-day, I see that number
17 on there. I don't know whether those are comparable
18 numbers, and I will call your attention to the bottom
19 of IEU 117 it says "Prepared by T.E. Mitchell/Oliver
20 Sever." I had nothing to do with this interrogatory.
21 I don't know anything about it. I'm finished.

22 MR. DARR: For the record I'd like to
23 have mark as IEU Exhibit 120.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MR. NOURSE: Mr. Darr, are you handing

1 those out?

2 MR. DARR: Yeah.

3 EXAMINER SEE: Perhaps, Mr. Darr, you
4 could pass it to both sides and they can see that
5 they're distributed so that we can move on.

6 MR. DARR: Sure.

7 Q. Do you have in front of you what's been
8 marked as IEU 120?

9 A. I do.

10 Q. And this appears to be a response of AEP
11 Ohio or Ohio Power Company's response to an
12 interrogatory posed by Office of Consumers' Counsel,
13 correct?

14 A. Yes, there are two responses on here,
15 there's one interrogatory on the top part of the page
16 and then a supplemental response that's continued
17 onto the back of the page -- onto a second page, and
18 in both those responses the first interrogatory is
19 prepared by T.E. Mitchell and the supplemental is
20 prepared by Counsel/T.E. Mitchell. I've never seen
21 this before.

22 Q. I appreciate that, sir.

23 At the bottom, let's see, under the -- on
24 the first page, the last sentence in the supplemental
25 response, do I read this correctly, "...the Company

1 will make the documents available for review in the
2 Company offices" --

3 A. I'm sorry, I'm not caught up with you.
4 Tell me again where you are.

5 Q. First page, Supplemental Response, first
6 paragraph, last sentence of that paragraph.

7 A. Okay.

8 Q. "...the Company will make the documents
9 available for review in the Company offices for
10 review only upon request and execution of an
11 appropriate protective agreement." Did I read that
12 correctly?

13 A. You read that correctly.

14 Q. Specifically the documents --

15 A. There were some words right before that
16 that you left out.

17 Q. And specifically the documents that were
18 being sought were in response to OCC interrogatory
19 1-12, correct?

20 A. I don't know. I didn't prepare this
21 response.

22 Q. Go back up to the interrogatory, sir, to
23 review that. Am I correct this is, as referred to,
24 documents referred to in OCC interrogatory 1-12?

25 A. That's what it's asking for. Please

1 provide a copy of documents. And then it goes on to
2 describe what's being sought.

3 MR. DARR: At this point, your Honor, I'd
4 like to make an exhibit marked as Confidential
5 Exhibit 121 and this is I believe the point at which
6 I need to advise the Attorney Examiners that this
7 relates to confidential information.

8 EXAMINER SEE: So we're going to need to
9 go into a closed session.

10 Mr. Nourse, I need you to verify
11 everybody in the room has entered into a protective
12 agreement with the company, and all those that
13 haven't need to leave the room, close the doors
14 behind them.

15 MR. NOURSE: Okay, your Honor, sorry for
16 the delay, I think we're ready now.

17 EXAMINER SEE: Mr. Nourse, you verified
18 that everybody that's in the room has entered into a
19 protective agreement or is staff?

20 MR. NOURSE: Yes.

21 EXAMINER SEE: Let's move forward with
22 the confidential portion of the transcript.

23 Mr. Darr.

24 (Confidential portion excerpted.)
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(Open session.)

EXAMINER SEE: Let's go back on the
record in the public portion of redirect.

Mr. Nourse.

MR. NOURSE: No questions, your Honor.

EXAMINER SEE: Do we have some questions
from the Bench?

Commissioner Porter.

- - -

EXAMINATION

By Commissioner Porter:

Q. Okay. Quickly, Mr. Dias, you've testified on page No. 6 of your supplemental testimony regarding property taxes beginning at line 6, supplemental testimony at line 6. Are you there?

A. Yes, correct. I'm there.

Q. Okay. When you say "a decrease in the value of the Company could lead to lower property taxes," do you mean a decrease in the value of the company meaning AEP Ohio or AEP -- or the parent of AEP Ohio? Or both?

A. I think it's both, Commissioner. As I had been trying to describe earlier is that if severe financial harm is caused to the company, we would have to look at our cost structure and look at the investments. And I would not limit it to just AEP Ohio, I would go out to say that AEP Corporation.

If AEP Ohio is not financially healthy, AEP Corporation will not be financially healthy either, so I think that the investments made in other subsidiaries of AEP Corporation would be affected too.

Q. Okay. And you've gone on to testify "Property tax increases are an important link in the

1 chain funding communities and other local
2 organizations."

3 So by this am I correct to understand
4 that it would be the position of the company that
5 property taxes being maintained at their current
6 level would be preferable to the company rather than
7 property taxes being decreased?

8 A. Absolutely. And I would even go so far
9 to say maintained or even increased by additional
10 investments sort of like what I talked about earlier
11 in the transmission side.

12 Q. Okay. So this would include property of
13 AEP Ohio and AEP the parent company?

14 A. And subsidiaries, correct, I look at it
15 collectively of investments that would be had in
16 Ohio.

17 Q. I want to be clear, it would be
18 preferable that property taxes being paid by AEP be
19 maintained or even increase. So you want to pay
20 higher taxes, it's your position that the company
21 would pay more --

22 A. We understand that, yeah, the more
23 investment you make, the higher property taxes you
24 pay, which is a good thing for the communities,
25 et cetera. So paying higher property taxes obviously

1 is not going to prohibit us from making investments.

2 Q. Okay. These taxes are a liability to the
3 company, though, AEP Ohio, the taxes paid by AEP Ohio
4 for real property tax assessments, those are
5 liabilities for the company.

6 A. That's correct, depending on the
7 subsidiary that had the investment, the legal entity.

8 Q. So the lower the property tax, the -- I'm
9 sorry. The lower the property value of a piece of
10 real property in turn means that you'll have that
11 lower property tax assessment which, in turn, would
12 mean that your liability would be reduced.

13 A. Correct. And in turn the communities
14 would receive lower benefits.

15 Q. Okay. Are you aware, you're not
16 testifying -- well, you're not testifying or
17 representing that you're an expert in appraising real
18 property.

19 A. No.

20 Q. Okay. But let me ask you, are you aware
21 of the different options or avenues available to
22 property owners for addressing the value of their
23 owned real property?

24 Make it clear, are you aware of the --
25 are you aware of the options available to AEP Ohio or

1 AEP the parent, let's just say, for example, the big
2 building that we see outside the window here which is
3 over on Spring Street, to address the value or to
4 have the value of those pieces of property adjusted
5 either increased or decreased?

6 A. Yes. I am generally familiar that since
7 we are a utility company, we should always be looking
8 at our costs, including property taxes, and so it's
9 prudent for us to continuously look at the valuation
10 that is assessed on our properties, and we do that as
11 routinely. And to the extent that we believe that
12 our investments have been overvalued, we will take
13 appropriate actions to make sure that they're
14 properly assessed.

15 Q. So if you're taking an action to -- you
16 just told me a few moments ago that you'd prefer that
17 the property values remain high so that the
18 assessments remain high so that in turn you can
19 support the local communities; that's still correct?

20 A. That's correct, the intention that you
21 continue, but I don't want to mischaracterize the
22 fact that by virtue of making investments our
23 property tax base goes up in the communities and it
24 results in higher property taxes for the communities.

25 That's a fact of just making more

1 investments, and as I said earlier, we wouldn't want
2 to let the higher property taxes inhibit our
3 investments, we would still want to make prudent
4 investments as deemed necessary.

5 On the same side, this is the tension
6 that sometimes, and I think right now is a great
7 example where the economy has turned and assessed
8 values have perhaps declined. It is also imprudent
9 and incumbent on the utility to look at that and make
10 sure that the utilities company's properties have not
11 been overassessed.

12 Q. So the utility, either AEP Ohio or AEP
13 the parent, were to pursue a reduction in the
14 appraised -- the appraised value which would lead to
15 a reduction in the assessment paid on a property,
16 that would then mean that the property taxes that you
17 pay and in turn your support for the local
18 communities would then be decreased.

19 A. Unfortunately that is what it translates
20 to, yes.

21 Q. Are you aware of any pending actions or
22 complaints or actions -- I should say complaints or
23 actions filed by AEP Ohio or AEP -- or its parent
24 company to address property tax assessments or values
25 on any of its owned real property?

1 A. Commissioner Porter, I know we do this on
2 a routine basis, we do it at our power plants,
3 et cetera. I'm not aware of anyone that I -- there's
4 one that I think has had a little more public eye and
5 that is our corporate facilities at 1 Riverside Plaza
6 has been marked as a question as to Washington
7 whether the currently assessed value is a fair market
8 value.

9 Q. That's a public complaint that's been
10 filed and it's been filed with the Franklin County
11 Board -- are you aware that it's been filed with the
12 Franklin County Board of Revision?

13 A. I don't know what all actions have been
14 taken.

15 Q. So you don't know the amount or you don't
16 know the currently appraised value of that piece of
17 property at Riverside --

18 A. No.

19 Q. -- versus what's been requested.

20 A. No, I don't.

21 Q. So you wouldn't be able to tell us today
22 on the record the impact to the local community in
23 terms of the difference that might be -- the
24 difference in tax payments that may result if the
25 company, AEP Ohio, or AEP the parent, whoever is the

1 owner, if you're successful in that appeal, you don't
2 know how much that will decrease taxes paid to local
3 communities.

4 A. No, I don't.

5 Q. But you believe that it will.

6 A. If the company's position that the
7 assessed value is higher than what it should be is
8 upheld, then I believe the translation will be lower
9 property taxes for the company and then that would
10 translate to lower property tax to the community that
11 gets the benefits from that corporate tower.

12 Q. Okay.

13 A. But I don't know how much that is.

14 COMMISSIONER PORTER: Thank you. That's
15 all I have.

16 - - -

17 EXAMINATION

18 By Examiner Tauber:

19 Q. Mr. Dias, could you turn to page 5 of
20 your supplemental testimony.

21 A. Yes.

22 Q. Real quick, you state that the RSR
23 mechanism allows the Commission to avoid financially
24 harming the company.

25 A. Do you mind telling me what line you're

1 on?

2 Q. Yeah, sorry. Line 4 and then 5 through 5
3 and 6.

4 A. Yes.

5 Q. And the RSR mechanism has a target of
6 \$929 million, correct?

7 A. That's correct.

8 Q. And then in line 8 you say "If the
9 Company's not financially harmed, AEP Ohio will be
10 able to attract capital...." I just want to make
11 sure I'm not misinterpreting this. You're not saying
12 that anything less than \$929 million will preclude
13 AEP Ohio from attracting capital, are you?

14 A. No. I'm just saying that the RSR, as you
15 pointed out, is \$929 million. Depending how much
16 financial harm is done and the potential regulatory
17 risks that could happen from a -- from the harm,
18 including a -- I don't want to leave out the fact
19 that if there was additional financial harm than what
20 has been proposed in the ESP, the company would have
21 to look at the package as a whole that the Commission
22 has approved to see whether it's a plan that we can
23 move forward with, and that uncertainty that may come
24 out of that will have an effect on attracting
25 capital. That's all I'm saying.

1 EXAMINER TAUBER: Thank you.

2 THE WITNESS: You're welcome.

3 EXAMINER SEE: Thank you very much.

4 Mr. Nourse.

5 MR. NOURSE: Yes, your Honor. I'd renew
6 the motion to admit AEP Ohio Exhibits No. 118, 119.

7 EXAMINER SEE: Are there any objections?

8 MR. KUTIK: Yes, your Honor. We object
9 and we specifically object, your Honor, to
10 supplemental testimony on page 5, line 22.

11 EXAMINER SEE: Hold on just a second.

12 Okay.

13 MR. KUTIK: Page 5, the sentence that
14 begins on line 22 and ends on page 6, line 1. What I
15 think has been thoroughly established by the
16 cross-examination of this witness is that he's
17 incompetent to testify about the subject of the
18 company's financial duress. To be competent in terms
19 of testimony the witness must either have personal
20 knowledge or be qualified in some way as an expert.

21 He certainly doesn't have any personal
22 knowledge. He indicated that at best he was relying
23 on alleged analyses done in another case and what
24 other people had told him, and that time and time
25 again when shown financial documents he disclaimed

1 knowing anything about them or being able to conduct
2 any analysis about what they said or what assumptions
3 were made.

4 And so on the basis of the fact that he
5 is incompetent under the Rules of Evidence to testify
6 on the subject of whether the company would be in
7 financial duress, we move to strike.

8 MR. NOURSE: Your Honor, just briefly.

9 EXAMINER SEE: Hold on.

10 Any other objections or motions to strike
11 testimony?

12 MS. GRADY: Yes, your Honor. We'd renew
13 our motion, which is a filed motion, and in addition,
14 based upon the cross-examination conducted by OCC of
15 Mr. Dias, we would move to strike the supplemental
16 parts of his supplemental testimony, including page
17 7, lines 7 through 19 --

18 EXAMINER SEE: Ms. Grady, is this the
19 same as you filed that was already denied?

20 MS. GRADY: No, your Honor.

21 EXAMINER SEE: These are in addition?

22 MS. GRADY: The basis for this is that
23 it's cumulative evidence and it is, therefore, not
24 helpful to the record and should be stricken.

25 It is the testimony that Mr. Dias

1 admitted was the same, word for word, as the direct
2 testimony filed in Exhibit 118. The specific cite
3 would be lines 7 through 19 on page 7 of his
4 supplemental testimony, as well as his answer on line
5 7 continuing through line 16 of page 8 of his
6 supplemental testimony.

7 EXAMINER SEE: Okay.

8 MS. GRADY: And we would join in the FES
9 motion to strike, or objection, I'm sorry.

10 EXAMINER SEE: Mr. Darr.

11 MR. DARR: Renew our motion to strike
12 testimony previously, and also with regard to the FES
13 motion, join that as well.

14 EXAMINER SEE: Any others?

15 Mr. Nourse.

16 MR. NOURSE: Thank you, your Honor.
17 First with respect to FirstEnergy Solutions' motion
18 to strike page 5, line 22, carrying over to page 6,
19 you know, I think, certainly, Mr. Kutik has
20 mischaracterized the record here.

21 This witness is a VP of Finance for
22 AEP Ohio, he's addressed many financial matters in
23 his testimony and on cross-examination, most notably
24 all the company's exhibits and testimony that relate
25 to matters he referred to were all matters that he

1 was knowledgeable about.

2 The fact that intervenors produced
3 arbitrary financial records from public sources and
4 waved them in front of a witness doesn't equate that
5 he's incompetent about financial matters. He did
6 testify that he regularly reviews financial filings
7 and answered lots of questions about that, so I think
8 that's completely without basis.

9 Regarding OCC's objection about
10 cumulative statements, you know, your Honor, I think
11 Mr. Dias fully explained, and probably on multiple
12 occasions, that his supplemental testimony, which the
13 Commission afforded the company the right to submit
14 supplemental testimony without restriction, and
15 Mr. Dias indicated that we were trying to be as clear
16 as possible about the RSR in particular, and this was
17 a matter that was given additional context and
18 explanation and in the course of doing that repeating
19 certain statements is appropriate and gives a full
20 statement of the position.

21 Obviously, if matters were left out in
22 the supplemental in making a statement, one would
23 have to flip back and forth between the two documents
24 to even understand the point being made, so I think
25 that's inappropriate.

1 The motion to strike of IEU and to the
2 extent OCC is renewing their motion to strike I think
3 is -- I won't respond to other than saying we opposed
4 it on the basis we stated earlier and was ruled upon
5 earlier by the Bench. Thank you.

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

7 EXAMINER SEE: No.

8 As to FES's objection to strike the
9 supplemental testimony -- no, direct --

10 MR. KUTIK: Supplemental.

11 EXAMINER SEE: Supplemental at page 5 --
12 let me start over.

13 FES's motion to strike what's been marked
14 as AEP Exhibit 119, page 5, carrying over to page 6,
15 the motion to deny, the Commission will give it the
16 weight we believe it should be accorded in light of
17 the extensive cross-examination and direct testimony
18 this witness has undergone.

19 OCC renewed its motion, I stand by my
20 ruling earlier that their motion to strike is being
21 denied. As to the new issues raised that the
22 supplemental testimony is cumulative, while I would
23 agree that it is cumulative, there was some
24 cross-examination that specifically referred to that
25 testimony and followed up on questions after it, so

1 that motion is denied.

2 And IEU's motion to renew its previous
3 motion to strike is denied.

4 With that AEP Exhibit 118 and 119 are
5 admitted into the record.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 EXAMINER SEE: Ms. Grady?

8 MS. GRADY: Yes, your Honor. At this
9 time we would move for the admission of OCC Exhibit
10 No. 109 with the exception of Attachment 3.

11 MR. NOURSE: No objection.

12 EXAMINER SEE: So you're re-moving
13 Attachment 3 from Exhibit 109?

14 MS. GRADY: Yes, your Honor.

15 EXAMINER SEE: There were some other
16 objections raised during the course of the
17 cross-examination when Exhibit 109 was admitted,
18 consistent with those objections I'll nonetheless
19 admit Exhibit OCC 109.

20 MS. GRADY: Thank you, your Honor.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 EXAMINER SEE: Mr. Kutik.

23 MR. KUTIK: Your Honor, at this time FES
24 moves for the admission of FES 119.

25 EXAMINER SEE: Any objections?

1 MR. NOURSE: No.

2 EXAMINER SEE: FES 119 is admitted into
3 the record.

4 (EXHIBIT ADMITTED INTO EVIDENCE.)

5 EXAMINER SEE: Mr. Sugarman.

6 MR. SUGARMAN: Yes, your Honor. Thank
7 you. Move the admission of NFIB-Ohio Exhibit 105.

8 EXAMINER SEE: Any objections?

9 MR. NOURSE: No, your Honor.

10 EXAMINER SEE: NFIB 105 is admitted into
11 the record.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 EXAMINER SEE: Mr. Darr.

14 MR. DARR: I think the remaining exhibit
15 is IEU 119. We'd move for admission.

16 EXAMINER SEE: That is the only
17 outstanding one that hasn't been admitted. Any
18 objections?

19 MR. NOURSE: No, your Honor.

20 EXAMINER SEE: IEU 119 is admitted into
21 the record.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 MR. NOURSE: Your Honor, before we move
24 to the next witness, we did have an item -- Whenever
25 you're available.

1 EXAMINER SEE: Go ahead, Mr. Nourse.

2 MR. NOURSE: Before we rest our case I
3 just wanted to make a proffer. I don't know that
4 it's necessary but I know some parties had asked
5 about the application being made an exhibit. We're
6 happy to do that. I've got copies here if you'd like
7 to have it marked and entered as an exhibit.

