

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 Tuesday, June 5, 2012.

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VOLUME XIII

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INDEX

- - -

WITNESSES	PAGE
David I. Fein	
Direct Examination by Mr. Stahl	3485
Cross-Examination by Mr. Barnowski	3488
Cross-Examination by Ms. McAlister	3494
Cross-Examination by Mr. Darr	3495
Cross-Examination by Mr. Serio	3501
Cross-Examination by Mr. Nourse	3504
Ed Forshey	
Direct Examination by Ms. McAlister	3559
Cross-Examination by Mr. Serio	3562
Cross-Examination by Ms. Moore	3563
Redirect Examination by Ms. McAlister	3580
John Burke	
Direct Examination by Ms. McAlister	3582
Cross-Examination by Mr. Etter	3585
Cross-Examination by Ms. Moore	3588
John P. Siefker	
Direct Examination by Ms. McAlister	3603
Cross-Examination by Mr. Serio	3606
Cross-Examination by Ms. Moore	3607
Bradley H. Belden	
Direct Examination by Ms. McAlister	3620
Cross-Examination by Mr. Serio	3622
Cross-Examination by Ms. Moore	3624
Joseph G. Bowser	
Direct Examination by Mr. Darr	3634
Cross-Examination by Mr. Satterwhite	3638
Redirect Examination by Mr. Darr	3671
Examination by Examiner See	3673
Ibrahim Soliman	
Direct Examination by Mr. Etter	3676
Cross-Examination by Mr. Nourse	3680

INDEX (Continued)

- - -

WITNESSES

PAGE

Teresa L. Ringenbach

Direct Examination by Mr. Petricoff

3689

Cross-Examination by Ms. McAlister

3691

Cross-Examination by Mr. Lang

3693

Cross-Examination by Mr. Etter

3694

Cross-Examination by Mr. Nourse

3701

Redirect Examination by Mr. Petricoff

3744

Examination by Examiner See

3748

- - -

Exelon Exhibit

Identified Admitted

101 - Direct Testimony of

D. Fein (Public)

3485

3559

101-A - Direct Testimony of

D. Fein (Confidential)

3485

3559

- - -

IEU Exhibits

Identified Admitted

128 - Exhibit KMM-20

3367

3483

129 - Direct Testimony of

J.G. Bowser

3635

--

- - -

OCC Exhibits

Identified Admitted

114 - Direct Testimony of B. Hixon

3283

3687

115 - Direct Testimony of

I. Soliman

3677

--

- - -

INDEX (Continued)

- - -

OMA Exhibits Identified Admitted

101-A - Direct Testimony of E. Forshey (Public)	3560	3582
--	------	------

101-B - Direct Testimony of E. Forshey (Confidential)	3560	3582
--	------	------

- - -

OMA Exhibits Identified Admitted

102-A - Direct Testimony of J. Burke (Public)	3583	3603
--	------	------

102-B - Direct Testimony of J. Burke (Confidential)	3583	3603
--	------	------

103-A - Direct Testimony of J. Siefker (Public)	3604	3620
--	------	------

103-B - Direct Testimony of J. Siefker (Confidential)	3604	3620
--	------	------

104-A - Direct Testimony of B. Belden (Public)	3621	3633
---	------	------

104-B - Direct Testimony of B. Belden (Confidential)	3621	3633
---	------	------

- - -

RESA Exhibits Identified Admitted

102 - Direct Prepared Testimony of T. Ringenbach	3689	3749
---	------	------

103 - Supplemental Testimony of T. Ringenbach	3689	3749
--	------	------

- - -

1 Tuesday Morning Session,
2 June 5, 2012.

3 - - -

4 EXAMINER TAUBER: Let's go on the record.
5 Let's begin this morning with appearances, starting
6 with the company.

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

11 MR. SERIO: Thank you, your Honor. On
12 behalf of the residential customers of AEP, Bruce
13 Weston by Joe Serio, Maureen Grady, and Terry Etter.

14 MR. LANG: On behalf of FirstEnergy
15 Solutions, Mark Hayden and Jim Lang.

16 MR. DARR: On behalf of IEU-Ohio, Frank
17 Darr, Sam Randazzo, Matt Pritchard, and Joe Oliker.

18 MR. SINENENG: Good morning. On behalf
19 of Duke Energy Retail Sales and Duke Energy
20 Commercial Asset Management, Jeanne Kingery, Amy
21 Spiller, and Philip Sineneng.

22 MS. KYLER: Good morning. On behalf of
23 the Ohio Energy Group, Michael Kurtz, Kurt Boehm, and
24 Jody Kyler.

25 MS. McALISTER: Thank you, your Honor.

1 On behalf of the OMA Energy Group, Lisa McAlister and
2 J. Thomas Siwo.

3 MR. CAMPBELL: Good morning. On behalf
4 of Interstate Gas Supply, Incorporated, Andrew
5 Campbell.

6 MR. BARNOWSKI: On behalf of Ormet
7 Primary Aluminum Corporation, Daniel Barnowski.

8 MR. STAHL: Good morning, your Honor. On
9 behalf of the Exelon/Constellation companies, David
10 Stahl.

11 MS. KALEPS-CLARK: Good morning, your
12 Honors. On behalf of Retail Energy Supply
13 Association and Direct Energy, Lija Kaleps-Clark and
14 M. Howard Petricoff.

15 And also on behalf of the
16 Exelon/Constellation companies, Lija Kaleps-Clark, M.
17 Howard Petricoff, and Steve Howard.

18 MR. MARGARD: Werner Margard and Steven
19 Beeler, Assistant Attorneys General, on behalf of the
20 Commission staff.

21 EXAMINER TAUBER: Mr. Darr.

22 MR. DARR: Yes, your Honor. Yesterday,
23 at the end of the day, we offered to provide a
24 cleaned-up version of IEU Exhibit 128. I believe you
25 have a copy of that, and I provided a copy also to

1 the court reporters this morning and circulated
2 copies to the other parties.

3 This exhibit updates for the corrections
4 made on the stand during redirect testimony by
5 Mr. Murray.

6 MR. NOURSE: Your Honor, is IEU 128 being
7 withdrawn then?

8 MR. DARR: We're submitting this as a
9 replacement for 128.

10 MR. NOURSE: As 128.

11 MR. DARR: Yes.

12 MR. NOURSE: Got it.

13 EXAMINER TAUBER: Are there any
14 objections to IEU Exhibit 128 as submitted this
15 morning?

16 MR. NOURSE: No.

17 EXAMINER TAUBER: IEU Exhibit 128, which
18 is KMM-20, shall be admitted into the record.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 EXAMINER TAUBER: Before we begin this
21 morning, I also want to point out there's been an
22 e-mail that's been circulated to all parties
23 regarding cross-examination of Mayor Drew Hastings
24 who is the City of Hillsboro's witness. And if any
25 parties intend to cross-examine him, if they can just

1 respond to the e-mail, we'll handle that accordingly.

2 MR. SERIO: Your Honors, just to be
3 clear, if we do not plan to, we do not need to
4 respond.

5 EXAMINER TAUBER: Correct. Only if you
6 intend to cross.

7 MR. SERIO: That's what I thought; I just
8 wanted to make sure.

9 EXAMINER TAUBER: Thank you.

10 EXAMINER SEE: That is the way that the
11 e-mail is worded.

12 Just for the Bench's information, is
13 there any party here who plans on cross-examining
14 Mr. Hastings?

15 MR. NOURSE: No, your Honor. We reserve
16 the right to do so if another party does, but we
17 didn't intend to call him. I think that was already
18 represented in the e-mail.