8 I think we may have done that in the
9 stipulation proceeding recently, although we don't --
10 the company does not believe that's a requirement or
11 a necessity.

12 EXAMINER SEE: So are you marking and
13 moving the application?

14 MR. NOURSE: If you'd like me to, your
15 Honor, I'd be happy to do that. I think everybody
16 has copies, so I can certainly give the reporter and
17 the Bench copies.

18 May I mark this as AEP Ohio Exhibit 100.

19 EXAMINER SEE: Okay, AEP 100 is the
20 application?

21 MR. NOURSE: Yes, your Honor.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 EXAMINER SEE: Are there any objections
24 to the admission of AEP 100, the application in this
25 case?

1 MR. KUTIK: Yes, your Honor. We object.

2 EXAMINER SEE: Say that again, Mr. Kutik.

3 MR. KUTIK: Yes, your Honor. We object.

4 EXAMINER SEE: Okay, on what basis?

5 MR. SUGARMAN: We would join the
6 objection as well, your Honor.

7 MR. KUTIK: Your Honor, it has not been
8 sponsored by any witness.

9 EXAMINER SEE: Mr. Nourse.

10 MR. NOURSE: I believe, if my memory
11 serves, your Honor, I believe Mr. Powers and Mr. Dias
12 indicated that the -- in response to these questions
13 from counsel, that the application was being
14 sponsored by all of the witnesses, and to the extent
15 that's needed again, I don't think the rules require
16 it, but because parties had raised it, I wanted to
17 make that offer.

18 MR. KUTIK: Your Honor.

19 EXAMINER SEE: Mr. Kutik.

20 MR. KUTIK: In these cases we've had
21 objections made by AEP that if an interrogatory,
22 which is written by the company, isn't before the
23 witness who supposedly prepared the interrogatory, we
24 can't respond to it. We can't talk to them about it.
25 And now for them to say, well, we don't need a

1 witness to sponsor the singular document they raise
2 as part of their case, is absurd.

3 We should have an opportunity to know
4 who's sponsoring the document so that we can talk to
5 them about the document. If they want to piecemeal
6 other parts of it, fine. But when I look at
7 Mr. Powers' testimony, when I look at Mr. Dias's
8 testimony, we don't see anybody saying I'm the one
9 who's sponsoring the document and moving the document
10 in, you can talk to me about the document.

11 The purpose of having questions is so
12 that we know who to talk to about documents that are
13 going to be moved into evidence.

14 MR. NOURSE: Well, your Honor, I would
15 say, again, the application is not necessarily
16 evidence, it just shows what the company's proposals
17 are in the case.

18 Again, I think Mr. Dias did state that
19 all the witnesses were sponsoring the application in
20 response to a question I believe by Ms. McAlister, so
21 that the parties were aware of that.

22 MR. KUTIK: If the application isn't
23 evidence, then it shouldn't be admitted.

24 MR. NOURSE: Well, your Honor, there's
25 lots of documents, like Commission orders and other

1 public documents, that are admitted as evidence for
2 convenience. I think it falls into that category.
3 So I disagree that -- only the factual or expert
4 testimony would be admitted as evidence.

5 EXAMINER SEE: At this point, so we can
6 move it along, the Bench will take it under
7 advisement considering the arguments raised by
8 Mr. Kutik.

9 MR. NOURSE: And hopefully by Mr. Nourse.
10 Thank you, your Honor.

11 EXAMINER SEE: I'm sorry, and Mr. Nourse.
12 Sorry, focused on lunch.

13 MR. NOURSE: Just a final clean-up
14 matter, I know you said you're focused on lunch, we
15 do have the footnote exhibits that were indicated
16 during Mr. Powers' examination would be provided
17 subsequently, and we can mark that as Exhibit AEP
18 Exhibit 120. It's one package that has dividers
19 indicating each footnote in Mr. Powers' testimony
20 with the accompanying documents, all of which were
21 discussed during cross-examination.

22 The parties, by the way, were served via
23 e-mail with a .pdf of this, so we don't have
24 additional copies to distribute right now.

25 EXAMINER SEE: So that copy is just for

1 the Bench?

2 MR. NOURSE: Yes.

3 EXAMINER SEE: Okay.

4 MR. KUTIK: Are these being marked as an
5 exhibit?

6 MR. NOURSE: AEP Exhibit 120, your Honor.

7 EXAMINER SEE: Are there objections to
8 AEP Exhibit 120?

9 MR. KUTIK: Yes, your Honor.

10 MS. GRADY: If we could have some time to
11 look at it, that would be helpful.

12 MR. KUTIK: Regardless of whether we have
13 time to look at it, your Honor.

14 EXAMINER SEE: We'll take a moment.

15 MR. KUTIK: The proper time to produce
16 this document was when Witness Powers was on the
17 stand, not now when we can't cross him.

18 MR. NOURSE: Your Honor, I believe
19 Mr. Tauber had indicated that we should go ahead and
20 do this later and that all the parties had already
21 had an opportunity to do cross-examination.

22 Some of these footnote exhibits are
23 actually duplicative of IEU exhibits, for example,
24 but I believe this procedure was discussed while
25 Mr. Powers was on the stand and, again, if I'm not

1 mistaken, I recall that Mr. Tauber had agreed that we
2 would submit them later.

3 EXAMINER TAUBER: Correct. Most of these
4 exhibits are opinions and orders of the Commission.
5 The Commission orders obviously speak for themselves
6 and we took administrative notice of it.

7 However, Mr. Randazzo and Industrial
8 Energy Users, for the purposes of keeping the record
9 consistent, marked and moved into the record these
10 exhibits, these orders, which are, some of them are
11 overlap with what AEP Exhibit 120 has.

12 And so in order to keep the record
13 consistent and to keep it clear for parties on
14 briefs, as well as any other things that may come up
15 later on, we will admit AEP Exhibit 120 in the record
16 at this time to be consistent with what we've done in
17 the record.

18 MR. NOURSE: Thank you, your Honor.

19 (EXHIBIT MARKED/ADMITTED INTO EVIDENCE.)

20 EXAMINER TAUBER: Let's go off the
21 record.

22 (Discussion off the record.)

23 EXAMINER TAUBER: Let's get back together
24 at 1:30, then.

25 (Thereupon, a lunch recess was taken at

2219

1 12:48 p.m.)

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1 Friday Afternoon Session,
2 May 25, 2012.

3 - - -

4 EXAMINER SEE: Let's go back on the
5 record.

6 I note that there was an objection to the
7 admission of AEP 100 which is the application
8 docketed in this case. Nonetheless, AEP 100 is
9 admitted into the record.

10 (EXHIBIT ADMITTED INTO EVIDENCE.)

11 EXAMINER TAUBER: Mr. Yurick.

12 MR. YURICK: Kroger would call witness
13 Kevin Higgins.

14 Your Honors, I've given a copy of
15 Mr. Higgins' prefiled testimony to the court
16 reporters. Would the Bench like a copy?

17 EXAMINER SEE: Yes.

18 EXAMINER TAUBER: Mr. Higgins, could you
19 raise your right hand.

20 (Witness sworn.)

21 EXAMINER TAUBER: Thank you.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 - - -

24

25

1 KEVIN C. HIGGINS

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

4 DIRECT EXAMINATION

5 By Mr. Yurick:

6 Q. Mr. Higgins, you've been sworn. Could
7 you please state your full name and spell your last
8 name for the record?

9 A. My name is Kevin C. Higgins,
10 H-i-g-g-i-n-s.

11 Q. And you're testifying in this case on
12 behalf of The Kroger Company; is that correct?

13 A. That is correct.

14 Q. How are you currently employed, sir?

15 A. I'm a principal in the consulting firm
16 Energy Strategies.

17 Q. Showing you what's been marked Kroger
18 Exhibit No. 101, is that your prefiled testimony
19 filed in this case on May 4, 2012?

20 A. Yes.

21 Q. And was that testimony prepared by you or
22 at your direction and under your supervision?

23 A. Yes, it was.

24 Q. If I asked you the questions set forth in
25 that testimony, would your answers be the same today

1 as those set forth in your testimony?

2 A. Yes.

3 MR. YURICK: At this time, your Honors, I
4 move for the admission of Kroger's Exhibit 101
5 subject to cross-examination.

6 EXAMINER TAUBER: Thank you.

7 Ms. Hand?

8 MS. HAND: No questions, your Honor.

9 EXAMINER TAUBER: Ms. Thompson?

10 MS. THOMPSON: No questions, your Honor.

11 Thank you.

12 EXAMINER TAUBER: Mr. Siwo?

13 MR. SIWO: No questions, your Honor.

14 EXAMINER TAUBER: Ms. Kyler?

15 MS. KYLER: No questions, your Honor.

16 EXAMINER TAUBER: Mr. Stinson?

17 MR. STINSON: No questions, your Honor.

18 EXAMINER TAUBER: Ms. Kingery?

19 MS. KINGERY: No questions, your Honor.

20 EXAMINER TAUBER: Mr. Olikier?

21 MR. OLIKER: Just a few, your Honor.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Olikier:

25 Q. Good afternoon, Mr. Higgins.

1 A. Good afternoon.

2 Q. My name is Joe Olikier, I represent the
3 Industrial Energy Users of Ohio.

4 I have a few questions for you today.

5 A. Okay.

6 Q. In your testimony you provide a
7 recommendation regarding the company's two-tiered
8 capacity proposal, correct?

9 A. Yes, I do.

10 Q. And to be clear, you don't support the
11 two-tiered capacity proposal, correct?

12 A. I do not take a position in support of
13 it. My recommendation is conditional, begins with
14 the word "if." If a two-tiered capacity charge is
15 adopted.

16 Q. Thank you very much for that
17 clarification.

18 And on page 4 of your testimony, and I
19 might be paraphrasing, you state that you do not
20 propose to alter AEP Ohio's proposal to support
21 governmental aggregation initiatives by allowing
22 non-mercantile customers in communities that approved
23 a governmental aggregation program in the
24 November 8th, 2011, election, correct?

25 A. That is correct.

1 Q. And you're referring to the tier 1 price
2 capacity that would be available under the company's
3 proposal, correct?

4 A. That is correct.

5 Q. Prior to filing your testimony did you
6 review Section 4928.20, Ohio Revised Code?

7 A. Not immediately prior to filing it. I
8 have reviewed the statutes from time to time.

9 Q. So were you aware that Section 4928.20(K)
10 requires the Commission to pass rules that promote
11 governmental aggregation?

12 A. If I'm --

13 EXAMINER TAUBER: Before you answer, let
14 me just switch the mics out.

15 THE WITNESS: Sure.

16 EXAMINER TAUBER: Thank you.

17 A. I'm generally aware of requirements to
18 support governmental aggregation.

19 Q. And are you aware that in an earlier
20 stage of this proceeding AEP Ohio, through the
21 detailed implementation plan, tried to limit the
22 availability of mercantile customers to participate
23 in governmental aggregation and obtain tier 1 priced
24 capacity?

25 MR. SATTERWHITE: Objection, your Honor.

1 I don't know what the relevance of a prior part of
2 this proceeding has at this point in the modified
3 ESP.

4 MR. OLIKER: Your Honor, this witness is
5 making a recommendation regarding governmental
6 aggregation and I'm wondering if he knows of any
7 policy or any prior decisions the Commission may have
8 made on this issue. It's perfectly relevant to his
9 testimony.

10 EXAMINER TAUBER: I'll allow it for now.

11 A. The recommendation I made was a response
12 to my reading of a Commission entry, and I'm not
13 specifically aware of the instance that you're
14 referring to with respect to AEP's proposals to
15 limit, however, I am aware from the company's own
16 proposal that in this phase of the case, the ESP II
17 phase, that the company's proposal did limit the
18 ability to receive tier 1 pricing once a cap is
19 received -- is reached to non-mercantile customers.

20 Q. And to follow that up, are you aware that
21 the Commission issued an entry rejecting AEP's
22 attempt to limit mercantile customers' ability to
23 receive tier 1 capacity through governmental
24 aggregation?

25 A. No.

1 Q. Thank you.

2 And maybe one or two additional
3 questions. I don't believe this is in your
4 testimony, but have you done any analysis to
5 determine whether the ESP is more favorable than an
6 MRO?

7 A. I have not conducted an independent
8 analysis of that.

9 Q. So to follow that through, you would not
10 know of the impact of any of the proposals in your
11 testimony, how that would affect the ESP versus MRO
12 test.

13 A. I don't know that I would go that far. I
14 think that directionally the changes that I propose
15 would improve the ESP from the standpoint of its
16 benefits.

17 Q. I'm sorry, I can't hear you, Mr. Higgins.

18 A. I'm sorry. The recommendations I've made
19 would improve the benefits of the ESP, so
20 directionally it would move in the direction of
21 making the ESP more, rather than less, favorable.

22 As to whether or not that would make it
23 superior to an MRO, I have not conducted that
24 analysis.

25 Q. And that is in your testimony, or is that

1 just your belief?

2 A. Well, you asked me. You said I didn't
3 put this in my testimony but then you asked me my
4 opinion, and so I'm just trying to answer your
5 question.

6 Q. So directionally, that's your answer?

7 A. Directionally, the proposals that I've
8 made would improve the benefits of the ESP, however,
9 I am not aware -- I have not tested whether it would
10 make it superior to an MRO because I have not
11 conducted that head-to-head comparison independently.

12 Q. And on that theme, directionally, if
13 mercantile customers were permitted to obtain tier 1
14 priced capacity, that would provide an additional
15 benefit, correct?

16 A. Yes.

17 MR. OLIKER: Thank you. That's all I
18 have, your Honor.

19 EXAMINER TAUBER: Thank you.

20 MR. OLIKER: Thank you, Mr. Higgins.

21 THE WITNESS: Thank you.

22 EXAMINER TAUBER: Mr. Lang?

23 MR. LANG: No questions, your Honor,
24 thanks.

25 EXAMINER TAUBER: Mr. Maskovyak?

1 MR. MASKOVYAK: No questions, your Honor.

2 EXAMINER TAUBER: Mr. Serio?

3 MR. SERIO: Thank you, your Honor. Just
4 a couple questions.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Serio:

8 Q. Good afternoon, Mr. Higgins.

9 A. Good afternoon, sir.

10 Q. Is it your understanding that the
11 company's proposed RSR rider is a charge to collect
12 costs that are caused because of stranded generation?

13 A. It appears to me that those costs are
14 associated with stranded generation, yes.

15 Q. So then is it your understanding that if
16 there was no switching, there would be no stranded
17 generation?

18 A. Yes.

19 Q. Now, I understand it's your testimony
20 that Kroger is opposed to the RSR, but then you
21 indicated if the Commission were to allow it, it
22 should be charged accordingly.

23 To the extent that any of that charge
24 were assigned to Kroger, am I correct that Kroger
25 would have two options: One, they could either

1 absorb the charge or, two, they can pass it along to
2 their customers? Correct?

3 A. Yes.

4 Q. And to the extent that they pass it along
5 to their customers, those customers are, in fact,
6 generally residential customers in that particular
7 area, correct?

8 A. Correct.

9 MR. SERIO: That's all I have, your
10 Honor. Thank you.

11 EXAMINER TAUBER: Thank you.

12 Mr. Satterwhite?

13 MR. SATTERWHITE: Thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Satterwhite:

17 Q. Good afternoon, Mr. Higgins. How you
18 doing?

19 A. Good, thank you.

20 Q. I think we just talked on the phone
21 before. Good to put a face to the voice.

22 A. Same here.

23 Q. You state in your testimony that you've
24 testified in a number of jurisdictions in a number of
25 cases here in Ohio before, correct?

1 A. Yes.

2 Q. And do you stay apprised of the
3 investments in Ohio since Senate Bill 3 was passed?

4 A. I've done my best to do so.

5 Q. And, in fact, you state on page 3 that
6 you testified in Case No. 03-2144, which was the
7 FirstEnergy rate stabilization plan, correct?

8 A. Yes.

9 Q. And what was the nature of your testimony
10 in that case?

11 A. I don't recall it off the top of my head,
12 to be quite frank with you.

13 Q. Maybe I can help with that.

14 A. Sure.

15 MR. SATTERWHITE: Your Honor, I'd like to
16 mark as AEP Exhibit 121 the testimony and objections
17 of Kevin Higgins dated the February 6th, 2004.

18 EXAMINER TAUBER: It shall be so marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. Does that help refresh your recollection
21 there of the general areas?

22 A. I'm getting fired up just reading it
23 again.

24 Q. Let me ask, why is that? What's the
25 nature of the testimony in here?

1 A. Well, I'm joking, but the nature of the
2 testimony is I had opposed a number of provisions in
3 FirstEnergy's RSP proposal.

4 Q. And what's your understanding of what was
5 going on with the rate stabilization plans in that
6 era of the developments of Senate Bill 3?

7 A. Well, at that time, as I recall, there
8 was concern in Ohio regarding the level of prices in
9 the market and that there was a concern about the
10 degree of development of the retail generation --
11 retail competitive market in Ohio and that, as I
12 recall, the Commission had invited utilities to
13 propose rate stabilization plans to provide a, you
14 might say, a bridge to retail competition at a later
15 date or to make it a more smooth transition, shall we
16 say.

17 Q. And if I can draw your attention to page
18 8 of your testimony, I believe what you're talking
19 about is reflected on top starting on line 4 where
20 you talk about the RSP proposal comes in response to
21 the Commission's request for a plan to balance rate
22 certainty, utility financial stability, and
23 development of a competitive market; is that correct?

24 A. Yes, sir.

25 Q. Is that what you were talking about

1 before as to how the Commission kind of sent signals
2 out?

3 A. Yes.

4 Q. And then if we look on page 5 of your
5 testimony, I'm not going to go too deep into it, but
6 if you look at the analysis of your conclusions
7 reached it looks like --

8 MR. SERIO: Which testimony?

9 MR. SATTERWHITE: I apologize, I'm still
10 on the exhibit, 121. Is that what we marked it as?

11 EXAMINER TAUBER: Yes, that's correct.

12 Q. Is it fair to characterize your
13 recommendations here as a concern that the RSP would
14 sacrifice the interests of retail competition?

15 MR. LANG: Your Honor, we'd object at
16 this time. It's beyond the scope of his testimony.
17 His testimony has nothing to do with FirstEnergy's
18 rate stabilization plan case for FRR many years ago.