19 EXAMINER SEE: It was. So no other party
20 present intends to cross-examine Mr. Hastings?

21 (No response.)

22 EXAMINER SEE: Thank you.

23 EXAMINER TAUBER: Mr. Stahl.

24 MR. STAHL: Thank you, your Honors. At
25 this time, Exelon/Constellation will call Mr. David

1 Fein to the witness stand.

2 (Witness sworn.)

3 EXAMINER TAUBER: Thank you.

4 MR. STAHL: May I proceed, your Honor?

5 EXAMINER TAUBER: You may.

6 (EXHIBITS MARKED FOR IDENTIFICATION.)

7 - - -

8 DAVID I. FEIN

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

11 DIRECT EXAMINATION

12 By Mr. Stahl:

13 Q. Good morning, Mr. Fein.

14 A. Good morning.

15 Q. Mr. Fein, do you have with you -- well,
16 first of all, state your name for the record, please.

17 A. My name is David Fein. That's spelled
18 F-e-i-n.

19 Q. And by whom are you employed, Mr. Fein?

20 A. Exelon Corporation.

21 Q. What is your position with Exelon
22 Corporation?

23 A. Vice President, State Government Affairs,
24 East Region.

25 Q. Had you previously been employed by

1 Constellation or one or more of the Constellation
2 companies?

3 A. Yes, I was.

4 Q. And what are the circumstances under
5 which you are now employed by Exelon?

6 A. On or about March 12th of this past year,
7 Exelon and Constellation consummated a merger that
8 was finalized. As a result of that, my employer is
9 now the Exelon Corporation.

10 Q. Mr. Fein, I think you have in front of
11 you a copy of two documents, one marked Exelon
12 Exhibit 101, which is the public version of the
13 direct testimony of David Fein, and the second being
14 Exelon Exhibit 101-A, which is the confidential
15 version of the direct testimony of Mr. Fein; is that
16 correct?

17 A. That is correct.

18 Q. Are you familiar with this testimony,
19 Mr. Fein?

20 A. Yes, I am.

21 Q. Was it prepared by you or under your
22 supervision and control?

23 A. Yes, it was.

24 Q. Is it true and correct to the best of
25 your knowledge?

1 A. Yes, it is.

2 Q. Do you have any corrections you'd like to
3 make to this testimony at this time?

4 A. I do not.

5 Q. And if I were to ask you the same
6 questions set forth in this testimony today, would
7 your answers be the same?

8 A. Yes, they would.

9 MR. STAHL: Thank you, Mr. Fein.

10 I have no further questions, and Mr. Fein
11 is available for cross-examination.

12 EXAMINER TAUBER: Thank you.

13 There's an outstanding motion to strike
14 part of Mr. Fein's testimony, and we're going to deny
15 the motion to strike. As is the case, parties will
16 have the opportunity to cross-examine the witness
17 been request.

18 Ms. Kaleps-Clark?

19 MS. KALEPS-CLARK: No questions, your
20 Honor. Thank you.

21 EXAMINER TAUBER: Mr. Barnowski?

22 MR. BARNOWSKI: I do have a few
23 questions.

24 - - -

25 CROSS-EXAMINATION

1 By Mr. Barnowski:

2 Q. Good morning, Mr. Fein.

3 A. Good morning.

4 Q. You recommend that any RSR charges
5 approved by the Commission be assessed only against
6 nonshoppers, correct?

7 A. That's a short answer to what my
8 recommendation is in my testimony. It's sort of not
9 made in a vacuum like that, but yes, that is part of
10 the recommendation.

11 Q. And the basis for that recommendation is
12 that requiring payments from shoppers would stifle
13 competition because shoppers would likely have to pay
14 more for service than nonshoppers; is that fair?

15 A. That's only -- can you repeat that
16 question? I'm sorry.

17 Q. Sure. If you look at page 13 of your
18 testimony, line 10. The basis for your
19 recommendation is, at least partially, that requiring
20 payment of the RSR from shoppers would require those
21 shoppers to have to pay more for service than
22 nonshoppers and, thereby, possibly stifle
23 competition; fair?

24 A. That's fair.

25 Q. And are you aware that the company

1 witnesses have opined that the percentage of its
2 customers who will shop by the end of next year will
3 approximate 70 percent?

4 A. I'm aware that the company's offered
5 testimony in that regard.

6 Q. So if you exempt shoppers from the RSR,
7 the nonshoppers' RSR payments will triple from what
8 they are projected to be in the application; fair?

9 A. "Triple"?

10 Q. They would go from one-third
11 responsibility to three-thirds responsibility for the
12 RSR, correct?

13 A. And you're arriving at the one-third?

14 Q. Because one-third of the customers would
15 not shop and two-thirds would, fair?

16 A. Fair.

17 Q. Presently, are you aware that the RSR is
18 projected to be roughly \$2 per megawatt-hour?

19 A. That's, I believe, the testimony of
20 Mr. Allen.

21 Q. So tripling it would make it \$6 per
22 megawatt-hour?

23 A. Potentially, yes.

24 Q. So for an average residential customer
25 who doesn't shop, an average residential customer

1 using 1 megawatt-hour per month, you're looking at a
2 charge of around \$72 per year under your
3 recommendation; fair?

4 A. Again, you're taking my recommendation in
5 a vacuum, and the recommendation on whether there
6 should be any RSR at all is qualified in the
7 testimony, but, with that clarification, I think your
8 basic math is accurate.

9 Q. And that's fair. You don't want there to
10 be an RSR at all, correct?

11 A. That's correct.

12 Q. But assuming there is an RSR, what I've
13 described as your recommendation is accurate,
14 correct?

15 A. Correct.

16 Q. So for a big industrial user who, let's
17 say maybe uses a million megawatt-hours per year,
18 you're looking at making a charge of nearly
19 \$20 million for the RSR if you triple it, correct?

20 A. If that large manufacturer decides to
21 stay with AEP, yes.

22 Q. You read my mind. If only the customers
23 who don't want to leave Ohio Power are charged the
24 RSR, aren't you creating a pretty huge incentive for
25 all customers to want to leave Ohio Power? Because

1 they are the only ones that are going to have to foot
2 this burden and it's going to be an ever-increasing
3 burden as more and more people leave?

4 MR. STAHL: Object. It's argumentative.

5 MR. BARNOWSKI: I'll rephrase, your
6 Honor.

7 EXAMINER TAUBER: Thank you.

8 Q. If your recommendation is accepted,
9 aren't you creating an incentive for all customers to
10 want to leave Ohio Power?

11 A. I don't believe that, in and of itself,
12 you know, the RSR is going to drive all customers out
13 to shop. That just doesn't happen anywhere.

14 You also have the complicating factor of
15 the capacity structure that's being proposed here
16 being litigated in another case; that might negate
17 some of that propensity in the way you've sort of
18 posited it. So I can't agree with that statement.

19 Q. Well, your testimony is that nonshoppers
20 shouldn't have to pay because, if they do, they're
21 going to have to pay a little bit more than they --
22 strike that. I'm sorry.