19 MR. SATTERWHITE: If I may respond, your
20 Honor.

21 EXAMINER TAUBER: Yes.

22 MR. SATTERWHITE: There's been testimony
23 and assertions even in questions from multiple
24 counsel about mischaracterizing of history, and we
25 have an expert witness here to who participated at

1 the time and can give an independent, third-party
2 review of exactly what was going on at that time and
3 I think it's appropriate to take advantage of that
4 for the Commission and the record.

5 EXAMINER TAUBER: I'll allow it for now,
6 but let's not get too far off track.

7 MR. SATTERWHITE: Not a problem.

8 A. Would you mind reading --

9 Q. Sure.

10 MR. SATTERWHITE: Your Honor, would the
11 court reporter please reread it?

12 EXAMINER TAUBER: Sure.

13 (Record read.)

14 A. Yes.

15 Q. Thank you.

16 Turning to your testimony in this case
17 that your counsel's marked, specifically on page 8,
18 on lines 4 to 5 you state "I'm not aware of any
19 provisions in SB 3 that provide for a new round of
20 traditional cost recovery for historically-incurred
21 fixed generation costs." Do you see that?

22 A. Yes, I do.

23 Q. Did you review Senate Bill 3 to determine
24 if there are any provisions that would apply to the
25 current proposal to transition the company to market?

1 A. I have looked back at the statute and was
2 not aware of anything that would be applicable at
3 this point in time.

4 Q. When you said you looked back to the
5 statute, are you referring to Senate Bill 3?

6 A. Yes, as it became enacted by the Ohio
7 legislature.

8 Q. Now, on page 9 of your testimony, on
9 lines 11 and 12 you're discussing the allocation of
10 the RSR and the desire to change the allocation for a
11 number of customer classes. Do you see that?

12 A. Yes. Although I'm, to put a fine point
13 on it, I'm not recommending changing the allocation.

14 Q. Fair enough. Do you want to explain --
15 please explain that "yes."

16 A. My comments on page 9 have to do with the
17 rate design for the proposed RSR as distinct from the
18 allocation. I didn't challenge the allocation.

19 Q. Fair enough. Thank you.

20 And what you're asking for essentially or
21 what you state here is that the vast majority of
22 sales to this grouping, and I'll just call it the
23 "grouping," is to customers that already have demand
24 meters, correct?

25 A. Yes, sir.

1 Q. Which would make it easier to carry out
2 the Higgins plan essentially?

3 A. I don't know if I want the Appalachian
4 Higgins plan attached to the RSR, but should it be
5 adopted, then I do believe it should be a demand
6 charge for those customers who have demand meters,
7 yes.

8 Q. And have you done any studies on the
9 number of customers in that grouping in the AEP Ohio
10 territory that are without demand meters?

11 A. Yes. I looked at that information and,
12 the vast majority of the load is with customers with
13 demand meters.

14 Q. So what did you look at?

15 A. Well, if you look at my Exhibit KCH-1,
16 what's marked KCH-1 within my testimony, in that
17 analysis I remove -- if you look at the top box,
18 you'll see a column entitled "GS-2/3/4, SBS, EHG,
19 EHS, SS," those are the classes that are demand
20 meters or the rate schedules that are demand meters
21 within the group.

22 Then there is a Group "AL/OL/SL" which
23 are basically lighting schedules that do not have
24 demand meters, and in deriving an appropriate demand
25 charge I backed out the megawatt-hours associated

1 with the non-demand metered customers, and you can
2 see that in the line entitled "All metered
3 megawatt-hours."

4 And so by inspection you can see that the
5 lighting classes that do not have demand meters are a
6 small percentage of the megawatt-hours in the group
7 as a whole.

8 Of course, I was working with the group
9 that the company had chosen to put together and so it
10 seemed to me that there wasn't any particular reason
11 to even have to have those lighting classes in with
12 that group, but nevertheless, they're a small
13 percentage of the load measured in megawatt-hours in
14 that group.

15 Q. So just to make sure, so the column that
16 has the grouping, the larger one, it's your testimony
17 that you know that all of those customers have a
18 demand meter already?

19 A. Well, this is pursuant to the company's
20 rate schedules. So these are classes that are billed
21 on a demand basis in the company's rate schedules and
22 so I don't -- obviously I'm not in a position to
23 audit each and every one of your customers to see if
24 they have a demand meter, but these are rate
25 schedules that are demand metered according to the

1 company's tariff.

2 Q. Right, so when you said "vast majority,"
3 I'm just trying to understand when you said "vast
4 majority" how I can quantify what that is. Is it
5 correct to say that if you look at this schedule, the
6 vast majority is everyone in this column. And the
7 AL/OL/SL column is what is not in the vast majority,
8 is that an easy way to understand it?

9 A. Yes, it's the vast majority of the
10 megawatt-hours and this is the easy way to understand
11 it.

12 Q. Okay. Let's move on to the distribution
13 investment rider. What's your understanding of what
14 the distribution investment rider is collecting?

15 A. As I understand the proposal, it's to
16 recover incremental distribution investment cost that
17 has occurred since a date certain in 2010.

18 Q. And you state in your testimony that you
19 believe the best form for consideration of these type
20 of costs is through a base rate case; is that
21 correct?

22 A. Yes, sir.

23 Q. And you were involved, weren't you, in an
24 advisory role in the last Ohio Power/AEP Ohio
25 companies base rate case? Correct?

1 A. Yes, sir.

2 Q. And Kroger, in fact, signed the
3 stipulation in that case; is that correct?

4 A. That is correct.

5 Q. Are you aware of any treatment of this
6 issue in that case?

7 A. Yes. That case did adopt a DIR rider
8 as -- I suppose there's a lot of cases.

9 Q. I understand.

10 A. In the prior phase of the ESP as part of
11 a comprehensive settlement agreement, the rider DIR
12 was incorporated into that settlement agreement.

13 Q. And so it's your understanding that at
14 the time of the last distribution rate case these
15 issues were essentially sort of on the table but they
16 were taken care of by what was assumed to be
17 happening in the previous version of this case; is
18 that a fair assessment?

19 A. To be candid, it was a little hard to
20 follow that, but I think that, if I can paraphrase,
21 and tell me if I'm answering your question, my
22 understanding is that as part of the ESP settlement
23 agreement there was an agreement to include a rider
24 DIR which, of course, is a ratemaking treatment that
25 speaks to the distribution rate case because it is a

1 mechanism for recovering distribution-related costs.

2 Q. Okay. Good. So I just want to make sure
3 we're on the same page. So it's your understanding
4 that during the consideration of the distribution
5 rate case these issues were at least on the table for
6 the parties to talk about and ultimately a part of
7 the settlement in that case, correct?

8 A. I believe so. I'll say that with this
9 caveat: While I spoke with counsel during those
10 discussions, I personally did not participate in the
11 settlement negotiations, and so while I don't -- it's
12 a little difficult for me to differentiate which
13 conversations, which settlement discussions were
14 taking place in which this particular item was on the
15 table.

16 MR. SATTERWHITE: Maybe I can shortcut it
17 this way, your Honor. To the extent it's necessary,
18 can we just take administrative notice of the opinion
19 and order in 11-351, that will cover what happened in
20 that case?

21 EXAMINER TAUBER: Sure.

22 MR. SATTERWHITE: I have copies, if
23 anyone needs it.

24 EXAMINER TAUBER: We'll do that.

25 Q. (By Mr. Satterwhite) Then I can stop

1 bothering you about it.

2 A. Fair enough.

3 Q. Now, on page 17 of your testimony, on
4 line 18 you discuss the DIR mechanism that AEP Ohio
5 is proposing and you make a recommendation against
6 aggregating the DIR between the two zones within Ohio
7 Power, correct?

8 A. Yes.

9 Q. You are aware that the company merged as
10 of December 31st, 2011, correct?

11 A. I am aware of that.

12 Q. So what do you know about the plans to
13 spend capital under the rider over the next few
14 years?

15 A. I don't know the specific plans of the
16 company to spend money under the rider, although it
17 would seem to be extraordinarily unlikely that the
18 incremental spending would be identical per unit in
19 both service territories. It would just strike me as
20 extremely unlikely, but I don't know the company's
21 specific plans.

22 Q. And you also don't know the structure of
23 the operations within the company, correct?

24 A. Can you elaborate on your question in
25 terms of the structure of the operation?

1 Q. Sure. Are you aware of the structure of
2 how decisions will be made and how money will be
3 spent by Ohio Power going forward for capital
4 spending?

5 A. I'm not privy to the meetings that the
6 company may be having on this subject, although I
7 would have to assume that those intentions are
8 consistent with prudent utility practice and that the
9 investments that a company is going to be making are
10 based on meeting load growth and providing reliable
11 service using -- putting dollars where the most --
12 most cost effectively can be invested.

13 Q. But are you proposing that the company
14 maintain two separate sets of books for the different
15 zones for this spending?

16 A. Yes.

17 Q. One second.

18 MR. SATTERWHITE: Thank you, Mr. Higgins.
19 That's all I have.

20 THE WITNESS: Thank you.

21 EXAMINER TAUBER: Thank you.

22 I noticed I missed a couple parties the
23 first round. Mr. Petricoff, any questions?

24 MR. PETRICOFF: No questions.

25 EXAMINER TAUBER: Mr. Beeler?

1 MR. BEELEER: No questions, your Honor.

2 EXAMINER TAUBER: Mr. Yurick, any

3 redirect?

4 MR. YURICK: May I have a moment, your
5 Honor?

6 EXAMINER TAUBER: Sure. Let's go off the
7 record.

8 (Discussion off the record.)

9 EXAMINER TAUBER: Let's go back on the
10 record.

11 Mr. Yurick.

12 MR. YURICK: No redirect. At this time,
13 your Honors, I would renew my motion for the
14 admission of Kroger's Exhibit No. 101.

15 EXAMINER TAUBER: Thank you.

16 Are there any objections to Kroger
17 Exhibit 101?

18 MR. SERIO: No objection.

19 EXAMINER TAUBER: Hearing none, Kroger
20 Exhibit 101 shall be admitted into the record.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 EXAMINER TAUBER: Mr. Satterwhite.

23 MR. SATTERWHITE: Thank you, your Honor.
24 AEP Ohio would move for admission of Exhibit 121.

25 EXAMINER TAUBER: Are there any

1 objections to AEP Ohio Exhibit 121?

2 MR. LANG: Yes, your Honor. FES objects.
3 The use of the exhibit was not relevant to
4 Mr. Higgins' testimony. It's not relevant to this
5 case. It was not used for purposes of impeachment,
6 and to the extent that the Bench does believe that at
7 least the portions that were used should be admitted,
8 then we would suggest that only the referenced pages
9 in his testimony would be admitted.

10 And the one thing we're unsure of at this
11 point, this was obviously prefiled testimony, I know
12 there was a stipulation entered into this case, I
13 don't know if this testimony was actually ever
14 produced into the record of this 03-2144 case, and if
15 it was not, that would be an additional objection to
16 its use.

17 MR. SATTERWHITE: If I may respond, your
18 Honor.

19 EXAMINER TAUBER: Yes, please.

20 MR. SATTERWHITE: Regardless of all that,
21 this is a piece of testimony sworn to by this witness
22 that he validated that describes an issue that's an
23 issue in this case, and he supported that through
24 further statements and through statements in here.

25 And also, to respect the time and the

1 valuable hearing time that we have, I asked him
2 questions in the general area of the conclusions up
3 front that tied throughout the testimony and asked
4 what those conclusions dealt with that also apply to
5 this case as well.

6 So I can go on for three hours and go
7 through and have the witness read stuff within and
8 talk about that or -- I thought I would go to a very
9 high level and talk about what that was and thought
10 that was a better use of time.

11 MR. LANG: Your Honor, FirstEnergy's rate
12 stabilization case, which this addresses, is not an
13 issue in this case.

14 AEP has made their electric transition
15 plan case and their other cases that occurred over
16 time, they've put those in as relevant issues in this
17 case, but the FirstEnergy case is not.

18 MR. SATTERWHITE: One last comment, your
19 Honor. It's not AEP Ohio that's put all of these,
20 you know, this questioning history at issue here.
21 It's the other parties that have made questions
22 multiple times asserting that it's been
23 misrepresented.

24 I think this is valuable, as I said
25 before, and as it was sustained when the objection

1 was made, that this provides context of that history
2 from an independent third party.

3 EXAMINER TAUBER: At this time, the Bench
4 will admit AEP Exhibit 121 and the Commission will
5 give it weight accordingly.

6 MR. SATTERWHITE: Thank you.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 MR. SERIO: Your Honor, I do have one
9 request. I believe counsel for the company asked for
10 administrative notice of the opinion and order in the
11 11-351-EL-AIR proceeding.

12 We would just ask if we're going to take
13 administrative notice of this document, we also take
14 administrative notice of the stipulation in that case
15 which would further clarify the status of the DIR
16 which is not completely described in the opinion and
17 order standing alone without the stipulation.

18 MR. SATTERWHITE: We'd have no objection,
19 and I have copies of that here, too, if the Bench
20 needs them.

21 EXAMINER TAUBER: We'll take
22 administrative notice of that so it's a complete
23 record.

24 MR. SERIO: Thank you, your Honor.

25 EXAMINER TAUBER: You may be excused,

1 thank you.

2 THE WITNESS: Thank you.

3 EXAMINER SEE: Before we move to the next
4 witness, I want to verify that the parties have
5 either seen and responded to the request of
6 Mr. Montgomery in regard to the testimony of
7 Mr. Irvin.

8 Mr. Yurick, have you seen the e-mail?

9 MR. YURICK: I have, and I had responded
10 to Mr. Montgomery yesterday.

11 EXAMINER SEE: You have no cross?

12 MR. YURICK: No problem.

13 EXAMINER SEE: I'm sorry, you have no
14 cross for him?

15 MR. YURICK: No problem, no, no cross.

16 EXAMINER SEE: Counsel for OMAEG?

17 MS. McALISTER: Yes, your Honor, we've
18 seen it and we do not have any cross.

19 EXAMINER SEE: Counsel for Compete
20 Coalition?

21 MR. PETRICOFF: Yes, your Honor. No
22 cross.

23 EXAMINER SEE: You responded this morning
24 but only as to RESA.

25 MR. PETRICOFF: That's correct. So now

1 we've completed the chain.

2 EXAMINER SEE: Are counsel for any of the
3 following parties in the room:

4 Sierra Club?

5 Environmental Law and Policy Center?

6 Ohio Environmental Council?

7 EnerNOC?

8 CPV Power Providers?

9 IBEW, International Brotherhood of
10 Electrical Workers?

11 Ohio Business Council?

12 Summit/Fostoria Ethanol?

13 University of Toledo?

14 MR. MONTGOMERY: Your Honors, I did
15 receive word from EnerNOC and University of Toledo
16 that they do not have cross.

17 EXAMINER SEE: That was on the list --

18 MR. MONTGOMERY: They forwarded those to
19 me this morning after I sent that out.

20 EXAMINER SEE: After it was sent, okay.
21 Let me know if you received responses from Council
22 for Smaller Enterprises; Ohio Construction Materials;
23 Ohio Automobile Dealers; Ohio Restaurant Association;
24 Ohio Farm Bureau Federation; or Dayton Power & Light
25 Company.

1 MR. MONTGOMERY: I did receive word from
2 Dayton Power & Light saying they did not have cross.

3 EXAMINER SEE: Any of the others?

4 MR. MONTGOMERY: None of the others.

5 EXAMINER SEE: All right. If you will
6 follow up with an additional e-mail to those parties,
7 and then let the Bench know what you have by end of
8 the business day today, 5:30.

9 MR. MONTGOMERY: Okay. I can do that.
10 We also, I don't know if you want to deal with the
11 stipulation with IEU or if you just wanted to do
12 that --

13 EXAMINER SEE: Go ahead.

14 MR. MONTGOMERY: -- at the end of the
15 day.

16 We have reached an agreement with IEU, a
17 stipulation of facts that I believe Mr. Olikier was
18 going to -- it has received the approval of AEP, and
19 counsel from Ormet and FirstEnergy Solutions also
20 requested to look at it and I think they're okay with
21 it as well.

22 EXAMINER SEE: Okay. We'll handle that
23 first thing Tuesday morning to give the other counsel
24 for the other parties by the end of the business day
25 to respond.

1 MR. MONTGOMERY: Okay, thank you.

2 EXAMINER SEE: If they have not, follow
3 up with an e-mail to the Bench.

4 MR. MONTGOMERY: Okay. Thank you, your
5 Honors.

6 EXAMINER SEE: Thank you.

7 Ms. Kingery, Mr. Walz, is he present?

8 MS. KINGERY: Yes, he is. Yes, he's
9 here.

10 EXAMINER SEE: Okay. Let's go to OCC's
11 witness.

12 MR. ETTER: Yes, thank you, your Honor.
13 OCC would like to call Amr Ibrahim.

14 EXAMINER SEE: Mr. Ibrahim, if you would
15 raise your right hand.

16 (Witness sworn.)

17 EXAMINER SEE: Thank you. Have a seat.

18 THE WITNESS: Thank you very much.

19 EXAMINER SEE: Please use the microphone.

20 THE WITNESS: Sure.

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AMR A. IBRAHIM

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

DIRECT EXAMINATION

By Mr. Etter:

Q. Would you state your name and position,
please?

A. My name is Amr Ibrahim. I'm a principal
regulatory analyst with OCC.

Q. And do you have a copy of your direct
testimony that was filed in this proceeding on
May 4th, 2012?

A. Yes, sir, I do.

Q. And was that prepared by you or at your
direction?

A. Indeed it was.

Q. And do you have any corrections to this
testimony?

A. Yes, sir, I do.

Q. Okay.

MR. ETTER: Your Honors, during the lunch
break I provided the Bench and Commissioner Porter
and the court reporter with a copy of Dr. Ibrahim's
testimony. You should have that before you.

EXAMINER SEE: Yes, we do.

1 Q. Thank you. What are your corrections?

2 A. If you go to page 12, line 12, if you
3 would be kind enough to move the foot stop and
4 footnote number 19 to immediately after "million" and
5 remove the bracket "(see Exhibit AAI-1)".

6 Q. So that sentence should end "proposed RSR
7 is \$12.1 million"; is that correct?

8 A. That's correct. And the footnote stays.

9 Q. And do you have any other corrections?

10 A. Yes, I have other two. If you would be
11 kind enough to go to page 21, line 5, prior
12 immediately to the foot stop, the (b) should be a (a)
13 and if you go down to footnote No. 38, we will do
14 exactly the same correction, namely (a) rather than
15 (b).