23 Your testimony is that shoppers should
24 not have to pay the RSR because, if they do, their
25 rates are going to be a little bit more than

1 nonshoppers, correct?

2 A. That's not the only reason that my
3 testimony states that they should not have to pay the
4 RSR. So if we're trying to keep the record clear and
5 clean, it also references certain provisions of the
6 code where shopping customers are not supposed to be
7 charged for generation-related charges under Ohio law
8 and policy. So that's the other reason why that's a
9 recommendation in the testimony.

10 Just, again, so the record's clear, the
11 whole concept of the RSR, whether there should be one
12 at all, as it's outlined in my testimony, is one
13 where I opine that the need for one needs to be shown
14 and the need of some sort of financial harm as a
15 result of that, based upon the other recommendations
16 in my testimony.

17 So, again, I'm just having trouble how
18 you're sort of just picking out one piece of the
19 recommendation because it is a package
20 recommendation.

21 Q. Mr. Fein, to be absolutely clear, I
22 couldn't agree more, there shouldn't be an RSR, but
23 if there is an RSR, I just want to explore how it's
24 being assessed, okay?

25 A. Uh-huh.

1 Q. As more leave the company over time, your
2 recommendation increases the incentive because -- for
3 other customers to leave, because the RSR charge will
4 only go up as more people leave; fair?

5 A. I mean, all else being equal, yeah, I
6 guess so. I mean, there are a lot more factors that
7 go into a customer deciding to shop. It's not all
8 price.

9 Q. And would you agree that nonshoppers are
10 not causing the company's losses that are resulting
11 from customers shopping?

12 A. When you say the "company's losses," you
13 mean --

14 Q. The RSR is designed to recover lost
15 revenues from people shopping; fair?

16 A. Yes.

17 Q. And nonshoppers are not causing or in any
18 way contributing to those losses because they're not
19 shopping; fair?

20 A. Fair.

21 MR. BARNOWSKI: No further questions.
22 Thank you, your Honors.

23 EXAMINER TAUBER: Thank you.

24 Ms. McAlister?

25 MS. McALISTER: Thank you, your Honor.

1 Just a few.

2 - - -

3 CROSS-EXAMINATION

4 By Ms. McAlister:

5 Q. Good morning, Mr. Fein.

6 A. Good morning, Ms. McAlister.

7 Q. I'm here today on behalf of the OMA
8 Energy Group. I'd like to turn your attention to
9 page 11 of your testimony. There you state that your
10 recommendation as to the "capacity price for Tier 1
11 customers, who exercised their right to shop and
12 entered into contracts with CRES Suppliers based on
13 the switching thresholds and the associated prices in
14 the stipulation, remain at the prevailing RPM
15 capacity price...."

16 My question is: Would the tier 1 include
17 customers who provided a 90-day notice, but then who
18 did not switch because of the uncertainty related to
19 the capacity cost? Would those customers be included
20 in your tier 1 proposal as well?

21 A. In the tier 1 proposal outlined here, you
22 know, that election or that notice, you know, with
23 the intent of the rules of the game as they were,
24 then were intended to be included in that
25 recommendation.

1 MS. McALISTER: No further questions.

2 Thank you, your Honor.

3 EXAMINER TAUBER: Thank you.

4 Mr. Kyler?

5 MS. KYLER: No questions, your Honor.

6 EXAMINER TAUBER: Mr. Sineneng?

7 MR. SINENENG: No questions, your Honor.

8 EXAMINER TAUBER: Mr. Darr?

9 MR. DARR: Very briefly, your Honor.

10 - - -

11 CROSS-EXAMINATION

12 By Mr. Darr:

13 Q. Mr. Fein, is it fair to say that the
14 proposals that you've made today address a couple of
15 narrow issues that you find problematic with the
16 modified ESP as proposed by the company?

17 A. I'm -- I don't know if I'd call them
18 "narrow."

19 Q. Fair enough. Basically what you're
20 saying is if there is an RSR, certain changes should
21 be made, if there is going to be a two-tiered
22 capacity price, then it should be narrowly confined
23 to basically the first year, and with the
24 modification that the first year be at RPM.

25 A. Correct.

1 Q. With those changes -- well, first of all,
2 have you made any determination independently of
3 whether or not the modified ESP satisfies the
4 statutory test that it be more favorable in the
5 aggregate than the alternative MRO?

6 A. I have not.

7 Q. And is it fair to say that you have not
8 independently addressed whether or not your proposed
9 modifications would allow the proposed ESP to satisfy
10 that test?

11 A. I have not.

12 Q. Now, in the past you have testified that
13 you would prefer that the company be required or
14 authorized to charge the RPM price; is that correct?

15 A. That's correct.

16 Q. And I believe you testified in the
17 10-2929 capacity pricing case as well, correct?

18 A. That's correct.

19 Q. Is it fair to say that your view is that
20 RPM pricing is consistent with Ohio state policy
21 which calls for the Commission to promote the
22 development of competitive markets?

23 MR. NOURSE: I object, your Honors.
24 Friendly cross.

25 MR. DARR: Your Honor, if I may respond?

1 EXAMINER TAUBER: You may.

2 MR. DARR: Mr. Fein is proposing that a
3 non-RPM proposal be in place for at least a minimum
4 period of time of 12 months. In that regard, then,
5 this cross-examination is not friendly in the least.

6 EXAMINER TAUBER: The objection is
7 overruled.

8 Q. (By Mr. Darr) Do you need the question
9 again?

10 A. Please.

11 Q. Is it fair to say that you believe that
12 the RPM -- that RPM pricing is consistent with Ohio
13 state policy which calls for the Commission to
14 promote the development of competitive markets?

15 A. I do. It's an open, transparent,
16 competitive process.

17 Q. Would it also be fair to say that CRES
18 providers are currently captive to AEP Ohio because
19 of its FRR election?

20 A. In essence, yes.

21 Q. And when you say "in essence," what do
22 you mean?

23 A. Meaning that the rules surrounding the
24 FRR election would have required a CRES supplier to
25 provide basically three years' advanced notice that

1 they would self-supply the capacity to meet their
2 load, the nature of the retail electricity business
3 in general, and even more particular in the AEP Ohio
4 service territory just would have not allowed that to
5 happen.

6 Q. And is it also fair to say that you
7 believe that Ohio law requires that each consumer in
8 the state have comparable and nondiscriminatory
9 access to CRES service?

10 A. I do. I believe that's in the --

11 Q. And would you agree that the two-tiered
12 capacity price would result in similarly-situated
13 CRES providers paying different prices for capacity
14 based solely on where the CRES provider's customer is
15 in the queue created by AEP's proposal?

16 MR. NOURSE: Objection.

17 EXAMINER TAUBER: Mr. Nourse.

18 MR. NOURSE: Again, he's trying to
19 support IEU's position and Exelon's position. This
20 is not adverse cross-examination.

21 EXAMINER TAUBER: Mr. Darr.

22 MR. DARR: If I may, your Honor. Again,
23 Mr. Fein is proposing a two-tiered pricing scheme
24 that makes this question adverse.

25 EXAMINER TAUBER: And the objection is

1 overruled.

2 A. Let me try to rephrase the -- or answer
3 the question as I remember it.

4 Q. Do you need --

5 A. The nature of my proposal in my
6 testimony, as a transitory mechanism, would result in
7 CRES providers paying different prices to AEP for
8 capacity based upon where any one individual customer
9 of theirs had been in the queue.