16 EXAMINER SEE: I'm sorry, that was -- it
17 would be section 4928.64(a) to (b)?

18 A. Yes, correct -- rather than (b). (b) is
19 wrong and the footnote exactly the same thing.

20 Q. And is that all the corrections you have,
21 sir?

22 A. Yes, sir.

23 MR. ETTER: At this time we'd like to
24 mark his corrected testimony, Dr. Ibrahim's corrected
25 testimony, as OCC Exhibit 110.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. And if I were to ask you the questions in
3 Exhibit 110 today, would you answer the same way with
4 the corrections you just made on the stand?

5 A. This is correct, sir, yes.

6 MR. ETTER: We have no further questions,
7 your Honor, and we tender the witness for
8 cross-examination.

9 EXAMINER SEE: Mr. Petricoff?

10 MR. PETRICOFF: No questions, your Honor.

11 EXAMINER SEE: Mr. Barnowski?

12 MR. BARNOWSKI: Yes, your Honor, we have
13 questions.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Barnowski:

17 Q. Good afternoon, Mr. Ibrahim.

18 A. Good afternoon, sir.

19 Q. Am I pronouncing that correctly, Ibrahim?

20 A. This is correct, thank you.

21 Q. In your testimony you recommend the
22 Commission not collect the RSR from different
23 customer classes based on their average contribution
24 to AEP Ohio's load, correct?

25 A. 5CPs, yes.

1 Q. And the basis for that recommendation is
2 that residential customers are shopping at rates
3 lower than their average contribution to the load
4 and, therefore, are causing fewer lost revenues,
5 correct?

6 A. By and large you are right. I am basing
7 my recommendation based on the principle of cost
8 causality, and since the customer class residential
9 customers, or any other customer for that matter, was
10 not shopping, therefore, it should be taken only what
11 is contribution to the phenomenon that's causing the
12 cost to AEP.

13 Q. It would not -- in your opinion, it would
14 not be just and reasonable to levy the RSR charges on
15 a customer class that is not shopping, correct?

16 A. It's not precisely -- not in proportion
17 to their contribution to shop to megawatt-hours.

18 Q. Flip to page 10 of your testimony,
19 please.

20 A. Sure.

21 Q. By the way, before you get there, would
22 that opinion stretch to include customers who are
23 prohibited from shopping? If you're prohibited from
24 shopping, you're not contributing to the cause,
25 right?

1 A. This is a good question, actually. I
2 didn't think of it that way.

3 Q. Thank you. You're the first witness to
4 say that to me.

5 A. Fair is fair.

6 Basically, my recommendation is trying to
7 allocate the costs to those who cause the problem and
8 if a customer class didn't shop or shopped in a
9 specific proportion, they should accept the
10 responsibility in proportion to their contribution to
11 the entire phenomenon of shopping.

12 Q. Thank you. Are you on page 10 now?

13 A. Yes, I am.

14 Q. Okay. You're recommending there that the
15 industrial class customers be responsible for
16 approximately 90 percent of the RSR charge because
17 90 percent of the switched load came from the
18 industrial class, right?

19 A. Yes.

20 Q. But to be clear, under your cost
21 causation principles, the customers within that class
22 who have not shopped would not have contributed to
23 those costs and, therefore, should be excluded?

24 MR. ETTER: Excuse me. Can you clarify
25 that? Did you say "have not shopped" or "could not

1 shop"?

2 MR. BARNOWSKI: Let's -- thank you.

3 Q. Let me amend that to cannot shop.

4 A. The way I thought then and the way I
5 still think now is that I would like to allocate the
6 costs to the specific customer classes in proportion
7 to the contribution of this specific class to the
8 phenomena of shopping.

9 I did not consider at that time and I'm
10 still having this whether there is going to be inside
11 this particular class some customers, let's say a
12 large industrial customer who can or cannot shop.
13 When I'm speaking about industrial customers, say
14 GS-4, all of GS-4, that was my thinking.

15 Q. Is there any subrule or something to the
16 cost causation principles that you described in your
17 testimony that would suggest that only those who
18 cause the costs should be charged unless they're
19 industrial class?

20 A. There must be a kind of a limit in order
21 to address a specific subgroup within the class. For
22 an instance, if the industrial customer class is
23 causing, let's say 50 percent of the load of the
24 utility during its peak, some industrial customers
25 were not on at all, I cannot come and exclude these

1 particular customers who were not on at that
2 particular moment.

3 And, therefore, the fact that this
4 particular class, this particular customer subscribes
5 to the industrial customers, they have to assume
6 responsibility like everything else in their group,
7 namely industrial.

8 Q. Do customers in that class have the
9 option to change out of the class?

10 A. Can you repeat the question again,
11 please.

12 Q. Do customers in that class have the
13 option to change out of that class or are they stuck?

14 A. The definition of a class has something
15 to do with their consumption pattern and their size
16 of the load and their voltage level.

17 Q. So regardless of whether they're allowed
18 to shop, whether they're contributing to the cost,
19 they should have to pay it because they happen to be
20 similar to other parties who are shopping; is that
21 your testimony?

22 A. What I am saying, that if there is a
23 member in a class that has exactly the same
24 characteristics of what is included in their class,
25 they have to be in this class.

1 Q. Okay. 90 percent of the annual
2 \$94.7 million RSR charge would be roughly around
3 \$85 million, correct?

4 A. Subject to check. I have a calculator, I
5 can check and confirm that, but I assume it's
6 correct.

7 Q. And the industrial load is, on your chart
8 on page 10, is around 31.8 million megawatt-hours; is
9 that fair?

10 A. Correct.

11 Q. And doing the math, 85 million divided by
12 31.89 megawatt-hours leaves you with an RSR rider
13 charge to the industrial customers of around 2 bucks
14 and 70 cents per megawatt-hour. Can you -- do you
15 want me to give you a calculator or will you accept
16 that, subject to check?

17 A. I can do the calculation, but please
18 appreciate, sir, that I do not have an opinion
19 regarding whether this rider is applicable or not. I
20 am speaking specifically an allocation of the rider
21 and, therefore, if the calculation is correct, we
22 will assume that 90 percent, 89.9 percent, goes to
23 industrial, therefore, this particular customer class
24 that includes all of what is in it should be
25 responsible for -- if the Commission approves the

1 RSR, of the \$94.6 million of it.

2 Q. And have you considered the fact that by
3 doing that you would be raising the charge of the RSR
4 to the industrial class members by around 70 percent?

5 A. I have discussed the cost principle of
6 the -- the allocation principle verification applying
7 the principle does not come back to me, it comes back
8 to those who are coming up with the 94.5.

9 Q. I'm just asking whether you've considered
10 in rendering your testimony that you've increased the
11 RSR charge for all members of the industrial class
12 whether or not they shop and whether or not they're
13 allowed to shop by 70 percent.

14 A. I did not consider that, I only allocated
15 them the cost which is in fair to their contribution
16 to the issue as I see it.

17 Q. Let's talk about the IRP-D --

18 A. Yes.

19 Q. -- rider. You also recommend that only
20 parties who are eligible to participate in that rider
21 should have to pay for the RSR credit for it,
22 correct?

23 A. The component of the IRP-D in the RSR.

24 Q. And if you look at page 11 of your
25 testimony, the basis for that is that it's those

1 people who are -- or companies who are the, quote,
2 direct primary beneficiaries of the IRP-D credit,
3 correct?

4 A. Correct. This is in line 18. You are
5 right.

6 Q. Can you and I agree that interruptible
7 load is a form of demand response?

8 A. It is.

9 Q. And can you and I agree that demand
10 response is a service provided to the entire market?

11 A. In disproportionate manner, yes.

12 Q. And, in fact, FERC has held that it is a
13 service provided to the whole market, correct?

14 A. In a disproportionate manner, yes.

15 Q. And are you aware that AEP uses
16 interruptible load as part of its FRR plan to meet
17 its capacity needs?

18 A. I am vaguely aware of that, yes.

19 Q. And to meet its state demand reduction
20 requirements.

21 A. I'm vaguely aware of that, yes.

22 Q. And by using it in these manners it
23 benefits all the customers on the entire market by
24 reducing the costs, correct?

25 A. That will be part of the indirect

1 beneficiaries.

2 Q. Reduces its capacity costs, correct?

3 A. That would be part of the indirect
4 benefits to all customers.

5 Q. And customers taking -- excuse me,
6 customers taking interruptible load receive inferior
7 service because it can be interrupted, right?

8 A. I wouldn't describe it as inferior at
9 all. I interpret it as they are selling back their
10 ability to control their load to reduce their energy
11 bill. And as a result they sell back something for a
12 credit.

13 Q. Well, isn't it true that if you take
14 interruptible load, the interruption is done at the
15 discretion of AEP, not at the discretion of the
16 company taking the load?

17 A. It depends upon the type of the program
18 in question.

19 Q. Have you looked at this -- I'm sorry, I
20 didn't mean to interrupt you.

21 MR. ETTER: Objection, yeah. Would you
22 let him finish his answer?

23 MR. BARNOWSKI: Yes, I apologize.

24 A. It depends upon the type of that program
25 and the type of credit they receive. Some programs

1 pay for the optionality to comply or not to comply
2 and, therefore, the credit amount will vary
3 accordingly.

4 Q. Have you looked at AEP's program?

5 A. Yes.

6 Q. AEP maintains the right to curtail
7 service to an interruptible load customer on its own,
8 correct?

9 A. I am not sure of that. The last time I
10 checked, particularly the fund IRP-D gives the option
11 to the user not to come down and, therefore, there is
12 a penalty for that.

13 EXAMINER SEE: Mr. Ibrahim.

14 THE WITNESS: Yes, ma'am.

15 EXAMINER SEE: I need you to speak into
16 the mic.

17 THE WITNESS: By all means, thank you.
18 Thank you, ma'am.

19 Q. And, in fact, the rider gives the option
20 to the customer to buy through but at a price
21 determined by AEP, correct? If you don't know, just
22 tell me you don't know.

23 A. Just a second, please.

24 Q. Okay.

25 A. What I know is that if they cannot go

1 down, they will have to pay the price of that hour.
2 If they don't go down.

3 Q. Would you agree that if a factory in the
4 middle of the business day curtails its operations
5 for an interruption, there is likely to be a negative
6 impact on that business?

7 A. It depends upon the business.

8 Q. And FERC has held that that service that
9 benefits the members of that market must be
10 compensated as a matter of law, hasn't it?

11 A. I would like to take that subject to
12 confirmation.

13 Q. Okay. Have you ever read FERC Order
14 No. 745?

15 A. Not specifically.

16 MR. BARNOWSKI: No further questions,
17 your Honor.

18 THE WITNESS: Thank you, sir.

19 EXAMINER SEE: Ms. Thompson?

20 MS. THOMPSON: No questions, your Honor.

21 Thank you.

22 EXAMINER SEE: Ms. McAlister?

23 MS. McALISTER: Thank you, your Honor.

24 - - -

25

CROSS-EXAMINATION

By Ms. McAlister:

Q. Good afternoon, Mr. Ibrahim.

A. Good afternoon, ma'am.

Q. You just spoke a little bit about the cost causation basis for your proposal regarding the RSR, I'd like to touch a little bit on that more with you. You're having trouble hearing me?

A. Yes. Probably it's my fault more than yours.

Q. I'm a soft talker, so I'll do my best.

Okay. You say that it's the switched load that's causing the lost revenue, right?

A. This is my understanding of what the company has filed, yes.

Q. Okay. And you're advocating in favor of the cost causation, and under that principle shouldn't the RSR only be charged to the shopping customers and not the SSO customers?

A. I don't have an opinion on that.

Q. Well, if the charges were only charged to the shopping customers, wouldn't that discourage shopping?

A. So if it is only charged -- that question is if it is only levied on those who shop, that will

1 discourage shopping? Like any increase in cost, if
2 you do a specific activity, it will discourage, yes.

3 Q. And if the Commission were to adopt your
4 proposal, isn't it true that the more a class shops,
5 the more that class's relative share of the switched
6 kilowatt-hour sales would be?

7 A. Basically, yes. I am allocating the cost
8 of the rider to the different customer classes based
9 on their contribution of the shopping phenomenon in
10 megawatt-hours.

11 Q. So basically the more their relative
12 share of switched kWh sales, the higher the RSR for
13 that class; is that correct?

14 A. The higher their relative share in the
15 RSR, yes.

16 Q. And you're aware of the state's policy in
17 Section 4928.02; is that correct? You cite to it in
18 your testimony on footnote 43.

19 A. Yes. Yes, I can see the footnote.

20 Q. Are you aware that it's the state's
21 policy to recognize the continuing emergence of
22 competitive electric markets?

23 A. Subject to check, yes. I don't see it in
24 the language.

25 Q. So under your proposal the converse of

1 what we just talked about would be the fewer
2 residential customers who shop, the lower their RSR
3 portion; is that correct?

4 A. Can you repeat that question again,
5 please, ma'am?

6 Q. Sure. The fewer residential customers
7 that shop, the lower their share of the RSR.

8 A. In terms of their megawatt-hours, yes.

9 Q. Okay.

10 A. For any other customer class, I mean what
11 I am saying is also applicable on commercial or
12 applicable to any customer class as the case may be.

13 Q. Okay. I'm a little bit curious about
14 some of your word choices in your testimony.

15 A. Yes, ma'am.

16 Q. I'm going to turn you to page 9 of your
17 testimony.

18 A. Go ahead, ma'am.

19 Q. There in lines 4 through, well, let's
20 see, I guess just 4 there you say that "...it's the
21 switched load (the customers who switch to
22 competitors of AEP) that are the cause of the
23 Company's lost revenues (via 'discounted capacity')." Is
24 that correct?

25 A. Yes.

1 Q. Okay. So there you're talking about the
2 capacity and about customer load. And load is a
3 demand-related term, is it not?

4 A. "Load" in general means "demand," yes.

5 Q. Okay. But then if you go down to lines
6 12 through 13, you say the RSR charges should be
7 allocated in proportion to the customer class's
8 relative share of switched kWh sales.

9 A. Correct.

10 Q. And kWh is an energy measure, right?

11 A. Correct.

12 Q. Okay. I'm going to turn you to page 10
13 of your testimony.

14 A. Yes, ma'am.

15 Q. There in line 13 you say that the RSR
16 would need to be adjusted periodically to reflect the
17 latest relative share and the switched kWh sales.

18 A. Correct.

19 Q. "Periodically" can mean a number of
20 different things and I'm curious what you meant by
21 "periodically."

22 A. In this particular case I am saying that
23 the company intends to review the RSR periodically
24 and they will take the opinion of the Commission on
25 how much they should charge and, therefore, they will

1 come back to the Commission on a periodic basis.

2 Since they are going to come back on a
3 periodic basis, what I'm proposing is that if the
4 Commission approves the rider and if the company
5 comes back to the Commission to adjust the rider,
6 they will also adjust it by the switching
7 percentages, as I'm saying.

8 So periodically is determined by how
9 often AEP intends to file with the Commission to
10 update the RSR.

11 Q. So you don't have a recommendation of
12 whether periodically should be annual, quarterly,
13 monthly, weekly, daily, it's just whatever the
14 Commission orders AEP to adjust it?

15 A. Which, as I understand, is going to be
16 triggered by AEP filing with the Commission to change
17 the amount to be charged for the RSR, if the RSR is
18 approved.

19 Q. Okay. And you're aware --

20 A. In other words, I'm piggybacking, I'm
21 piggybacking on the process that AEP is suggesting to
22 adjust the RSR.

23 Q. And now you're aware that if a
24 governmental aggregation program switches, a large
25 percentage of residential customer switching could

1 occur virtually overnight, right?

2 A. I am aware of that, yes.

3 Q. Okay. Turning your attention to page 8,
4 footnote 14 there. You're talking about the support
5 for your cost causality principle.

6 A. Yes, ma'am.

7 Q. And you reference the electric utility
8 cost allocation manual from NARUC.

9 A. Correct.

10 Q. Now, would you agree with me, sir, that
11 in the chapter that you're referencing which is
12 entitled "Embedded Cost Methods for Allocating
13 Production Costs," nowhere in that manual does it
14 advocate, advance, or describe an allocation of
15 production costs solely on the basis of energy sales?

16 A. I would like to see the manual to be
17 absolutely sure for my answer, but if my memory
18 serves me correct, this part of the manual at -- this
19 particular part of the page was referencing cost
20 causation and it's trying to attribute the
21 responsibility of the costs to those who caused the
22 cost to be incurred.

23 Q. But nowhere is it allocated on the basis
24 of kWh sales.

25 A. It depends upon the type of costs. I'm

1 speaking about the principle of cost causation.

2 Q. For production costs, right?

3 A. In this particular case, in this
4 particular section it's production cost. A
5 production cost could be based on kilowatt hours or
6 kilowatt as which part of production cost are we
7 talking about.

8 Q. And here we're talking about
9 capacity-related costs, right?

10 A. Here we are talking about the difference
11 in the pricing of capacity provided to CRES providers
12 as between what they charge the CRES providers and
13 what the cost is to AEP.

14 Q. Okay. I don't have any more questions
15 about the manual, I'm not sure if you still wanted to
16 take a look through it or not.

17 A. If you are comfortable, I am comfortable.

18 Q. Okay. We will not take the time to do
19 that.

20 Okay. You already talked quite a bit,
21 well not quite a bit, but a little bit about the
22 interruptible credit.

23 A. Yes, ma'am.

24 Q. And you are basically advocating that the
25 credit be collected only from those customers who are

1 eligible for the service; is that correct?

2 A. If what I heard from you is correct, no,
3 this is not correct. What I'm saying, that there is
4 a portion in the RSR that's going to be attributed to
5 the increase in the cost -- in the credit for the
6 IRP-D and this particular cost should not be
7 distributed to other customers who do not have access
8 to the IRP-D.

9 Q. That portion that only gets moved to the
10 RSR should only be collected from customers who are
11 eligible for the credit.

12 A. Correct.

13 Q. Eligible or taking?

14 A. When I wrote that, I was thinking for
15 eligible.

16 Q. Okay. So there could be customers who
17 are not on the interruptible service who are still
18 subject to the cost associated with the RSR.

19 A. I'm sorry, ma'am?

20 Q. Sure. I'll say it again.

21 A. Please.

22 Q. If all customers that are eligible for
23 the interruptible service are subject to the portion
24 of the RSR, that would recover the difference in the
25 credit?

1 A. My understanding is that it will be
2 recovered from those who do have the option to get
3 the credit that they so wish, namely GS-4 customers.
4 It's an opt-in program, those who can expect it.

5 Q. So it would be all GS-4 customers?

6 A. If all of GS-4 customers do have the
7 option to contribute -- to participate in the
8 program, then, yes.

9 Q. When you say they "have the option," do
10 you mean under AEP's tariff or do you mean whether
11 they're willing to and have interruptible service or
12 capabilities themselves?

13 A. The tariff is available to GS-4 who can
14 or who would like to opt in in this program and they
15 can give away up to 1 megawatt of load, if my memory
16 serves me correctly.

17 EXAMINER SEE: Mr. Ibrahim.

18 THE WITNESS: Yes, ma'am. Sorry, ma'am.

19 EXAMINER SEE: No problem. What you just
20 did when you said "yes, ma'am," you were speaking
21 into the microphone; that works for me. I'm
22 struggling at this point.

23 THE WITNESS: Please accept my unreserved
24 apology, of course.

25 EXAMINER SEE: No problem.

1 Q. (By Ms. McAlister) Okay. I want to turn
2 your attention now to your proposal on the EDR. Let
3 me know when you're there. Are you ready?

4 A. Yes. Go ahead, ma'am.

5 Q. Would you agree with me that residential
6 customers benefit from reasonable arrangements by the
7 retention of those mercantile customers or new
8 mercantile customers coming into the service
9 territory in the form of new jobs, continued jobs,
10 their contribution to the state and local economies
11 through taxes and the goods and supplies that they
12 purchase from other local and state entities?

13 A. Yes, and they -- yes, they receive
14 benefits like other customer classes as well.

15 Q. Do industrial customers, not counting the
16 ones who are specifically receiving reasonable
17 arrangements, get those same benefits?

18 A. Yes, they do.

19 Q. And they also pay the charge, right?

20 A. I beg your pardon?

21 Q. They pay a portion of the EDR charge as
22 well, right?

23 A. It's my understanding that they do.

24 Q. Okay. And you're aware that there are
25 other subsidies in all electric rates that are paid

1 for by classes that do not directly benefit, for
2 example, the USF rider?

3 A. Would you be kind enough to repeat the
4 question again, please?

5 Q. Sure. I asked whether you're aware that
6 there are subsidies embedded in electric rates that
7 are paid for by customers who do not directly benefit
8 from them, for example, the USF rider.

9 A. Specifically, I don't know.

10 Q. You're not aware of the universal service
11 rider?

12 A. Specifically I need to look into the
13 tariff to see.

14 Q. Which customers pay for them?

15 A. (Witness nods head.)

16 Q. Okay. Would you accept, subject to
17 check, that all customer classes pay for it?

18 A. I can look into the tariff if the tariff
19 is available and I can tell you my opinion hopefully
20 right there and then.

21 MS. McALISTER: I believe that's all I
22 have. Thank you.

23 EXAMINER SEE: Ms. Kyler?

24 MS. KYLER: I do have a couple.

25 - - -

CROSS-EXAMINATION

By Ms. Kyler:

Q. Good afternoon, Mr. Ibrahim.

A. Good afternoon, ma'am.

Q. You agreed earlier that interruptible load is a form of demand response or peak demand reduction, correct?

A. Yes.

Q. So would it be reasonable, in your opinion, for AEP Ohio to collect the incremental costs saved with the increased interruptible credit through the company's energy efficiency and peak demand response rider rather than the retail stability rider?

MR. ETTER: Could I have the question reread, please?

THE WITNESS: Yes, would you please repeat the question.

MS. KYLER: Could you reread the question?

And I can restate it if you don't get it after that.

(Record read.)

A. No.

Q. And why not?

1 A. You are talking about a specific rider
2 that has different moving components that is not
3 really related to the program that we are talking
4 about, namely the interruptible credit.

5 Interruptible credit is a program, it has a group of
6 direct primary beneficiaries and we have agreed upon
7 it.

8 Parallel to what this particular program
9 and what we are discussing there is a rider that has
10 different moving components of what goes into it and
11 all of a sudden this has been added into it.

12 To the extent, in order to make my point
13 clear, if the Commission chooses not to approve the
14 rider, what I am saying would be of no reason because
15 the rider doesn't exist.

16 The rider, the company has chosen to add
17 this particular component to this rider, the IRP-D
18 credit. If the company chooses not to, I wouldn't be
19 discussing this with you.

20 So that the fact that there is a rider
21 and there are beneficiaries, mainly those who
22 participate in them, the direct and prime one is
23 something and the way the company purports it's going
24 to calculate the rider is enough, i.e., that we can
25 have the rider without this component at all.

1 Q. If that's true, does the company need to
2 collect the increased -- the incremental costs
3 associated with the interruptible load program
4 through the retail stability rider or could it
5 collect it through other mechanisms?

6 A. I don't have an opinion. Please feel
7 free to ask the company. I don't know why the
8 company has come up with this particular approach.

9 Q. So you don't see any particular rationale
10 saying that the company needs to recover the
11 interruptible credit costs through the retail
12 stability rider?

13 A. I don't have an opinion. All I'm saying,
14 that if you are going to come up with a rider and
15 you're going to calculate it in a specific way, and
16 you're going to add components that do not benefit
17 everybody but benefit those who are using it, then
18 others should not be responsible for it.

19 Q. But would it make sense to recover the
20 costs of peak demand -- peak demand reduction through
21 a rider that recovers other peak demand
22 reduction-related costs?

23 A. I don't have a specific opinion in regard
24 to that.

25 MS. KYLER: No further questions.

1 Mr. Stinson?

2 MR. STINSON: No questions, your Honor.

3 EXAMINER SEE: Ms. Kingery?

4 MS. KINGERY: No questions, your Honor.

5 EXAMINER SEE: Mr. Oliker?

6 MR. OLIKER: Just a few, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Oliker:

10 Q. I guess to start, I'd like to talk about
11 the Turning Point Solar Project.

12 A. Please go ahead, sir.

13 Q. Before that, I'm sorry, my name's Joe
14 Oliker. I represent IEU-Ohio.

15 A. Nice meeting you, sir.

16 Q. How are you this afternoon?

17 A. Very good, and you?

18 Q. Very good. I'll keep this moving quick
19 so you can get on your flight.

20 With regard to the generation resource
21 rider, you talk about that in your testimony,
22 correct?

23 A. I'm talking about?

24 Q. The generation resource rider.

25 A. Yes.

1 Q. Do you discuss that in your testimony?

2 A. This is correct, sir.

3 Q. You're not making a recommendation of
4 whether or not that rider should be approved, are
5 you?

6 A. No, sir.

7 Q. And I believe your recommendation is,
8 with respect to if that rider is approved, how it
9 should be allocated?

10 A. This is correct.

11 Q. And you say it should be allocated on a
12 kWh basis, correct?

13 A. Correct.

14 Q. And on page 21, line 3, along that same
15 line, you say that, and I'm paraphrasing, renewable
16 energy resources are typically collected in terms of
17 a per megawatt-hour basis, correct?

18 A. Correct.

19 Q. And then there's a citation that you
20 pointed to and I think you've corrected it, it was
21 4928.64(C)(2)(a); that's the corrected citation?

22 A. Correct.

23 Q. Can we turn to that statute? I can just
24 give you a copy.

25 MR. OLICKER: May I approach, your Honor?

1 EXAMINER SEE: Yes.

2 THE WITNESS: Thank you, sir.

3 MR. OLIKER: I don't think we need to
4 mark this.

5 Terry, do you need a copy? Are you okay?

6 Q. I think the citation's in your testimony.

7 A. Yes.

8 Q. Am I right that the citation you provided
9 is with respect to a compliance payment should be
10 allocated on a kWh basis?

11 A. Yes.

12 Q. So is it correct that this is if the
13 company fails to meet its solar benchmarks, then the
14 money the company will have to pay.

15 A. Yes.

16 Q. Now, can you turn down to (C) in that
17 same provision of the statute.

18 A. Sure.

19 Q. Tell me if I read this correct:
20 "Compliance payment shall not be passed through by
21 the electric distribution utility or electric
22 services company to consumers."

23 A. Yes, I can see that.

24 Q. I read that correctly?

25 A. You did.

1 Q. And moving to a different subject, with
2 respect to the RSR, am I correct your primary
3 recommendation is that it should be rejected?
4 Correct?

5 A. I am speaking about how it's going to be
6 allocated if it is approved by the Commission.

7 Q. Right. But you would rather they not do
8 that, correct?

9 A. This is discussed with my direct
10 testimony about whether it should be accepted or not
11 and that I should have --

12 Q. I'm sorry?

13 A. Whether it is going to be accepted or not
14 by the Commission and that I should now ask for
15 accepting or not accepting it. The reasons for it.

16 Q. I'm sorry, I'm not sure I understood you.
17 Your first recommendation is that they should reject
18 the RSR, but if they do approve it, then you describe
19 how you think it should be allocated?

20 A. No, sir. Please go to my recommendation
21 A at page 4, line 14. Do you want me to read it to
22 you, sir?

23 Q. That would be fine, thank you. Can you
24 go ahead and read it?

25 A. "If the Commission decides to approve

1 AEP Ohio's proposed RSR, which OCC does not
2 recommend, I recommend allocating the cost of the
3 rider to be collected from customers based on the
4 customer class's share of switched load in kWh hours.
5 I recommend the rejecting of the Company's allocation
6 of this rider based on the class's average
7 contribution to AEP Ohio's load during PJM's five
8 highest Peak Loads."

9 And this is my recommendation.

10 Q. Thank you. I think we were talking past
11 each other. I think that settles that.

12 You'd agree that the retail stability
13 rider is related to generation revenues, correct?

14 A. It is based on, it is caused by the loss
15 that AEP purports to take place because they provide
16 capacity to the CRES providers at a cost -- at the
17 price less than their cost.

18 Q. And would you agree that in Ohio
19 generation assets are not subject to cost-based
20 regulation?

21 A. Generation assets are subject to the
22 Commission opinion and orders in Ohio.

23 Q. I'm not sure you answered my question,
24 Mr. Ibrahim.

25 A. Yes, I'm aware.

1 Q. And earlier I heard you talk with
2 Ms. McAlister about a stipulation that was submitted
3 in Case No. 11-5568. I don't believe that number was
4 mentioned, but does that number of AEP's portfolio
5 plan ring a bell?

6 A. It does.

7 Q. And you would agree that that stipulation
8 discusses allocation of revenue responsibility
9 regarding the rider IRP-D?

10 A. Correct.

11 Q. And would you agree that the Commission
12 could determine that that case resolves any issues
13 regarding revenue responsibility of the IRP-D?

14 A. This is correct. This is my
15 understanding.

16 Q. And just to follow up on the IRP-D, you
17 would agree that demand response is a capacity
18 resource, correct?

19 A. Yes.

20 Q. And AEP could bid demand response into an
21 RPM auction, correct?

22 A. Correct.

23 Q. Are you familiar with how the reliability
24 pricing model auction works?

25 A. On very general terms; not specifically.

1 Q. If supply increases and all other things
2 remain equal, do you know what happens to the price?

3 A. What's going to happen if supply
4 increases, what's going to happen to price?

5 Q. Supply increases and all other things
6 being equal what happens to price?

7 A. The supply curve will shift to the right
8 and the price will go down.

9 MR. OLIKER: Thank you. That's all the
10 questions I have, your Honor.

11 EXAMINER SEE: Mr. Lang?

12 MR. LANG: No questions, your Honor.

13 Thank you.

14 EXAMINER SEE: Mr. Maskovyak?

15 MR. MASKOVYAK: No questions, your Honor.

16 EXAMINER SEE: Ms. Moore.

17 MS. MOORE: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Ms. Moore:

21 Q. Hello, Mr. Ibrahim.

22 A. Good afternoon, ma'am.

23 Q. My name is Christen Moore. I represent
24 Ohio Power Company. How are you?

25 A. Very well, thank you.

1 Q. Great. If I could direct your attention
2 to page 3 of your prefiled testimony.

3 A. Go ahead, ma'am.

4 Q. You state at lines 13 and 14 that you
5 have reviewed the application of Columbus Southern
6 Power Company and Ohio Power Company.

7 A. Yes, ma'am.

8 Q. Is it your understanding that this
9 modified ESP has been proposed by both Columbus
10 Southern Power Company and Ohio Power Company or just
11 Ohio Power Company?

12 A. I almost stopped seeing the difference
13 between CSP and OP and AEP to be now all of them
14 became one and the same in my mind, really.

15 Q. And, in fact, Columbus Southern Power
16 Company and Ohio Power Company merged in
17 December 2011, correct?

18 A. Correct. This is my understanding.

19 Q. Thank you.

20 THE WITNESS: I apologize to the Bench if
21 I'm giving them my back as I'm speaking to counsel.

22 EXAMINER SEE: That's fine, so long as
23 you speak into the mic.

24 THE WITNESS: Thank you.

25 Q. And you've talked with other counsel

1 regarding your views of the regulatory principle of
2 cost causality as it relates to the RSR.

3 A. Correct.

4 Q. You agree that all customer classes are
5 presently shopping in AEP Ohio's service territory,
6 correct?

7 A. Based on the understanding of exhibits I
8 have seen in the application, the answer is yes.

9 Q. Thank you.

10 And you agree that a nonshopping customer
11 can decide to begin shopping in AEP Ohio's service
12 territory at any time, correct?

13 A. This is my understanding.

14 Q. Is it your understanding that traditional
15 cost causation principles apply in a nontraditional
16 ratemaking jurisdiction like Ohio?

17 A. Cost causation is a principle that could
18 be used anywhere in order to determine those who
19 caused the cost, whether it is really a cost based or
20 market based or determined by an economic study or an
21 econometric study their fair share of what they have
22 caused.

23 MR. OLIKER: I'm sorry, your Honor, could
24 I have the question and answer read back, please?

25 EXAMINER SEE: Yes.

1 (Record read.)

2 MR. OLIKER: Thank you.

3 Q. Would you agree, sir, that cost causation
4 principles are more frequently applied in traditional
5 ratemaking jurisdictions than in nontraditional
6 ratemaking jurisdictions?

7 A. Not necessarily. It is true that
8 historically it started that way, but they are not
9 necessarily related. Cost causation is those who
10 caused the cost to be incurred must be responsible
11 for them in proportion to the contribution of the
12 expense being paid.

13 EXAMINER SEE: Excuse me just a minute.

14 (Discussion off the record.)

15 Q. Now, I believe you answered this question
16 earlier but I just wanted to make it clear for the
17 record. You don't have an opinion as to the
18 frequency with which AEP Ohio will adjust the RSR.

19 A. That was not -- that was not clear from
20 the filing. I understand that AEP would come
21 periodically to the Commission to update the RSR with
22 the required inputs.

23 Q. And your proposal is that -- your
24 proposal with respect to the relative share of
25 customer switched kilowatt-hour sales, you propose in

1 your direct testimony that that would be adjusted at
2 the same time as the RSR would be adjusted, correct?

3 A. Correct.

4 Q. And you agree that because customers
5 could switch and begin shopping at any time that
6 there could be -- that the allocation of switched
7 kilowatt-hour sales may not reflect reality for some
8 period of time before the RSR is adjusted.

9 A. If you are talking about the regulatory
10 lag in adjusting, yes, it can happen.

11 Q. Would you agree that it would probably be
12 likely that it would happen, given the ease with
13 which customers can switch?

14 A. It depends upon how often AEP would come
15 to the Commission to adjust the RSR.

16 Q. Have you looked at, for any electric
17 utility, whether it be AEP Ohio or another utility,
18 have you looked at historical average relative class
19 contributions to load during PJM's five highest peak
20 years?

21 And what I mean by "historical," is have
22 you done any comparison over a number of years, have
23 you compared the percentages of relative class
24 contribution over any period of years?

25 A. To be specific, I have worked on rate

1 design for a long period of time and I became aware
2 of the contribution of each customer class in the
3 peak of the utility or the system in question.

4 In some utilities I have worked on I had
5 the advantage of seeing a time series that over a
6 period of time and some others that only show one
7 snapshot of a picture in one year.

8 Q. And in those that you had the advantage
9 of seeing over a period of time, did you observe that
10 the average relative class contribution for each
11 customer class remained relatively stable from year
12 to year or varied from year to year?

13 A. It depends. Please remember that the
14 relative contribution is relative to the previous
15 level and also the level of other customer classes at
16 the same time.

17 So for an instance, in a downturn the
18 ability of share of commercial and industrial,
19 presumably because of reduction in the economic
20 activities, their relative share in the peak would go
21 down and all of a sudden the relative share of the
22 residential customer class, for instance, would
23 increase, their contribution to -- their megawatt
24 contribution to peak did not change.

25 I can give you a simple arithmetical

1 example, if that helps.

2 Q. That's okay for right now, but thank you
3 for your offer.

4 A. Thank you.

5 Q. Turning your attention to page 5 of your
6 testimony, on lines 1 and 2 you state with respect to
7 your proposal that the Commission instruct Ohio Power
8 not to reduce base generation revenues by the IRP-D
9 credit or a change in its level of collection of the
10 RSR from customers that cannot receive the IRP-D
11 credit.

12 A. Correct.

13 Q. What other customers do you understand to
14 not be able to receive the IRP-D credit besides
15 residential customers?

16 A. All customers of AEP Ohio who are not
17 eligible to participate in the IRP-D are these
18 particular classes, so GS-3, commercial, other sort
19 of commercial customers and residential customers.

20 Q. Also with respect to the IRP-D I believe
21 you stated earlier that you agree that all customers
22 benefit in some fashion from the IRP-D.

23 A. I said that the direct primary
24 beneficiaries of the IRP-D are those who participate
25 in it.

1 Q. But you agree that there are indirect
2 beneficiaries as well.

3 A. Sure. Yes.

4 Q. Are you familiar with rider DLC?

5 A. If I see it, I might give you my
6 immediate opinion, if you don't mind.

7 MS. MOORE: May I approach, your Honor?

8 EXAMINER SEE: Yes.

9 MS. MOORE: I'd like to mark AEP Exhibit
10 122.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. This is an excerpt from AEP Witness
13 Roush's Exhibit DMR-5. And, Mr. Ibrahim, as I stated
14 a moment ago, this is an excerpt of AEP Ohio Witness
15 Roush's Exhibit DMR-5, pages 132 through 135.

16 A. Yes, ma'am.

17 Q. Do you recognize this rider after having
18 an opportunity to review it?

19 A. I remember clearly that I did have the
20 opportunity to speak to the colleagues of AEP,
21 including Mr. Roush, almost a year or over a year ago
22 when we were discussing a family of experimental
23 tariffs on their gen. I don't recall the exact
24 details of this particular writing.

25 Q. Are you familiar with the purpose of the

1 rider?

2 A. Yes.

3 Q. And can you explain your understanding of
4 the purpose of the rider?

5 A. My understanding is this is a curtailable
6 load program for the residential customers that would
7 allow the customer to go down in some fashion in
8 relatively energy intensive use in their households,
9 be that air condition load or water heating,
10 et cetera, for a credit.