10 Q. And that would be solely on the basis of
11 where they are in the queue, correct?

12 A. It's, yeah, a function of timing.

13 Q. Now, with regard to the two-tiered
14 pricing structure that you proposed for this interim
15 period, is it fair to say that you do not believe
16 that the FRR status requires AEP Ohio to charge
17 anything other than the RPM price?

18 A. I'm sorry, could you repeat the question,
19 please?

20 Q. Sure. Is it fair to say that you do not
21 believe that the FRR status of AEP or AEP Ohio's
22 membership as an FRR member requires it to charge
23 anything other than the RPM price?

24 A. My understanding of the nature of their
25 FRR status is that, if I understand your question

1 correctly, they're not precluded from charging the
2 RPM price.

3 Q. And you are also aware that AEP underwent
4 a period in which it was allowed to recover
5 transitional costs?

6 A. Yes, I'm aware of that.

7 Q. And did you -- are you aware of the fact
8 that there are -- that AEP actually did recover
9 transitional costs as a result of the provisions of
10 Senate Bill 3?

11 A. I am aware that they were allowed to
12 recover certain transition costs.

13 Q. And by your proposal for the two-tiered
14 capacity pricing for this interim period, are you
15 suggesting in any way that there's any legal
16 authority, as you understand it, for additional
17 transition cost recovery?

18 MR. NOURSE: I object. Asking for a
19 legal opinion.

20 MR. DARR: Again, I framed it in terms of
21 Mr. Fein's understanding. He is a lawyer.
22 Additionally, he has testified in the past as to his
23 understanding of Ohio law.

24 MR. NOURSE: Well, your Honor, the fact
25 that he's a lawyer doesn't matter. He's not here --

1 it's not permissible to give legal testimony in Ohio,
2 and I don't think he's here to present legal
3 conclusions in his testimony.

4 EXAMINER TAUBER: I'll allow the question
5 to the extent Mr. Fein is not testifying as an
6 attorney here today.

7 A. I'm sorry, I forgot the --

8 Q. Sure. Are you suggesting that there's
9 any legal authority to recover additional transition
10 costs, by your proposal, to allow the company to, on
11 an interim basis, charge a two-tiered capacity price?

12 A. I'm not trying to offer an opinion as my
13 understanding of the law here.

14 MR. DARR: Thank you.

15 I have nothing further.

16 EXAMINER TAUBER: Thank you.

17 Mr. Lang?

18 MR. LANG: No questions. Thank you.

19 EXAMINER TAUBER: Mr. Serio?

20 MR. SERIO: Thank you, your Honors. A
21 couple of questions.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Serio:

25 Q. Good morning, Mr. Fein.

1 A. Good morning.

2 Q. As I understand it, you're opposed to the
3 RSR; that's correct? As proposed by the company.

4 A. The way we've addressed the RSR in my
5 testimony is that we could support an RSR, some sort
6 of transition mechanism as part and parcel of the
7 other recommendations in my testimony, and that the
8 RSR, as opposed to being assessed on all customers,
9 be assessed on the nonshopping customers.

10 Q. Is it your understanding that the RSR, as
11 proposed by the company, was designed to recover the
12 cost of stranded generation resulting from customers
13 shopping?

14 A. I believe the company's described it as a
15 mechanism to recover certain lost revenues associated
16 with either customer migration and/or what the
17 applicable capacity price might be.

18 Q. I had a couple of questions about your
19 testimony on page 17. Part of that testimony is
20 confidential. I don't think my questions go to the
21 specifics, so you let me know if I've strayed too
22 far. You indicate there that the company made an
23 offer to AEP, correct?

24 A. That's correct.

25 Q. And can you tell me when that offer was

1 made; the date?

2 A. I can; I'm only struggling to determine
3 whether that's considered some of the confidential
4 information. Early-2011.

5 Q. And do you know who the offer was made to
6 specifically at AEP? The individual.

7 A. I don't recall the specific individual's
8 name at this time.

9 Q. Did Exelon ever withdraw that offer?

10 A. The offer, like many offers, had a
11 certain amount of time before it would be deemed
12 withdrawn, and the offer was not accepted within that
13 timeframe.

14 Q. Did AEP ever provide you any reason or
15 explanation as to why they did not accept the offer?

16 A. Now I think we're venturing into the
17 competitively-sensitive area.

18 Q. But they did provide you some
19 explanation; without getting into the details?

20 A. I don't recall that there was, at the
21 time, a specific explanation given.

22 Q. On page 18, you indicate that not only
23 did the company reject the Exelon offer, but, to your
24 knowledge, the Commission was never made aware of the
25 offer. Why is that important?

1 A. Why is it important that the
2 Commission --

3 Q. Why is it important that the Commission
4 was not made aware of that offer?

5 A. I think it's important because of the
6 nature of the various proceedings that were ongoing
7 before this Commission and the Federal Energy
8 Regulatory Commission during that period of time.

9 MR. SERIO: Thank you.

10 That's all I have, your Honor.

11 EXAMINER TAUBER: Thank you.

12 Mr. Nourse?

13 MR. NOURSE: Thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Nourse:

17 Q. Good morning, Mr. Fein.

18 A. Good morning, Mr. Nourse.

19 Q. We're in the AEP proceeding right now. I
20 understand you have a busy day scheduled.

21 A. A day of fun.

22 Q. Can you turn to page 5 of your testimony.
23 The last line, line 21, you refer to "these
24 proceedings." In that reference you're talking
25 about -- are you talking about this ESP case and the

1 10-2929 case together?

2 A. Yes.

3 Q. Okay. Now, is it your recommendation
4 that the Commission decide the two cases together?

5 A. Well, it's my recommendation that the two
6 cases are clearly interrelated and, obviously, they
7 each -- one has an impact on the other. So I think
8 the Commission, whether they decide them together or
9 separately, they obviously -- they relate to each
10 other.

11 So however the Commission, in their
12 determination and wisdom, believes best to resolve
13 them both, they've got two different records before
14 them. I don't recall if these records are
15 consolidated or not. I thought they were in the
16 original phase. So the Commission has, obviously, a
17 wealth of evidence before them in both cases to
18 resolve them.

19 Q. Okay. And on page 6, in lines 4 through
20 6, you indicate, I believe, your opinion that the
21 FirstEnergy and Duke Energy Ohio auctions have
22 demonstrated benefits to customers through
23 wholesale -- competitive wholesale procurement. Do
24 you see that?

25 A. Yes.

1 Q. Now, are SSO auctions, do they always
2 produce prices lower than cost-based or regulated
3 prices?

4 A. Well, I don't think you can make a
5 statement like that, no. But I think the results of
6 those auctions, I think as demonstrated by the
7 Commission's own words in their various press
8 releases, resulted in lower rates for customers than
9 those rates that were previously in effect.

10 Q. Okay. So you agree that auctions can
11 produce prices that are higher than regulated or
12 cost-based rates, correct?

13 A. It's certainly possible, yes.

14 Q. Okay. And in the -- are you familiar
15 with AEP Ohio, the relationship of market prices to
16 the regulated prices in the last five to ten years?

17 A. Yes.

18 Q. And is it fair to say that for most of
19 that period of time, the market prices were higher
20 than AEP's SSO regulated price?