11 Q. And you agree that this provided a
12 billing credit to residential customers, correct?

13 A. Yes, if it is designed the way I remember
14 that it was designed, yes, of course, the customer
15 would do that for a payback or a credit.

16 Q. Okay. And no other customers besides
17 residential customers are eligible for this rider,
18 correct?

19 A. This particular one seems to be designed
20 specifically for the residential customers.

21 Q. Would you agree that residential
22 customers who participate receive the primary direct
23 benefit of this rider?

24 A. Those who participate in this program,
25 yes, I would -- yes, I do.

1 Q. Because residential customers are the
2 only customers who will receive a primary direct
3 benefit of this rider, should only residential
4 customers pay for the credits received under this
5 rider, or should all customers?

6 MR. ETTER: I object, your Honor. We're
7 talking about a different rider than the rider that
8 Dr. Ibrahim has mentioned in his testimony. He's
9 talking about the rider IRP-D and this is an
10 experimental rider dealing with a different subject
11 matter from residential customers.

12 MS. MOORE: May I respond, your Honor?

13 EXAMINER SEE: Yes, Ms. Moore.

14 MS. MOORE: Mr. Ibrahim's testimony
15 relates generally to his theory that only customers
16 who receive a benefit from a rider should be
17 responsible for paying the cost attributable to the
18 rider and I'm simply testing that theory with an
19 example of another rider that is similar in
20 structure.

21 EXAMINER SEE: The objection is
22 overruled. I'll allow it.

23 MS. MOORE: Thank you.

24 THE WITNESS: May I say something, your
25 Honor?

1 EXAMINER SEE: You can answer the
2 question, Mr. Ibrahim --

3 Q. Would you like the question read back?

4 EXAMINER SEE: -- to the best of your
5 ability.

6 THE WITNESS: Sure, ma'am. My
7 characterization of what I said, that in the context
8 of calculating the RSR, I'm speaking about the credit
9 of the IRP-D in the context of calculating the RSR.

10 The benefits that go through the
11 customer's IRP-D and the costs associated with it is
12 a completely different matter that has been dealt
13 with in a different case, that I understand it was
14 dealt with in a different case that was stipulated,
15 and the Commission was kind enough to approve the
16 stipulation.

17 And, therefore, my issue related to IRP-D
18 credit, it is in the context of calculating the RSR
19 as a component of the total 94.6 or 94.7 million.
20 And I would be happy to answer your question if you
21 repeat it again, please, ma'am.

22 Q. Sure. Because residential customers will
23 receive the primary direct benefit of rider DLC,
24 should only residential customers pay for the credits
25 that they're receiving under the rider, in your view?

1 A. Based on the wording from the stipulation
2 on a similar case, my answer is yes.

3 Q. Thank you.

4 Directing your attention to page 12 of
5 your prefiled testimony, sir --

6 A. Yes, ma'am.

7 Q. -- on lines 4 through 6 you say
8 "Therefore, nonparticipating customers should not be
9 responsible for AEP's collection of the part
10 pertaining to IRP-D credit that reduced the base
11 generation revenues, and increased the RSR." Do you
12 see that?

13 A. Yes.

14 Q. Okay.

15 A. Yes. Yes, I do.

16 Q. You referred to the "part pertaining."
17 Are you referring to the part of the RSR pertaining
18 to IRP-D?

19 A. Yes.

20 Q. Okay. Thank you.

21 And under your proposal would only the
22 IRP-D credit portion of the RSR be collected directly
23 from the class that benefited from it or would those
24 customers also be responsible for paying their class
25 allocation of switched kilowatt-hours in addition to

1 the credit?

2 A. The latter.

3 Q. Thank you.

4 Would you agree that requiring one class
5 of customer to pay the entire portion of the RSR
6 attributable to IRP-D might discourage eligible
7 customers from taking interruptible service?

8 A. I think that this question should be
9 addressed for those who are recommending the RSR in
10 the first place.

11 Q. Could you please answer my question, sir?

12 A. Your question is does it discourage
13 customers from taking the credit?

14 Q. Yes.

15 A. The IRP-D credit.

16 Q. Yes.

17 A. There is no, in my understanding the
18 answer could be yes and no: Yes in the sense that
19 this is going to increase the cost or reduce the --
20 the cost or, actually, in the sense of reducing the
21 credits they will receive from participating in the
22 IRP-D, not because they participate in the IRP-D, is
23 that because there's an additional charge coming to
24 them through the RSR and, therefore, if the RSR is
25 removed completely, what they -- the benefit that

1 they receive from participating in the IRP-D would
2 remain intact and, therefore, the participation would
3 remain intact.

4 So part of your answer of my question is
5 yes and part is no.

6 Q. Okay. And I'm not sure that you actually
7 answered my question.

8 Assuming that the RSR is not removed and
9 that it is in place, and assuming that your proposal
10 regarding who pays for the IRP-D credit is
11 implemented, would you agree that that would -- could
12 discourage eligible customers from taking
13 interruptible service?

14 MR. ETTER: I object, your Honor, he's
15 answered that question already.

16 EXAMINER SEE: Overruled.

17 A. Basically you are asking that if we
18 increase the cost whether -- in this particular case
19 specifically reduce the benefit from the EDU, would
20 that discourage? Yes it would discourage use to the
21 IRP-D but equally it would discourage every user of
22 electricity who was going to see an increase in cost
23 because of the RSR.

24 THE REPORTER: I'm sorry. I didn't
25 understand.

1 THE WITNESS: If I may repeat.

2 EXAMINER SEE: You can repeat.

3 A. The answer is as I -- in the reduced
4 credit in the IRP-D by the increase in the RSR
5 pertaining to IRP-D components in it, that will
6 discourage customers from participating in the IRP-D
7 program.

8 But it's equally correct also that
9 because of the increase in cost of using electricity
10 by the RSR to every user of electricity in AEP area,
11 that will discourage the use for everyone as well.

12 Q. If fewer customers took interruptible
13 service, what effect would you expect that to have on
14 the reliability and adequacy of electric service in
15 AEP Ohio's service territory over the long run?

16 MR. ETTER: For a clarification, what do
17 you mean by "your customers"?

18 MS. MOORE: I'm sorry, I believe I said
19 AEP customer. Fewer customers.

20 MR. ETTER: Oh, "fewer customers."

21 MS. MOORE: Yes.

22 MR. ETTER: I'm sorry, I thought you said
23 "your customers."

24 MS. MOORE: That's okay.

25 A. I can't specifically answer this

1 question. I don't know, and I cannot quantify while
2 I'm here.

3 Q. Would you expect that if there were fewer
4 customers taking interruptible service, that there
5 would be -- strike that.

6 Moving to economic development revenues.

7 A. Yes.

8 Q. You're not challenging AEP Ohio's right
9 to collect those revenues, correct?

10 A. No, I'm not.

11 Q. Thank you.

12 Turning your attention to page 16 of your
13 testimony. I'm sorry, page 15, line 16.

14 A. Yes.

15 Q. The 61.7 percent figure on line 16, is
16 that just an average of Columbus Southern Power and
17 Ohio Power's delta revenues that are set forth above
18 in that paragraph?

19 A. This particular line is related to
20 consolidated basis for both CSP and OP, correct.

21 Q. And did you derive that figure by
22 averaging CSP and OP's delta revenues? Or, maybe,
23 could you explain how you derived that number?

24 A. If my memory serves me correctly -- can I
25 read it in order to --

1 Q. Absolutely.

2 A. Most like -- most likely this particular
3 number came from the last filing for AEP for the
4 approval of the economic development rider for both
5 CSP and OP, and I got the numbers from what is the
6 delta revenue in OP and what is the delta revenue in
7 CSP, and I added them together and then I divided
8 that by the distribution-based revenue in both
9 companies.

10 Q. Thank you.

11 A. Most likely this is how I arrived at it.

12 Q. Great. Thanks.

13 A. My pleasure.

14 Q. Now, on lines 4 through 6 of your
15 testimony on page 15 you use the term -- I'm sorry,
16 at lines 4 and 5, you use the term "AEP's customers."

17 A. Yes.

18 Q. When you use that term, does that include
19 shopping customers or are you referring only to
20 nonshopping customers?

21 A. AEP's customers.

22 Q. Both shopping and nonshopping?

23 A. Yes.

24 Q. Would you agree that nonshopping
25 customers do not pay generation or transmission

1 charges to AEP Ohio?

2 A. I agree.

3 Q. Now, because nonshopping customers do not
4 pay generation or transmission charges, would you
5 agree that under your proposal to allocate delta
6 revenue collection, based upon total revenues, that
7 nonshopping customers would bear a disproportionate
8 share of economic development costs?

9 A. The driver of my allocation is that
10 economic development benefits everybody, shopping and
11 nonshopping, regardless of the customer class. It
12 benefits residential, commercial, and industrial as
13 well and, therefore, everybody should pay in it.

14 So it depends upon the proportion of each
15 customer class in the total revenue of the company is
16 perhaps the fairest way as far as technically
17 possible.

18 Q. Okay. Now, would you agree that all
19 customers benefit equally from economic development,
20 other than the specific customer to whom the economic
21 development is directed, but all other customers
22 benefit equally from economic development? Or
23 approximately equal?

24 A. How can you say "equally"? There is a
25 cost for the economic development initiative, the

1 reasonable arrangement in question, Company A or
2 Company B or Company C, we assume, fully, rightly,
3 that it will benefit everybody in the state of Ohio,
4 specifically those in the service territory of the
5 company in question, namely AEP, and therefore we
6 allocated in a manner that it is reasonable to
7 everybody which is there in this particular case in
8 compliance with the available administrative code
9 governing this issue which is in proportion to the
10 contribution to the company total revenues.

11 Q. Do you agree that AEP Ohio's shopping
12 customers pay generation, transmission, and
13 distribution charges to AEP Ohio?

14 A. I think you asked this question a few
15 seconds ago, am I right?

16 Q. I asked -- I'm sorry, let me rephrase my
17 question.

18 Do nonshopping, do SSO customers, do
19 AEP Ohio's SSO customers pay generation,
20 transmission, and distribution charges?

21 A. Correct. Correct. They do.

22 Q. Thank you.

23 Now, what would happen under your
24 proposal if all commercial and industrial customers
25 shopped and the number of residential customers

1 shopping remained similar to the level that it is
2 now?

3 A. There is no question that over a period
4 of time it's -- the percentage contribution total
5 revenue is going to change, and what is going to be
6 available in 2012 is going to be different than '13
7 and '14, depends upon how much percent the different
8 customer classes are going to shop so it's going to
9 be different.

10 Q. Would you agree with me that if
11 100 percent of commercial and industrial customers
12 shopped, that -- and less than 100 percent of
13 residential customers shopped, that residential
14 customers would pay a higher proportion of economic
15 development costs?

16 A. This is arithmetically possible, yes.

17 Q. Thank you.

18 I believe Ms. McAlister asked you earlier
19 some questions about the universal service fund
20 rider.

21 A. I believe that she said that, correct.

22 Q. I believe you said you couldn't quite
23 recall what the rider was but if I showed it to you
24 today --

25 A. Most likely, yes, please.

1 MS. MOORE: May I approach, your Honor?

2 EXAMINER SEE: Yes.

3 Q. Mr. Ibrahim, I'm handing you what is page
4 209 of AEP Ohio Witness Roush's Exhibit DMR-5, and
5 unfortunately, I don't have copies for anyone else,
6 but if you could take a look at that, sir, to refresh
7 your recollection.

8 MR. ETTER: Which page number was that
9 again in DMR-5?

10 MS. MOORE: I believe it's page 205.

11 MS. McALISTER: '9.

12 MS. MOORE: 209. Thank you.

13 A. Yes, ma'am, I remember this particular
14 rider in the course of calculating the bills, but I
15 don't have the history of it in my mind at the
16 moment.

17 Q. Okay. Can you tell me your understanding
18 of the purpose of the rider?

19 A. I don't know what is the purpose of the
20 rider.

21 Q. Would you agree that revenues collected
22 under the rider support low-income customers?

23 A. Possible.

24 Q. Do you know how much customers in Ohio
25 Power's service territory pay per year under the

1 universal service fund rider?

2 A. No, ma'am. And it's not part of my
3 testimony, I'm afraid.

4 Q. Would you accept, subject to check, that
5 it's approximately \$29?

6 A. I can check and let you know.

7 Q. Do you know how much Columbus Southern
8 Power's -- how much customers in Columbus Southern
9 Power's service territory pay per year for the
10 universal service fund rider?

11 A. No, ma'am, I don't.

12 Q. Would you accept, subject to check, it's
13 approximately \$34 per year?

14 MS. McALISTER: Can I have a
15 clarification, your Honor? Which customers pay that
16 amount of money for the rider?

17 MS. MOORE: I believe it's residential
18 customers.

19 MS. McALISTER: Thank you.

20 A. The tariff says "all customers."

21 Q. Sure. And --

22 A. So commercial customers would pay that
23 too.

24 Q. And is it your understanding that the
25 charge varies based upon usage?

1 A. Correct.

2 Q. So would you accept, subject to check,
3 that residential customers pay \$29 per year in Ohio
4 Power's service territory and \$34 per year in
5 Columbus Southern Power's service territory?

6 A. It's quite easy to calculate the tariff.
7 It's .24 cents per kilowatt-hour, a typical customer
8 of a thousand would pay \$2.40 per month and if you
9 multiply that by 12, we will get the annual cost, so
10 approximately less than 30 in Ohio Power and maybe
11 31, 32 dollars in CSP.

12 Q. Thank you.

13 Now, would you consider those yearly
14 charges to be high levels of charges?

15 A. I don't have a specific opinion regarding
16 this particular cost, but if I compare it to a total
17 bill, it would be a certain percentage of the monthly
18 bill, give or take 3 percent per month.

19 Q. Would you -- do you consider 3 percent of
20 their bill to be a high level of charge?

21 A. I, personally speaking, I think, yes.

22 Q. Okay.

23 A. I mean, at the end of the day, ma'am,
24 3 percent here and 3 percent there, very soon we'll
25 be talking about real money.

1 Q. Would you agree that there is value in
2 the USF to residential customers?

3 A. Can you define "value," in what terms, to
4 whom?

5 Q. Do residential customers benefit from the
6 USF, low-income residential customers?

7 A. Low-income users certainly benefit.

8 Q. Are you aware that the USF funds the
9 PIPP, percentage of income payment plan, program?

10 A. Ma'am, this is not my area of
11 specialization, I can't really go there. I would
12 have liked to but this is not my area.

13 Q. Okay. Assuming that the USF funded the
14 PIPP program, would you believe that the USF had
15 value to customers, then?

16 A. Ma'am, allow to repeat that this area is
17 not my forte in this case.

18 Q. Sure. I'm simply asking you that
19 assuming that it funded the PIPP program, would it
20 have value to customers?

21 MR. ETTER: And objection, your Honor,
22 he's already answered that question.

23 MS. MOORE: I don't believe he has, your
24 Honor. He said that it's not his area of expertise.
25 I'm not asking him about the specifics of the USF or

1 the PIPP program, I'm asking him to assume that the
2 USF funds the PIPP program and asking him to give his
3 opinion as to whether or not that is beneficial to
4 customers.

5 EXAMINER SEE: And to the extent he can,
6 the objection is overruled, the witness can answer
7 the question.

8 A. Your question has a value judgment
9 component into it. I might be willing to pay
10 3 percent for PIPP but I'm not willing to pay
11 3 percent for this or 4 percent of that or 1 percent
12 of this.

13 And it is a variable component that
14 varies from one to the other. You are talking about
15 the PIPP program that I'm not familiar with who are
16 the real beneficiaries, how much percent of their
17 income below the U.S. poverty line, how much above
18 it. There are a lot of inputs that I don't have at
19 the moment in order to give you a value judgment to
20 start with.

21 Q. (By Ms. Moore) Okay. Thank you.

22 A. My pleasure.

23 Q. Do you know what portion of a residential
24 customer's bill on average is comprised of base
25 distribution charges?

1 A. I had this percentage in my mind, let me
2 think about it, if I might.

3 Q. Sure. Take your time.

4 A. I'm speaking from memory. Perhaps
5 somewhere between 30 and 40 percent.

6 Q. Thank you.

7 Directing your attention to page 17 of
8 your testimony, on lines 8 through 14 you discuss
9 Ohio Administrative Code Section 4901:1-38 --

10 A. Yes.

11 Q. -- -08(A)(4), correct?

12 A. In line 8, am I right?

13 Q. Yes.

14 A. Yes, ma'am.

15 Q. And in lines 9 through 14 you restate --

16 A. Correct.

17 Q. Thank you.

18 To your knowledge, does the Ohio
19 Administrative Code define "current revenue
20 distribution"?

21 A. Defines it? No.

22 Q. It does not?

23 A. To my knowledge, to my knowledge, no.

24 Q. Thank you.

25 Does this section prohibit allocation in

1 proportion to solely distribution revenues?

2 A. To what?

3 Q. Let me rephrase the question. That
4 wasn't a very good question.

5 Ohio Administrative Code
6 4901:1-38-08(A)(4) does not prohibit an allocation
7 that is based on distribution revenues, correct?

8 A. Base distribution revenues, correct.

9 Q. Now, on page 18, lines 16 and 17, you
10 state that your approach to delta revenues would meet
11 the standard of Ohio Administrative Code
12 4901:1-38-08(A)(4), correct?

13 A. Correct.

14 Q. And you're not a lawyer, correct? So
15 this is your lay opinion.

16 A. No, I'm not a lawyer.

17 Q. In your lay opinion there is more than
18 one way that an EDU could meet this standard,
19 correct?

20 A. Yes.

21 Q. Thank you.

22 Now, I want to talk a little bit --

23 A. That was an issue that the Commission was
24 trying to find an opinion in a specific docket
25 related to a temporary economic development tariff

1 and one of the issues that the Commission was seeking
2 inputs from the stakeholders is how to allocate the
3 costs. And the docket is still open.

4 Q. Now, with respect to the generation
5 resource rider, the company is asking in this
6 proceeding for a placeholder for the GRR, correct?

7 A. Correct.

8 Q. Not for approval of any costs, correct?

9 A. This is my understanding, yes.

10 Q. And is it your understanding that
11 approval of costs will be addressed in a separate
12 proceeding in the future, if at all?

13 A. Yes, this is my understanding.

14 Q. Would you agree that allocation of those
15 costs would be better left to a determination in the
16 future after the costs are applied for, or at the
17 time the costs are applied for?

18 A. Since that you are discussing it right
19 now we might as well discuss how to allocate the
20 costs. Since you're asking for a placeholder for a
21 specific type of a rider that has a specific
22 characteristics because it drives revenue requirement
23 for a specific type of resource, namely renewal in
24 this particular case, I thought that this is perhaps
25 also timely to discuss how to allocate the costs that

1 the Commission may in the future decide how much they
2 are.

3 Q. You wouldn't agree that it would be
4 appropriate to discuss allocation of the costs at
5 such a time as the amount of costs and the proposed
6 period of recovery of the costs would be applied for?

7 A. Perhaps you have seen testimony from
8 Mr. Roush that was filed subsequent to the
9 May 4th testimony that different allocation would
10 result in different costs and, therefore I thought it
11 might be timely and appropriate to state a position
12 now.

13 Q. Could it also appropriately be dealt with
14 at a later time, though?

15 MR. ETTER: Objection. Asked and
16 answered.

17 EXAMINER SEE: The objection is
18 sustained.

19 Q. Turning your attention to page 22 of your
20 testimony, sir.

21 A. Go ahead, ma'am.

22 Q. You state on lines 13 and 14 that
23 "...residential customers will experience rate
24 increases higher than most other classes."

25 A. Correct.

1 Q. Other classes will experience higher
2 increases than residential, though, correct?

3 A. Yes.

4 Q. And you have participated in other rate
5 proceedings over the course of your career, correct?

6 A. Yes.

7 Q. Numerous others.

8 A. Yes.

9 Q. And would you agree that not all
10 customers get the average rate?

11 A. Correct.

12 Q. In fact, some will get a higher than
13 average rate and some will get a lower than average
14 rate, generally?

15 A. Correct.

16 Q. I'm sorry, I meant rate -- to clarify my
17 previous question, do you agree, sir, that some
18 customers will get a higher than average rate
19 increase and some will get a lower than average rate
20 increase?

21 A. This is what I took your question to
22 mean.

23 Q. Thank you.

24 A. My pleasure.

25 Q. Now, turning your attention to page 10 of

1 your testimony, table 1.

2 A. I wonder if it is appropriate at this
3 stage before we go to the second question is that
4 yes, I agree that different customer classes will see
5 different increases, but it should be on the ballpark
6 figure somehow related. So if, for instance, we see
7 that there is a general rate increase of 5 percent
8 but then residential customers and commercial
9 customers are increased by 20 percent, there is
10 something to be looked into.

11 So while I'm saying yes and I stand by my
12 answer, there is no question, I mean there are
13 reasons to make us really wonder why the different
14 rate increases are so widely different.

15 Q. Directing your attention to table 1 on
16 page 10 of your testimony.

17 A. Table 1, page?

18 Q. Page 10 of your testimony.

19 A. Yes. Yes, ma'am. Yes, ma'am, go ahead.

20 Q. Okay. If you'll look at the total
21 megawatt-hours column of your testimony --

22 A. Yes.

23 Q. -- you cite to Exhibit DMR-3 for that
24 column, correct?

25 A. Correct.

1 Q. Do you have Exhibit DMR-3 up there with
2 you?

3 A. I believe, ma'am, that it is reproduced
4 in Exhibit AAI-2, panel B in my testimony.

5 Q. That's correct. Thank you.

6 Now, the number that you have for
7 industrial customers in the total megawatt-hours
8 column, the 31,898,851 --

9 A. Yes.

10 Q. -- number, would you agree that that is
11 from both industrial and commercial classes if you
12 look at --

13 A. Correct. That is a constructed-driven
14 number from information I got from several exhibits
15 by the company witnesses.

16 Q. But in your testimony you have called
17 it -- you've used it just for the industrial, not for
18 industrial and commercial.

19 A. Commercial is calculated 753,000
20 megawatt-hour, in the line above the industrial.

21 Q. Turning your attention to panel B of
22 Exhibit AAI-2 which is the same as Exhibit DMR-3 --

23 A. Yes.

24 Q. -- the column from which you take the
25 number for industrial megawatt-hours, would you agree

1 that that column in Exhibit DMR-3 is a column for
2 industrial and commercial classes, not just
3 industrial classes?

4 A. Yes, ma'am, it is inclusive of GS-2, 3,
5 and 4.

6 Q. Okay. Do you have AEP Witness Allen's
7 direct testimony with you today? AEP Exhibit 116.

8 A. I'm afraid that I don't.

9 Q. Okay.

10 A. And I have asked the company a discovery
11 question to provide us what are the switching numbers
12 based on the information of DMR-3 and I don't think
13 the answer -- the data was available.

14 MS. MOORE: May I approach, your Honor?

15 EXAMINER SEE: Yes, you may.

16 MS. MOORE: Thank you.

17 Q. Directing your attention to Exhibit
18 WAA-4, page 2 of 2.

19 A. Yes.

20 Q. Do you have that in front of you?

21 A. Yes.

22 Q. Okay. Does that exhibit contain the
23 correct total load for industrial customers?

24 A. If you are -- this is what you are
25 highlighting by the yellow marker, yes, you have the

1 numbers.

2 Q. And so to clarify, the total load for --
3 could you clarify for me the total load for
4 commercial and industrial customers as it appears on
5 Exhibit WAA-4?

6 A. Sure. Sure. The 14.6 gigawatt-hour for
7 residential is very comparable to what I have,
8 commercial is 14.3 gigawatt-hours is much more
9 accurate what I have in my schedule, and the 19.2
10 gigawatt-hour is much more accurate to what I have
11 and, therefore, if I have this particular
12 information, I would put it into the data and
13 calculate it.

14 Q. So just for clarity of the record, could
15 you read from Exhibit WAA-4 what the load should be
16 for each of the three or what the load contained in
17 Exhibit WAA-4 is for each customer class?

18 A. This is what I did for residential -- it
19 is 14.6 gigawatt-hours for residential, 14.3
20 gigawatt-hours for commercial, and 19.2
21 gigawatt-hours for industrial. And the total is 48.1
22 gigawatt-hours.

23 Q. Thank you.

24 A. For the total of the three.

25 Q. Thank you. And would you agree that if

1 you reran your table 1 with those numbers, that the
2 percentage of switched load for each customer class
3 would change?

4 A. With the exception of the residential
5 customer class, yes, the customer class would still
6 remain being responsible for 8 percent.

7 Q. And the percentage of switched load for
8 the industrial class would decrease, correct?

9 A. And for industrial and commercial, yes.

10 Q. You agree that the percentage of the
11 industrial class switched load would decrease,
12 correct?

13 A. Yes.

14 Q. And you agree that the percentage of
15 switched load for the commercial class would
16 increase, correct?

17 A. Correct.

18 Q. Thank you.

19 MS. MOORE: I have no further questions,
20 your Honor.

21 Thank you, Mr. Ibrahim.

22 THE WITNESS: Thank you, ma'am.

23 EXAMINER SEE: Mr. Beeler?

24 MR. BEELEER: No questions, your Honor.

25 Thank you.

1 EXAMINER SEE: Mr. Etter, redirect?

2 MR. ETTER: Can we take just a couple
3 minutes?

4 EXAMINER SEE: Yes.

5 (Discussion off the record.)

6 EXAMINER SEE: Let's go back on the
7 record.

8 Mr. Etter.

9 MR. ETTER: No redirect, your Honor.

10 EXAMINER SEE: Thank you, very much,
11 Mr. Ibrahim. You've been one of the most polite
12 witnesses I've ever had.

13 THE WITNESS: Thank you. Thank you.

14 EXAMINER SEE: Mr. Etter.

15 MR. ETTER: Yes, your Honor, at this time
16 we would like to move OCC Exhibit 110 into the
17 record.

18 EXAMINER SEE: Are there any objections
19 to the admission of OCC 110?

20 MS. MOORE: No, your Honor.

21 EXAMINER SEE: Hearing none, OCC Exhibit
22 110 is admitted into the record.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER SEE: Ms. Moore.

25 MS. MOORE: Yes, your Honor, Ohio Power

1 Company moves for the admission of AEP Exhibit 122.

2 EXAMINER SEE: Are there any objections?

3 (No response.)

4 EXAMINER SEE: AEP Exhibit 122 is
5 admitted into the record.

6 (EXHIBIT ADMITTED INTO EVIDENCE.)

7 EXAMINER SEE: Ms. Kingery.

8 MS. KINGERY: Duke Energy Retail Sales
9 would call Matthew Walz to the stand.

10 May I approach?

11 EXAMINER SEE: Yes.

12 MS. KINGERY: I would ask that the direct
13 testimony of Matthew Walz be marked as Duke Energy
14 Retail Sales Exhibit 101. "DER" will be fine.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 EXAMINER SEE: Mr. Walz, if you'd please
17 raise your right hand.

18 (Witness sworn.)

19 EXAMINER SEE: Have a seat, and please
20 use the microphone. You'll have to speak directly
21 into it.

22 THE WITNESS: This one?

23 EXAMINER SEE: You can use that one, the
24 long-neck one, or you can use the short one.

25 MS. KINGERY: May I approach and turn it

1 on for him?

2 - - -

3 MATTHEW M. WALZ

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

6 DIRECT EXAMINATION

7 By Ms. Kingery:

8 Q. Mr. Walz, would you please state your
9 name and business affiliation for the record?

10 A. My name's Matthew M. Walz. I work for
11 Duke Energy Commercial Enterprises.

12 Q. And what's your title with Duke Energy
13 Commercial Asset Management -- I'm sorry,
14 Commercial --

15 A. Duke Energy Commercial Enterprises.

16 Q. Enterprises, thank you.

17 A. My title is Vice President of Marketing
18 for Duke Energy Retail.

19 Q. Thank you. And would you identify what
20 has been marked as Duke Energy Retail Sales Exhibit
21 101 which I've handed you?

22 A. This is my direct testimony.

23 Q. Thank you. And was that prepared by you
24 or under your direction?

25 A. It was.

1 Q. And do you have any corrections to make
2 to your testimony today?

3 A. I do. On page 4.

4 Q. What line?

5 A. Actually it's not page 4. Hold on.
6 Let's see.

7 I apologize. Page 4, line 13, I would
8 like to add the following words after "should,"
9 "provide a customer sync list," and so the full line
10 would say "In addition, AEP Ohio should provide a
11 customer sync list and include peak load
12 contribution...."

13 Q. Thank you.

14 Are there any other changes that you
15 would make today?

16 A. No.

17 Q. And if I asked you all of these questions
18 today, would your answers be the same?

19 A. Yes.

20 Q. Thank you very much.

21 MS. KINGERY: I would move for the
22 admission of Duke Energy Retail Sales Exhibit 101 and
23 the witness is available for cross-examination.

24 EXAMINER SEE: Mr. Petricoff?

25 MR. PETRICOFF: No questions, your Honor.

1 EXAMINER SEE: Mr. Stahl?

2 MR. STAHL: No questions, your Honor.

3 EXAMINER SEE: Mr. Barnowski?

4 MR. BARNOWSKI: No questions, your Honor.

5 EXAMINER SEE: Ms. Thompson?

6 MS. THOMPSON: No questions, your Honor.

7 Thank you.

8 EXAMINER SEE: Ms. McAlister?

9 MS. McALISTER: No questions, your Honor.

10 EXAMINER SEE: Ms. Kyler?

11 MS. KYLER: No questions, your Honor.

12 EXAMINER SEE: Mr. Olikier?

13 MR. OLIKER: No questions, your Honor.

14 EXAMINER SEE: Mr. Lang?

15 MR. LANG: No questions, thank you.

16 EXAMINER SEE: Mr. Etter?

17 MR. ETTER: We have a few questions, your
18 Honor. I'm trying to break the streak here.

19 EXAMINER SEE: Go ahead.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Etter:

23 Q. Good afternoon, Mr. Walz.

24 A. Good afternoon.

25 Q. Turning to page 3, lines 2 and 3 of your

1 prefiled testimony, you state that your company is
2 interested in a consistent framework for retail
3 competition in Ohio. What do you mean by that?

4 A. I would like to see consistent rules
5 for -- throughout the state of Ohio, throughout all
6 the EDUs in terms of the data, the process for
7 enrolling customers, the information that I get from
8 the local EDU, fees charged and rules about switching
9 and constraints on switching.

10 Q. And that's for all EDUs in Ohio, correct?

11 A. Yes. I would like to move to a
12 consistent framework.

13 Q. And on lines 5 and 6 you mention
14 "inconsistent and uncertain pricing." Does this mean
15 that all retail electric customers in the state
16 should pay the same price for generation?

17 A. No. It means inconsistent and uncertain
18 pricing in terms of my inputs in determining my
19 prices for customers. So if, for example, I have
20 uncertainty about the capacity price that I need to
21 charge my customers, that uncertainty and
22 inconsistency across the state in how you price
23 capacity affects my ability to retail to customers on
24 a consistent basis.

25 Q. Now, on lines 6 and 7 you mention four

1 additional issues that deny or limit customer choice
2 in AEP Ohio service territory. Those four are
3 financial barriers, data limitations, switching
4 barriers, and supplier center performance issues.

5 You discuss at least two of these later
6 on, data limitations and switching, in your
7 testimony, but the other two, let's look at those for
8 a minute. What are the financial barriers that
9 affect customer choice in AEP Ohio's service
10 territory?

11 A. Sure. Any time that there's difficulty
12 with lack of data, for example, or uncertainty on the
13 enrollment process, my costs are to acquire a
14 customer, enroll that customer and serve that
15 customer over the time of that quarter go up, and so
16 the financial barriers that I bear are making a
17 decision on is it worthwhile to go and acquire a
18 customer in a particular market.

19 The lower my costs are the easier it is
20 to do business in that service territory, the easier
21 it is for me to acquire customers; the lower my
22 barriers are, the more I'm going to go out and market
23 to customers.

24 And then the second one was switching
25 barriers?

1 Q. Yeah.

2 A. Okay. Switching barriers, the two that I
3 mention specifically are the 90-day wait period and
4 the minimum stays.

5 Q. As far as the financial barriers you
6 mentioned, are any of those addressed in the
7 Company's ESP application?

8 A. No. I think they -- I am not aware of
9 them, and I specify them in my testimony here today.

10 Q. And what are the supplier center
11 performance issues that affect customer choice in
12 AEP Ohio's service territory?

13 A. What I talk about in my testimony is the
14 consistent service related to bill-ready consolidated
15 billing. There are times where I'm not able to get
16 my charges on the bill because the supplier center --
17 I have not received the appropriate usage information
18 from AEP Ohio in time to turn around and put my
19 charges on the bill. That then causes problem for me
20 and my customer.

21 So that I miss a billing cycle in terms
22 of charges, my customer doesn't understand what's
23 happened and is confused, and overall it increases my
24 costs from an error reconciliation process and it
25 lowers the customer experience when they're

1 switching.

2 Q. And are any of those addressed in the
3 company's ESP application?

4 A. I'm not aware if they are.

5 Q. Now, on page 3, lines 12 through 15,
6 there's a list of four things there that, it's in the
7 question but I presume that -- is it fair to say that
8 these are areas that you would like to
9 see eliminated?

10 A. Yes.

11 Q. And there's switching charges, 90-day
12 notice provision, minimum stay requirements, and
13 charges for preenrollment customer information lists;
14 is that right?

15 MR. SATTERWHITE: Your Honor at this
16 point I'm going to object. I appreciate softballs,
17 but it seems like we're asking a line of testimony
18 hey, what's in there, and then talk about it, versus
19 being probative at all. I think it's friendly cross
20 just expanding onto existing testimony.

21 MR. ETTER: This is not friendly cross,
22 your Honor. It may seem that way to the company, but
23 I'm trying to get at some issues here.

24 EXAMINER SEE: Mr. Etter, I'm sure you
25 know the Commission's policy on friendly cross.

1 MR. ETTER: Yes, I do.

2 EXAMINER SEE: Given the hour, I'd ask
3 that you move it along and get to the point.

4 MR. ETTER: Okay.

5 Q. (By Mr. Etter) Do you know if the other
6 EDUs in Ohio have any of these limitations?

7 A. I am not aware of a 90-day stay provision
8 in other territories or a minimum stay.

9 Q. So would it be best for customer shopping
10 in general in Ohio if all the EDUs had -- you
11 eliminated all these limitations?

12 A. I think the more limitations you remove,
13 the more customers are going to be eligible for
14 choice and the easier it is to communicate to
15 customers about the simplicity of choice and the
16 easier it is for me to deliver those services to
17 customers.

18 Q. Thank you.

19 Now, on page 4, line 13, I think you were
20 just there to make a correction, you mention the term
21 "peak load contribution," and just for some of us who
22 may not be that familiar with what you're talking
23 about there, what do you mean by that? What is "peak
24 load contribution"?

25 A. It is the -- it is a unit measure that

1 PJM assigns to the capacity to price, one, a
2 customer's capacity charges, it's five peak days
3 during a planning year, those -- your contribution to
4 that peak, determine your peak load contribution
5 value, that's what you take against the capacity
6 price to determine the capacity charges for an
7 individual customer.

8 Q. And what class of customers would get you
9 get peak load contribution information about?

10 A. Can you repeat that?

11 Q. What classes of customers would you get
12 PLC information about?

13 A. I would want it for all customers.

14 Q. And you just included in this sentence a
15 term "customer sync list." What is a "customer sync
16 list"?

17 A. A customer sync list would be a data file
18 that the local utility would provide a retailer on,
19 say, a biweekly or monthly basis that would have all
20 the information about my customers in their billing
21 systems so that I can reconcile that to the
22 information in my billing systems, in my systems, so
23 I can proactively manage differences between what I
24 have about my customers and what the local utility
25 has about my customer.

1 We can fix errors on a proactive basis,
2 the customer does not see that, it's more effective
3 for me, it's more effective for the local utility,
4 and it produces a better experience for the customer.

5 Q. And would a CRES provider get the PLC
6 information and the customer sync list information
7 before a customer is switched to the provider or
8 afterwards?

9 A. The PLC -- the preenrollment information
10 would include all customers that have not opted out
11 within that service territory and so you would be
12 able to get a PLC for any customer that's on that
13 list in the territory. A customer sync list would
14 include data only for customers that are currently
15 enrolled with me.

16 Q. Now, on page 5, lines 6 through 11, you
17 talk about the enrollment process and say that you
18 would like to be able to get account level
19 enrollments. How does that process work?

20 A. Currently, AEP Ohio requires you to
21 enroll at the -- let me get the exact word -- service
22 delivery identification number. On certain accounts
23 there could be multiple numbers, service delivery
24 indication numbers.

25 When a customer thinks about switching,

1 they tend to think about it at the account level,
2 they look at a bill and want to switch that bill.