21 A. For most of that time, the SSO price
22 under the ESP, and I guess in the pre-ESP days, was
23 generally lower than market prices until roughly the
24 summer or fall of 2010 or so, I want to say, to any
25 large degree, with any of the specific rate classes.

1 Q. And, in your opinion, what caused those
2 two lines to cross so that market prices came down
3 below the SSO prices?

4 A. Well, since about late-2008 or '9 --
5 2008, when we went into the economic recession,
6 you've seen a dramatic reduction on the wholesale
7 electricity costs for a variety of reasons including
8 demand. That's continued over time.

9 I know there were certain increases in
10 AEP's rates that were deferred in the original ESP,
11 whether -- that had to do, I believe, with fuel and
12 the way the Commission sort of phased in some of the
13 rate increases. So those are just some of the
14 factors that come to mind where market prices and
15 AEP's rates diverge somewhat.

16 Q. Okay. And is it your understanding more
17 recently, in the last 12 months, the energy prices
18 have gone down significantly?

19 A. Yeah, the energy prices have continued to
20 drop over the last 12 months.

21 Q. Okay. So is it fair to say that the
22 current market prices may be below SSO prices; we
23 don't know if that's temporary, but it may well be?

24 A. Current market prices are below some of
25 the SSO rates for certain customers. Obviously, load

1 factor plays a huge role in whether that's true or
2 not.

3 Q. Okay. And we don't know how long that
4 will last to the extent it is true today, correct?

5 A. We don't know for a certainty what the
6 future might hold. We know that many are predicting
7 a long run of low energy prices as a result of a
8 number of factors including all the shale gas, but
9 no, we don't know for certain.

10 Q. Okay. Now, these auctions that you're
11 talking about, page 6, is it fair to say that in the
12 competitive bidding format that you're referring to
13 here, that the PJM energy market price, as well as
14 the PJM RPM capacity price, are both significant
15 factors in developing the resulting auction clearing
16 price?

17 A. Yes. I mean, under the two auction
18 constructs mentioned there for FirstEnergy and for
19 Duke, capacity was priced at the RPM rate. So it
20 was, you know, in essence, it was a known factor that
21 was going to be included in the bids because you know
22 the price three years out. And the competition,
23 then, was on the energy component.

24 Q. So are you familiar with the recent
25 auction results for the '15-'16 planning year, the

1 base residual auction?

2 A. Yes, generally familiar with that.

3 Q. Okay. And you're familiar with the ATSI
4 clearing price for the ATSI zone of \$357 per
5 megawatt-day?

6 A. Yes, I'm familiar with that result.

7 Q. Okay. So when we get to an auction for
8 the '15-'16 period for FirstEnergy, that \$357 rate is
9 a component in that clearing price. As it relates to
10 capacity pricing, would you expect that result to be
11 different than in the current situation with AEP Ohio
12 where we're proposing a \$355 per megawatt-day rate --

13 MR. DARR: Objection, your Honor.

14 Q. -- for capacity?

15 MR. LANG: Objection. Relevance and it
16 assumes facts not in evidence. Recognizing the
17 clearing price -- he's stating the clearing price,
18 but he's mischaracterizing the price that would be in
19 that auction.

20 MR. NOURSE: Well, your Honor, I think
21 the witness is familiar with how things work and we
22 just laid that foundation. I think the relevance
23 certainly is that he's talking about the benefits of
24 FirstEnergy's auction, and we've already talked about
25 how the two relate, so.

1 EXAMINER TAUBER: The objection is
2 overruled.

3 A. Again, when I talk about FirstEnergy's
4 auctions here, I think I responded in my prior
5 answer, the known capacity rate really isn't a factor
6 in the competitiveness of the auction, because,
7 again, that capacity price is known three years in
8 advance.

9 So when you're going out to procure the
10 energy through these auctions, you know, depending on
11 how far in advance you do that, some, you know, you
12 do -- at least historically there have been ladder
13 procurements done over time, you know. That's one
14 component of what would be in the overall retail
15 price that would be assessed on SSO customers.

16 And so, again, it's a factor that goes
17 into the ultimate price, but the auction itself that
18 I'm talking about here is the energy auction. I'm
19 not talking here about PJM's capacity auction.

20 Q. Well, the benefits you just mentioned,
21 wouldn't they be the same if the Commission
22 established a \$355 per megawatt-day rate for AEP Ohio
23 that applied through the end of May 2015?

24 A. Again, the benefits I'm talking here
25 really aren't referencing capacity auctions that I'm

1 referring to in this portion of the testimony. So I
2 guess the answer to your question, would the results
3 still lead to reduced generation rates, I don't know.

4 Q. Well, since you said that, let's clarify
5 it a little bit, because I thought we talked about,
6 before, that the PJM energy market price and the PJM
7 RPM capacity price were both significant factors that
8 drove the auction clearing price for these auctions
9 you're talking about. Didn't we agree to that
10 earlier?

11 A. We agreed that the auction clearing
12 prices for energy and capacity, that the applicable
13 RPM rate for capacity is part of the overall energy
14 price. And the energy price is then determined
15 either -- I guess in these, it was a descending-clock
16 auction that resulted in the overall price, yes.

17 Q. Okay. Now, further down on page 6, lines
18 13 through 15, you're talking about a "timely and
19 efficient transition." Do you see that?

20 A. Yes.

21 Q. In your mind, what are the elements of
22 the components of such a "timely and efficient
23 transition"?

24 A. The elements of that are that transition
25 that gets the AEP Ohio service territory into a fully

1 competitive marketplace as soon as reasonably
2 possible. That transition, obviously, has taken a
3 lot longer than I think many had envisioned when SB 3
4 was enacted and even when -- so, you know, we have
5 consistently advocated for and recognized that the
6 company needs to have some kind of transition.

7 What the company has proposed is a
8 three-year transition. We'd like to see something a
9 little bit sooner as outlined in my testimony.

10 We don't seek to harm the company
11 financially. We recognize that there needs to be
12 some transition depending on how certain key
13 components here are addressed, including the
14 applicable capacity charge and whether a retail
15 stability rider or RSR is needed.

16 We've advocated something shorter than
17 the three years the company has proposed because, in
18 order to be efficient to make that transition, we
19 think we need to, you know, balance those needs of
20 AEP with the needs of customers and businesses who
21 are looking for competitive solutions to their energy
22 needs.

23 Q. Okay. Now, you talk a fair amount in
24 your testimony about the prior stipulation, the
25 September 7th, 2011, stipulation, the prior phase of

1 this proceeding, so I'd like to ask you some
2 questions about that.

3 Now, on page 6, in line 17, you say the
4 stipulation "struck a reasonable balance...." Now,
5 in -- well, you go on to say "...a reasonable balance
6 of many diverse interests and benefited Ohio
7 electricity" consumers -- "customers." Do you see
8 that?

9 A. Yes.

10 Q. Okay. Now, in your mind, and based on
11 your recollection, what commitments did AEP Ohio
12 undertake as part of that balance that you think were
13 the key components?

14 A. From our perspective, it was a commitment
15 to join the PJM base residual auction for capacity,
16 it was to implement competitive wholesale procurement
17 to meet the SSO needs of its customers like the other
18 Ohio EDCs, it was a commitment to make certain
19 enhancements to the competitive retail market, and
20 moved us on a path towards a fully-competitive
21 marketplace. And that's why we significantly
22 compromised other positions and felt that the
23 stipulation was a reasonable compromise.