3 So, you know, back, again, to the
4 customer experience so that this is smooth and easy
5 from the customer's perspective. If a customer wants
6 to enroll an account, they should be able to provide
7 their account number and enroll the entire account
8 which would be consistent with Duke Energy Ohio and I
9 believe Dayton Power & Light.

10 Q. And in this process are there any steps
11 that are taken to protect customer information?

12 A. I'm not sure I understand the question.

13 Q. We had discussion a couple of days ago
14 regarding account numbers on bills being available to
15 the general public. Are there any steps that would
16 be taken to protect the customer information in this
17 process?

18 A. This would be information a customer
19 would give me about their account, so it's service
20 delivery -- the service delivery identification
21 number or the account number is something a customer
22 would have to provide to me when I enroll them, so
23 it's not general public information.

24 Q. Now, on lines 14 through 18 on page 5 you
25 discuss the purchase and accounts receivables

1 program. How does that work?

2 A. A purchase of receivables program allows
3 the retailer to collect its money and sell the
4 receivables to the local EDU, and then the local EDU
5 who has a consolidated bill has the authority and
6 power to disconnect a meter, then collects all the
7 charges for that bill.

8 Q. Now, I know in the telecom area there
9 have been problems with incumbent carriers, incumbent
10 telephone companies purchasing receivables of other
11 companies, either for ancillary or even
12 nontelecom-related purposes which could actually
13 cause customers' service to be disconnected if they
14 didn't pay that ancillary part of it.

15 You're not advocating that kind of thing
16 here, are you?

17 A. No, I'm simply talking about energy.

18 Q. Okay.

19 A. Retail electric.

20 Q. On page 6, line 5, you use the term
21 "bill-ready billing." Just to be clear in the
22 record, what is that?

23 A. Bill-ready consolidated billing is where
24 the local utility sends me the usage data, I have
25 three days -- business days to turn around my billing

1 charge. I calculate my charges off that usage, I
2 return that billing information back to the local
3 EDU, and they put it on the EDU's -- on the local
4 utility bill as a consolidated bill.

5 Q. And is that different from rate-ready
6 billing that you use on line 9?

7 A. Yes. So rate-ready consolidated billing
8 is my price, my rates are set up in the local
9 utility's billing systems, and after the meter is
10 read, the local utility calculates my price within
11 their billing systems rather than -- "bill-ready
12 billing means" they send me the usage, I calculate
13 the charges, and return that information back to the
14 local utility.

15 MR. ETTER: That's all the questions I
16 have, your Honor.

17 EXAMINER SEE: Mr. Satterwhite?

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Satterwhite:

21 Q. Good afternoon. How you doing?

22 A. Fine.

23 Q. Matt Satterwhite representing Ohio Power
24 Company today. A couple questions. I'll try to be
25 as efficient as possible so I can get us out of here.

1 On page 3 of your testimony you refer to
2 a term that you'd like to "remove barriers." Are you
3 familiar with that?

4 A. What line?

5 Q. I knew you were going to ask that. Let
6 me see here. Line 10. The Commission requires
7 AEP Ohio to remove barriers.

8 A. Yes.

9 Q. Are you referring to company tariffs when
10 you say "barriers"?

11 A. No. My testimony is focused on
12 supplier-related barriers.

13 Q. But the items you list such as switching
14 fees and 90-day provision, those are all items within
15 the company's tariffs that you're referring to,
16 correct?

17 A. Okay, fair.

18 Q. So when you say "barriers," you're
19 referring to Commission-approved items in tariffs?

20 A. I'm referring to the items in my
21 testimony; yes.

22 Q. And it's your testimony that those are in
23 tariffs.

24 A. Yes.

25 Q. Now, you talk in the question and answer

1 about the cost of switching and you'd like the cost
2 of switching to decrease. Switching fees I assume is
3 what you're referring to.

4 A. Yes.

5 Q. What's your understanding of the costs
6 that are associated with switching fees from the
7 point of view of an EDU?

8 A. I don't know.

9 Q. How often -- do you offer service in
10 AEP Ohio's territory? Do you have customers here?

11 A. We do.

12 Q. In every certified territory in Ohio do
13 you have customers?

14 A. We do.

15 Q. And do you have to interact with each of
16 those EDUs if there's an issue with switching?

17 A. We do.

18 Q. And what's the nature of that
19 interaction? What happens when you have to interact
20 with an EDU?

21 A. We deal with their supplier center to
22 sort out issues.

23 Q. Could you describe what goes into that?
24 Assume there's a problem and you, "Oh, no, I have to
25 do something." What do you do next?

1 A. Our folks usually interact with the
2 supplier center through either e-mail or phone call
3 and describe the problem and work with their local
4 EDU to figure out where the issues are.

5 Q. What are the type of issues that come up
6 that might cause problems with switching that you
7 would have to call and interact with an EDU?

8 A. Are you asking specifically in the
9 enrollment process or -- I'm confused on what part of
10 the process. Any process?

11 Q. Yeah.

12 A. Okay, with enrollments it's usually
13 rejections or issues related with initial pricing.
14 With an active account it may be billing issues or a
15 drop that doesn't make sense -- we weren't expecting.

16 Q. And do you have a staff that work for you
17 that are dedicated to working out those problems?

18 A. We do.

19 Q. How big is that staff?

20 A. We probably have, I'm going have to
21 estimate about four FTEs that deal with information
22 like that.

23 Q. And are they pretty busy dealing with the
24 EDUs?

25 A. Yes.

1 Q. And when you refer to "switching fees,"
2 are you asserting that there are switching fees in
3 every jurisdiction for every EDU?

4 MS. KINGERY: Can you give us a line
5 reference, Matt?

6 MR. SATTERWHITE: He's talked about
7 switching fees on page 3 and the question starts on
8 12, talks about the cost of switching decreases on 16
9 when he starts the answer.

10 Q. Let me rephrase that question, because it
11 was a bit of a fragment versus a whole question
12 there.

13 Is it your understanding that all of the
14 EDUs require switching fees?

15 A. I believe that's true.

16 Q. And are you aware if any of the EDUs that
17 require switching fees have any of the costs that
18 would normally be associated with switching fees as a
19 part of rates in some other case?

20 A. Could you say that again?

21 Q. Sure.

22 MR. SATTERWHITE: Could you reread --
23 could I have the question reread, please?

24 EXAMINER SEE: Yes.

25 (Record read.)

1 A. I don't know.

2 Q. Now, on page 2 of your testimony, line 15
3 and 16, you talk about the services that you provide,
4 your company provides, and you say it's electricity
5 and energy-related services to retail customers.
6 Correct?

7 A. Yes.

8 Q. How do you define "energy-related
9 services"? What's encompassed in that?

10 A. We help them with their total bill
11 management, understanding their total rate structure,
12 understanding the components of their bill. We may
13 help them with energy efficiency programs and
14 understand where they can be eligible for other
15 benefits related to their energy usage.

16 We may offer them, you know, demand
17 response type products or other services related to
18 energy.

19 Q. And do you cooperate or use affiliates to
20 help in those other services, other agencies outside
21 of your company?

22 A. Are you asking me if I use people inside
23 my company or outside my company?

24 Q. I'm asking beyond your direct reports,
25 your staff, when you do energy efficiency or bill

1 management, do you use third-party vendors to assist
2 in any of those functions?

3 A. We have third-party vendors.

4 Q. What do you use third-party vendors for?

5 MS. KINGERY: Objection. Relevance.

6 MR. SATTERWHITE: Your Honor, he says he
7 provides energy-related services, I'm trying to
8 define what those are so we can get a scope of how
9 this company interacts with customers and it ties
10 into some of the information that they're seeking to
11 have provided to them. I'm simply trying to probe
12 exactly who has access to this information.

13 EXAMINER SEE: I'll allow it, but let's
14 get to the point.

15 THE WITNESS: Could you read me the
16 question?

17 (Record read.)

18 A. I use third-party vendors for my
19 curtailment service provider for demand response. I
20 use a third-party vendor for part of my call center
21 operations, and that's not an energy-related service
22 but it's a, in terms of energy-related services, I
23 think I've done most of it internally with hiring
24 maybe a few consultants to do, you know, bring me,
25 you know, expertise or rates or what other topics I

1 need help with.

2 Q. When you deal with customers on energy
3 efficiency issues do you ever use these third-party
4 vendors in that area?

5 A. We do not have a third party for energy
6 efficiency.

7 Q. And the third-party vendors that you do
8 use, what are the restrictions on the data that is
9 received from an EDU with these third-party vendors?

10 MS. KINGERY: Objection, again, I don't
11 understand how this is relevant to AEP Ohio's
12 application in this case.

13 MR. SATTERWHITE: If I can respond, your
14 Honor.

15 EXAMINER SEE: Yes.

16 MR. SATTERWHITE: On page 4 there's a
17 question how would customers benefit from improved
18 access from higher quality customer data. Part of
19 this testimony is that he needs more data in a number
20 of different areas, and I believe it's incumbent upon
21 the company to ensure if there's a proposal to gather
22 more data, that there are structures in place to make
23 sure that data's protected.

24 Protection of customer data is very
25 important to the customer and we'd like to go down

1 this road a little bit to make sure if this proposal
2 is accepted by the Commission, that there's a
3 guarantee that that's going to be protected.

4 MR. PETRICOFF: Your Honor, at this time
5 we'd like to join with DPLR on the objection. That
6 is a very important subject in terms of
7 confidentiality of materials, so important that the
8 Commission has an open docket on it right now to
9 which AEP wrote comments and all markers have written
10 comments, and it's true it's important it be settled
11 in that docket, not in this one.

12 MS. KINGERY: And indeed there would be
13 contracts in place to cover these sorts of issues and
14 it's not part of the determination of this particular
15 proceeding.

16 MR. SATTERWHITE: If I may, your Honor.

17 EXAMINER SEE: Mr. Petricoff, you
18 referred to "DPLR."

19 MS. KINGERY: I think he meant DER.

20 MR. PETRICOFF: I'm sorry, yeah, Duke
21 Energy.

22 EXAMINER SEE: Mr. Satterwhite, you
23 wanted to respond.

24 MR. SATTERWHITE: Yes, your Honor, with
25 all due respect to the Commission's rulemaking

1 process, I worked here once too, and some of those
2 can take many, many, many years. What we have in
3 front of us is an actual request as part of this plan
4 to open up more data, and as the company that's being
5 requested to do that specifically in this case, I
6 think we deserve the right to ask some questions in
7 this area.

8 We don't know where that rulemaking's
9 going to go, what we do know is that they're asking
10 the Commission in this case to open up some more data
11 so I think it's appropriate to ask some more
12 questions in this area.

13 EXAMINER SEE: I'm going to allow it.

14 MR. SATTERWHITE: Thank you.

15 EXAMINER SEE: Do you need to have the
16 question read back now?

17 THE WITNESS: Yes, please.

18 (Record read.)

19 A. For my curtailment service provider
20 they're only dealing with customers that have signed
21 up as demand response customers with me and so my
22 customers are aware that I use a third party for my
23 curtailment service provider.

24 They're not having access to information
25 beyond those customers.

1 Q. And I guess to shortcut it and follow the
2 lead of your counsel, I guess what I'm looking for,
3 is there a guarantee with the Commission and AEP Ohio
4 that if there is more information provided to the
5 CRES provider --

6 A. Yes.

7 Q. -- that that's going to be maintained by
8 the CRES provider and not shared for other purposes
9 such as marketing dishwashers and --

10 A. Oh, absolutely not.

11 Q. -- other items beyond that?

12 A. I have no -- no, no interest in that.

13 Q. And is it your understanding that that
14 type of information of marketing outside the
15 traditional CRES is something that's governed by the
16 contracts so no information can be shared outside the
17 specific CRES purposes that are approved by the
18 Commission?

19 A. Could you repeat that again?

20 Q. Sure.

21 MR. SATTERWHITE: Could I have it reread,
22 please?

23 (Record read.)

24 MS. KINGERY: Can you clarify, please,
25 what contracts you're referring to? You referred to

1 "the contracts."

2 MR. SATTERWHITE: Yeah, I was referring
3 to when you were responding to my objection you
4 inserted that there will be contracts that control
5 that, so I was trying to cut short and let the
6 witness know, remind him that was stated and just try
7 to get to this point of if we have these contracts
8 that have these protections that we can use those.

9 Q. If you're not aware of what those
10 contracts are, let me know, I was just trying to
11 utilize what you had said to move it along. Do you
12 want me to reask it a different way?

13 A. Please.

14 Q. When you deal with any type of
15 third-party vendor in any of your business, is there
16 a contract that controls that relationship?

17 A. Yes.

18 Q. And as part of those contracts are there
19 guarantees that any data that is shared that's
20 customer-specific data that you gathered as a CRES
21 provider, is to be used solely for CRES provider
22 functions and cannot be used for other functions that
23 a third-party vendor might use it for?

24 A. Yes.

25 Q. Good, we can move on then.

1 Now, on page 7 of your testimony, there's
2 sort of a plus-one I guess. Do you have any other
3 recommendations? Do you see that?

4 A. I do.

5 Q. And in that you suggest that the
6 Commission give consideration to the FirstEnergy and
7 Duke Energy settlements for their SSO case. Do you
8 see that?

9 A. I do.

10 MR. SATTERWHITE: Can we go off the
11 record for one second?

12 EXAMINER SEE: Yes.

13 (Discussion off the record.)

14 EXAMINER SEE: Let's go back on the
15 record. We're back on the record.

16 Q. So I'm just trying to understand in this
17 paragraph, is it fair to say you're asking the
18 Commission to rely on the result of those cases for
19 what it might do in this case?

20 A. Yes. I'm suggesting. The best path
21 forward is a structure similar to the FirstEnergy and
22 Duke Energy Ohio cases.

23 Q. And you mentioned in response to some
24 questions from OCC, counsel for OCC, the differences
25 between bill-ready and rate-ready billing, do you

1 remember that?

2 A. Yes.

3 Q. And you seem to talk a little bit about
4 your preference for rate-ready billing; is that fair?

5 A. I don't know if I said my preference for
6 rate-ready billing.

7 Q. What is your preference; rate ready or
8 bill ready?

9 A. My preference is to have both and both to
10 work effectively.

11 Q. Would you be surprised to hear that
12 AEP Ohio already has rate-ready billing?

13 A. I am aware they have rate-ready billing,
14 we don't utilize it and I think that's stated in my
15 testimony.

16 Q. Are you aware how often AEP Ohio provides
17 customer lists to CRES providers?

18 A. When you say "customer lists," you mean
19 preenrollment lists?

20 Q. Yes.

21 A. It's changed recently. It used to be
22 quarterly, I believe it might be monthly now. I'm
23 not sure of the frequency. It's on a regular basis.

24 Q. And am I correct that the requirement is
25 at least quarterly but AEP is doing monthly? Is that

1 correct?

2 A. Yes.

3 Q. And what's your understanding -- you
4 mentioned the 90-day period in your testimony as a
5 consistent practice you'd like to see gone. What's
6 your understanding of what's proposed in the modified
7 plan with the 90-day period?

8 A. I'm not aware of what's proposed in
9 the . . .

10 Q. Would you be happy to know that AEP Ohio
11 is proposing to get rid of the 90-day period?

12 A. Yes.

13 Q. Would that be a benefit of the ESP if
14 that were the case?

15 A. Sure.

16 MR. SATTERWHITE: And with that, I am
17 done, your Honor.

18 EXAMINER SEE: Ms. Kingery, any redirect?

19 MS. KINGERY: Can we have about two
20 minutes?

21 EXAMINER SEE: Sure.

22 (Recess taken.)

23 EXAMINER SEE: Let's go back on the
24 record.

25 Ms. Kingery?

1 MS. KINGERY: Yes, we have just one or
2 two questions.

3 EXAMINER SEE: Okay.

4 - - -

5 REDIRECT EXAMINATION

6 By Ms. Kingery:

7 Q. Mr. Walz, do you recall earlier you were
8 discussing with Mr. Satterwhite about the barriers
9 that you discuss on page 3?

10 A. Yes.

11 Q. And I believe Mr. Satterwhite asked you
12 whether the barriers that you discuss are all issues
13 that are addressed in the tariffs of AEP Ohio; is
14 that correct?

15 A. Yes.

16 Q. Is it true that although impacted by the
17 tariffs, that all of these barriers you discuss would
18 be resolved through the tariffs or are created
19 directly by tariff provisions?

20 A. No.

21 Q. Thank you.

22 MS. KINGERY: No further questions.

23 EXAMINER SEE: Recross?

24 Oh, didn't I get to you, Mr. Beeler.

25 MR. BEELER: I have no questions, your

1 Honor.

2 EXAMINER SEE: Very good.

3 Mr. Petricoff?

4 MR. PETRICOFF: No, your Honor.

5 EXAMINER SEE: Mr. Barnowski?

6 MR. BARNOWSKI: No, thank you, your

7 Honor.

8 EXAMINER SEE: Ms. Thompson?

9 MS. THOMPSON: No questions, your Honor.

10 EXAMINER SEE: Ms. McAlister?

11 MS. McALISTER: No, thank you.

12 EXAMINER SEE: Ms. Kyler?

13 MS. KYLER: No questions.

14 EXAMINER SEE: Mr. Oliker?

15 MR. OLIKER: No, thank you, your Honor.

16 EXAMINER SEE: Mr. Lang?

17 MR. LANG: No questions.

18 EXAMINER SEE: Mr. Maskovyak?

19 MR. MASKOVYAK: No questions, your Honor.

20 EXAMINER SEE: Mr. Etter?

21 MR. ETTER: No questions, your Honor.

22 EXAMINER SEE: Mr. Satterwhite?

23 MR. SATTERWHITE: Just about 20

24 minutes -- no, we have no questions. No questions,

25 your Honor.

1 EXAMINER SEE: And you have no questions
2 from the Bench, Mr. Walz. Thank you for appearing at
3 this late hour just before a holiday.

4 Ms. Kingery.

5 MS. KINGERY: I would move the admission
6 of Duke Energy Retail Sales Exhibit 101.

7 EXAMINER SEE: Are there any objections?

8 (No response.)

9 EXAMINER SEE: Hearing none, DER 101 is
10 admitted into the record.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER SEE: And this hearing is
13 adjourned until 10:00 a.m. Tuesday morning.

14 (Hearing adjourned at 4:29 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Friday, May 25, 2012, and carefully compared with my original stenographic notes.

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

My commission expires June 19, 2011.

(MDJ-4019)

- - -

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Case No(s). 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Transcript of the Application of Columbus Southern Power Company and Ohio Power Company hearing held on 05/25/12 - Volume VII electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.