24 Q. Okay. Now, understanding your testimony
25 today, and you're not -- this is not a ringing

1 endorsement of our filings, so I understand all the
2 details here. But setting that aside, would you
3 agree that the components that you just listed as
4 being key commitments by AEP Ohio, relative to the
5 stipulation, are all present in the company's filing
6 in the modified ESP?

7 A. In the modified ESP, the company has
8 committed to competitive wholesale procurement, has
9 committed to certain retail market enhancements, and
10 has proposed a form of a two-tiered capacity
11 construct in this proceeding; while, at the same
12 time, obviously, litigating a higher capacity charge
13 in the other 2929 proceeding.

14 We think those basic tenets are part of
15 the modified ESP. And, as the testimony outlines, we
16 think there can be some refinements to those tenets
17 and still strike that balance that we'd like to see
18 of a timely and efficient transition, and mechanisms
19 that will enhance the competitiveness both at retail
20 and wholesale.

21 Q. Okay. And just because you listed it in
22 your first answer and didn't list it here I don't
23 believe, I want to clarify. Number one on your list
24 before was the election for RPM, correct?

25 A. Correct.

1 Q. Okay. And the reason that's not on the
2 table, so to speak, or at issue in this case is
3 because AEP Ohio already has committed and gone down
4 that path to full participation in the RPM market
5 starting in mid-2015, correct?

6 A. That's correct.

7 Q. Okay. But that was an important
8 component of what Exelon wanted to see happen
9 throughout this case, correct?

10 A. Yes; that was an important component and
11 we applaud the company for doing that.

12 Q. Could you turn to page 7. At line 6, you
13 say that -- you're characterizing the proposed ESP,
14 in part, as a "step backwards" in line 6. Do you see
15 that?

16 A. Yes.

17 Q. And just to try to clarify that, are you
18 saying a step backwards from -- from what? From the
19 stipulation agreement or something else?

20 A. Yes, to some degree, as outlined in the
21 testimony, it is a step backward from the stipulation
22 and has some vestiges that would not -- that would
23 not expedite the transition to fully competitive
24 markets.

25 Q. Okay. And on line 20, page 7, you talk

1 about an unnecessary delay in the use of the
2 competitive bid auction process. Do you see that?

3 A. Yes.

4 Q. Is it unnecessary because Ohio law
5 requires an auction-based SSO sooner than what
6 AEP Ohio is proposing, to your understanding?

7 A. If your question is, is this provision in
8 my testimony opining on what the law directs, you
9 know, no, it's not. The testimony there refers to
10 what we believe is an unnecessary delay when the
11 company, who has the ability to propose one, to begin
12 these types of procurements from what they're
13 scheduled in the modified ESP.

14 Q. Okay. But just to be clear, and, again,
15 I'm not trying to ask you a legal question or a legal
16 conclusion, but based on your understanding is there
17 a regulatory requirement in Ohio, or a statutory
18 requirement in Ohio, that an SSO be based on a
19 competitive bidding process?

20 A. In the context of an ESP, I believe the
21 answer to your question is no. I believe in the
22 context of an MRO, by definition, it would be
23 required.

24 Q. And what's your understanding, under the
25 MRO option, of how long it takes to get to a full

1 competitive bidding process SSO?

2 A. Well, the statute has provisions that
3 talk about a so-called "blending requirement" that
4 would apply to Duke, Dayton Power & Light, and AEP.
5 I believe there's some difference of opinion on what
6 that means, on how soon that can occur for those
7 three EDCs. I know that was an issue before the
8 case -- before the Commission in some other case on
9 whether that requires five years or something
10 shorter.

11 Q. Okay. And the "other case" you're
12 referring to is the Duke Energy Ohio case?

13 A. That's correct.

14 Q. What's your recollection of how that
15 turned out?

16 A. My recollection is that the Commission,
17 in that proceeding, offered an opinion that it would
18 require a five-year blending period if Duke utilized
19 an MRO.

20 Q. Now, with respect to AEP Ohio, is it your
21 understanding that the company's proposal to get to a
22 competitive auction-based SSO in three years or less,
23 is that faster than the MRO option permits; to your
24 understanding?

25 A. If you agree with the premise it takes

1 five years, then yes.

2 Q. Okay. Well, that's your understanding,
3 correct?

4 A. That's my understanding.

5 Q. Okay. Turn to page 9 of your testimony.
6 Well, you get into this later, but, in the middle of
7 page 9, you're also talking about the recommendation
8 that you discussed earlier during your examination
9 about the RSR being bypassable.

10 A. Yes.

11 Q. Okay. Now here on page 9, you cite the
12 Duke Energy Ohio construct that the Commission
13 adopted recently in support of a "transitory
14 mechanism," I think is the phrase you used.

15 A. Yes.

16 Q. Okay. And you're citing that in support
17 of the notion that an RSR would be okay or
18 permissible, in your understanding, but you believe
19 it should be bypassable, correct?

20 A. Yes. The testimony there explains, you
21 know, there's a big "if" in there, it's if the
22 Commission determines that under this two-tiered
23 capacity model, as proposed, that the company needed
24 some additional cost recovery, that a bypassable
25 RSR-type mechanism could be a transitory mechanism.

1 Q. Okay. And in that context you refer to
2 the provisions in the Duke Energy Ohio Commission
3 order as adopting a similar construct; is that
4 accurate?

5 A. It adopted a similar construct of an
6 RSR-type mechanism, but, of course, the main
7 difference there was that, in that matter, all
8 customers or CRES providers were assessed the RPM
9 capacity price as opposed to the two-tiered
10 structure.

11 Q. Now, earlier you have some questions
12 about the, I guess the customer impact, potential
13 customer impact of your recommendation for RSR
14 bypassability. Do you recall that?

15 A. Yes.

16 Q. And I guess I also want to talk about the
17 impact on AEP Ohio under that approach. Do you
18 believe that if the RSR were bypassable, that
19 AEP Ohio would, in reality, collect the revenue that
20 would be contemplated as part of the RSR proposal?
21 If you understand my question; if not, I can try
22 again.

23 A. Yeah, if you could try again.

24 Q. Okay. You understand, I believe, that
25 the company proposed the RSR as a measure of revenue

1 decoupling, correct?

2 A. Yeah, decoupling or a lost-revenue-type
3 approach, yes.

4 Q. So that an adjusted level of -- based on
5 2011, there's an adjusted level of revenue,
6 approximately 929 million, that would be collected
7 under the rider, correct?

8 A. Correct.

9 Q. And so your main modification to that,
10 given the qualifications you stated a couple minutes
11 ago, is bypassability, correct?

12 A. Correct.

13 Q. So my question is: Do you think, under a
14 bypassable RSR, that the company would actually end
15 up collecting the 929 million that the charge was
16 designed to collect?

17 A. I believe that the company would have the
18 ability to recover whatever revenues they believe
19 would be lost. And if those projections were somehow
20 in error, I would assume the company would seek to
21 modify that tariff mechanism to allow them to adjust
22 the manner in which those revenues would be
23 collected.

24 Q. Okay. But it's not just an error.
25 Wouldn't it also be if shopping levels increased or

1 increased above the assumed level as well? Correct?

2 A. Correct.

3 Q. Okay. So the more shopping there would
4 be, then the more revenue responsibility would be
5 placed upon nonshopping customers, correct?

6 A. Correct.

7 Q. And the more that happened, the more
8 likely those remaining customers would be to shop,
9 correct?

10 A. I'm sorry.

11 Q. The more that happened, in other words,
12 increased revenue responsibility, then the more
13 likely it is that the nonshopping customers would go
14 ahead and shop, correct?

15 A. Again, you know, all else being equal,
16 looking at the RSR charge, you know, on its own, you
17 could make that assumption.

18 Q. And I think, in utility regulatory
19 parlance, that kind of situation is known as a "death
20 spiral" in rates. Have you heard that term?

21 A. I have heard that term.

22 Q. Okay. Do you think it would apply here
23 in this context?

24 A. You know, that term is used a lot. It's
25 hard to say whether it would apply here. But I think

1 the way the regulatory process works is such that if
2 any utility was put into that sort of predicament,
3 that we would see some regulatory reaction to that
4 modification to the tariff, other filing, other
5 relief sought.

6 I don't think anyone seeks to see a
7 financially-harmed AEP Ohio, and that if we were in
8 that type of situation, that the company, the
9 Commission, and other stakeholders would have to come
10 back to the Commission and try to address that if we
11 were in such a dire predicament where the company was
12 in a so-called "death spiral."

13 Q. Okay. I appreciate you saying that. I'm
14 not sure who all would agree with you. But, in any
15 event, Mr. Fein, you go on to recommend, on page 9,
16 you're summarizing your recommendation as it relates
17 to the competitive bidding process rules and
18 parameters.

19 A. Yes.

20 Q. And is it your understanding that the
21 company proposes to address those CBP issues in a
22 separate docket?

23 A. Yes, I'm aware that's the company's
24 recommendation.

25 Q. And do you think there would be a benefit

1 to having a focused discussion and a dedicated
2 proceeding that would enable a robust stakeholder
3 discussion in developing -- attempting to develop a
4 consensus when dealing with those issues?

5 A. My recommendation on that topic is one,
6 you know, if the Commission is not inclined to
7 address those particular matters in this proceeding,
8 then the Commission should give some very specific
9 directions on what they want to see in this
10 subsequent, you know, undetermined, not well-defined
11 proceeding or stakeholder process of some very
12 particular things the Commission wants to see come
13 out of that. And, thus, our testimony lists a number
14 of those factors, factors that we believe are
15 important to a properly-structured competitive
16 bidding process.

17 Q. Okay. And is it fair to summarize, I
18 believe you're referring to your testimony at pages
19 25 to 27 in that regard, in a nutshell, are you
20 recommending that the established or the process
21 that's been used with FirstEnergy and Duke be adopted
22 for AEP Ohio, or are you recommending additional
23 changes or improvements to that existing process?

24 A. Largely, what I'm recommending is
25 adoption of those procedures and processes. And

1 that's why at the outset of that section of my
2 testimony, why we opine that it's -- that developing
3 and deciding some of these details now would help
4 expedite the company's transition to full
5 competition.

6 And, you know, it's not just the CBP
7 process improvements that I talk about, but it's a
8 variety of aspects of that process that are outlined,
9 including the master supply agreement, including the
10 type of data and information that flows to potential
11 bidders and then winning suppliers, and a variety of
12 other matters that's discussed in this part of my
13 testimony.

14 Q. Okay. Let's shift gears. I want to talk
15 about your recommendations for -- relating to the
16 capacity rate, Section II of your testimony, starting
17 at page 10. Are you there?

18 A. Yes.

19 Q. Okay. Let me ask you some general
20 questions as well. Now, would you agree -- first of
21 all, you understand that AEP Ohio is under the FRR
22 plan until mid-2015, correct?

23 A. Correct.

24 Q. And, as an FRR entity, do you agree that
25 AEP Ohio has opted out of the RPM capacity market for

1 that period of time?

2 A. That's correct.

3 Q. And because the company self-supplies
4 capacity and provides its own capacity resources to
5 meet the connected load, which includes shopping and
6 nonshopping load in its service territory, AEP Ohio
7 avoids purchasing or paying for capacity through the
8 RPM market, correct?

9 A. Yes, the company does not participate in
10 the base residual auction.

11 Q. And do you agree that one of the options
12 under the FRR is to establish a cost-based capacity
13 charge?

14 A. That is an option available.

15 Q. Okay. Would you agree that the capacity
16 rate should not be confiscatory, in other words,
17 charging a rate where AEP Ohio incurs costs that are
18 not being reimbursed?

19 A. Is your question as it relates to the
20 status as an FRR?

21 Q. Yes, the status as an FRR and for the
22 period leading up to mid-2015.

23 MR. STAHL: Let me object. I'm not sure
24 at this point what the question is that Mr. Fein is
25 being asked. Can I ask that that be clarified?

1 MR. NOURSE: I can rephrase.

2 EXAMINER TAUBER: Thank you.

3 Q. During the period we were discussing,
4 leading up to 2015, Mr. Fein, do you agree that the
5 capacity rate that AEP Ohio collects from CRES
6 providers for shopping load in its service territory
7 should not be confiscatory? And I'm defining
8 "confiscatory" as AEP Ohio incurring costs that are
9 not reimbursed through the rate.

10 MR. STAHL: I'm going to object to that
11 question to the extent that it includes a definition
12 of "confiscatory" or it includes the concept
13 "confiscatory," which is also used in regulatory
14 parlance, but doesn't mean the utility is not being
15 reimbursed all of its costs. That is not necessarily
16 a generally accepted definition of "confiscatory."

17 So if he wants to ask the question if AEP
18 should not be required to charge a capacity rate
19 which results in AEP not being compensated for all of
20 its costs, I wouldn't have an objection to that
21 question. But introducing this notion of
22 "confiscatory," even though it's defined, I think is
23 a little misleading and unfair.

24 MR. NOURSE: Well, your Honor, I don't
25 think we've sworn Mr. Stahl in today, but I think

1 that was a bit of testimony there.

2 I asked him a question and I defined the
3 term, so I think it's an easy question to answer.

4 EXAMINER TAUBER: And I'll allow the
5 question.

6 A. No.

7 Q. Now I have to read the question again.
8 Thanks for the concise answer, though.

9 Okay. So I asked you if it should not be
10 confiscatory, and you said "no." Is that what you --

11 A. That's what I intended.

12 Q. All right.

13 MR. STAHL: "Confiscatory" as so defined
14 in the question.

15 THE WITNESS: Yes.

16 MR. NOURSE: Correct.

17 Q. Okay. So you do think it's okay or
18 acceptable to establish a charge for this period
19 that's below AEP Ohio's cost.

20 A. I believe that, as we outline in the
21 testimony here and in the 2929 case, that there are a
22 number of opportunities to the company that were
23 available to meet this capacity obligation, and the
24 company has a right to meet that obligation
25 underneath the terms of the reliability assurance

1 agreement. They have certain options available to
2 them, I think there's some evidence in the record
3 there might have been some lower-cost options
4 available to them.

5 But as far as charging a rate that is
6 something different than their costs, those costs
7 are, you know, determined by the company. I think
8 we've been pretty clear in our testimony that if the
9 company believes that it would otherwise not recover
10 its costs and would be financially harmed, then this
11 RSR mechanism might be a way to address that issue.

12 Q. Okay. And my question about below-cost
13 rates was a follow-up to the question when I asked
14 you, and I believe you agreed, that under the FRR it
15 is an option for the company to establish a
16 cost-based charge, correct?

17 A. I believe that's an option available to
18 them.

19 Q. So your testimony is that it's an option
20 to establish a cost-based charge, but it's not an
21 option to approve the cost-based charge?

22 A. I'm sorry, I missed the latter part of
23 your question.

24 Q. I'm trying to fit together the two
25 statements you made here. So you're saying it is an

1 option to establish a cost-based charge, but you're
2 saying it's okay for the Commission to reject the
3 cost-based charge. There's no constraint to
4 establish a cost-based charge; is that what you're
5 saying?

6 MR. STAHL: I'm going to object because I
7 think we are wandering into a legal interpretation of
8 what the PJM tariff provides for. I don't
9 necessarily have a problem with that by itself, if
10 Mr. Nourse can show Mr. Fein the tariff which does
11 allow a FRR entity to propose a cost-based charge,
12 but we don't have that in front of the witness right
13 now.

14 MR. NOURSE: Yeah, again, your Honor, you
15 know, I asked the witness previously if he agreed,
16 and he freely agreed, as he did in a prior case
17 recently. So, you know, Mr. Stahl wants to jump in
18 and help out, but I'm just asking the witness to
19 explain the last two statements he made and how they
20 fit together.

21 EXAMINER TAUBER: And I'll allow it.

22 A. Could I ask you to read back the question
23 or I thought you asked it -- a different question
24 this last question.

25 Q. Okay. So, Mr. Fein, you agreed that

1 establishing a cost-based rate is an option for
2 AEP Ohio under the FRR, correct?

3 A. Correct.

4 Q. And when I asked you whether it's
5 acceptable to establish a below-cost rate, you said
6 it was acceptable, correct?

7 A. Yes. The Commission has the ability to
8 set the capacity rate at something other than what
9 AEP claims is its cost, yes.

10 Q. So even though AEP has bypassed the RPM
11 market, as we discussed earlier, even though AEP has
12 the option of establishing a cost-based rate, to your
13 understanding of the FRR, unless, it's your
14 testimony, that the rate does not need to cover the
15 company's costs, correct?

16 A. That's correct.

17 Q. Now, is the capacity charge that's levied
18 on CRES providers, is that a wholesale rate?

19 A. Yes.

20 Q. To your understanding, is there a
21 provision in Ohio law or regulations that requires
22 that capacity charges be established based on the
23 reliability pricing mechanism?

24 A. There's no Ohio legal requirement of that
25 nature.

1 Q. Now, if AEP Ohio is collecting from its
2 nonshopping customers a capacity charge at the level
3 of \$355 per megawatt-day, would that demonstration be
4 a reason to support the proposed cost-based charge of
5 AEP Ohio for \$355 per megawatt-day?

6 A. I'm sorry, I'm not following the
7 question.

8 Q. Okay. Are you aware of company testimony
9 supporting the conclusion that the nonshopping SSO
10 rate collects capacity costs at a level of \$355 per
11 megawatt-day?

12 MR. DARR: Objection, your Honor.
13 Misstates the testimony of the company.

14 EXAMINER TAUBER: Objection is overruled.

15 A. Sitting here today, I don't have the --
16 if you can show me the specific testimony maybe that
17 you're referring to, it's been a little while since I
18 reviewed all the company testimony --

19 Q. Okay.

20 A. -- in this proceeding.

21 Q. That's fine. So you don't recall any
22 testimony about that?

23 A. No; I recall some testimony, but you
24 referenced specific testimony that stated that
25 there's some embedded cost-based capacity charge of

1 \$355 being assessed on nonshoppers, if I understood
2 your question.

3 Q. Okay. Let me do it this way: What I'm
4 talking about is the nonfuel-based generation rate
5 and the company's testimony that as part of that
6 charge, that the company is collecting and recovering
7 capacity costs roughly equivalent to \$355 per
8 megawatt-day. So if you don't -- if you don't recall
9 that testimony, that's fine. I'm going to ask you to
10 accept that, okay?

11 A. Okay.

12 Q. You don't have to agree with it, but
13 accept that that's been supported. So assuming that
14 is supported and is accurate, is that a valid or
15 reasonable basis, in your mind, to support charging a
16 similar level of \$355 per megawatt-day to CRES
17 providers?

18 A. I'm only pausing because I'm trying to
19 remember your specific question. Is it "valid" and
20 "reasonable," I think were the words you used, to
21 charge CRES providers basically the same capacity
22 charge that nonshoppers are being paid -- are being
23 charged. Your question essentially is should
24 shoppers and nonshoppers pay the same capacity --
25 effective capacity charge.

1 Q. You can answer that question.

2 A. Right?

3 Q. Yes.

4 A. I think that, you know, in a perfect
5 world, we'd like to see comparability in rates.
6 Customers shop because they want to achieve some of
7 the benefits of that. I think that the nature of the
8 ESP ratemaking underneath Ohio rules, you do have
9 sort of a "black box" sort of ratemaking. It's not
10 cost-based; it's something other than that.

11 So I think it's difficult to, you know,
12 compare the two necessarily, but the concept of
13 comparability in rates or capacity charges is
14 something that we understand the company's position.
15 We think there's a better way, a better way for
16 customers to assess that as a transitory mechanism,
17 but, in general, we like to see comparability between
18 the -- those types of charges.

19 Q. Okay. And comparability would help
20 promote fair competition and avoid cross-subsidies;
21 would you agree with that?

22 MR. STAHL: Object to what is implicit in
23 the phrase "fair competition." I don't know what
24 Mr. Nourse has in mind by "fair competition" as
25 opposed to efficient competition or some other

1 economic concept of competition.

2 MR. NOURSE: Your Honor, I'm just using
3 plain English. I think the witness is capable of
4 explaining.

5 EXAMINER TAUBER: The objection is
6 overruled.

7 THE WITNESS: Could I trouble you to read
8 back the question? I'm sorry.

9 (Record read.)

10 A. I don't know necessarily that it helps
11 promote competition. What we're talking about here
12 is sort of an administratively-determined number
13 that's going to go into a component of pricing that
14 could otherwise be established through open and
15 transparent competitive processes, which sort of goes
16 at the heart of my testimony. This is something --

17 Q. Okay. Fair enough. Now, there's been
18 some discussion, Mr. Fein, in this case, about
19 regulatory history in Ohio. And I know you've been
20 around the Ohio regulatory scene for a few years,
21 correct?

22 A. It seems a lot longer.

23 Q. Now, to your understanding and
24 recollection, I believe we touched on this earlier --

25 A. I thought you turned off my mic.

1 Q. My remote control is not working today.

2 Okay. So, Mr. Fein, I believe we touched
3 on this earlier, but as we went into -- as we
4 finished the Senate Bill 3 market development period
5 and entered into the post-market development period,
6 in other words, what we now all know as the "RSP
7 period" -- are you with me so far?

8 A. Yes.

9 Q. -- was it your understanding that market
10 rates were higher than standard service offer rates?
11 And I'll focus that on AEP Ohio for this discussion.

12 A. And just for clarity, the years in
13 question you're talking about, roughly?

14 Q. Let's start with 2006 through 2008.

15 A. During that period of time, market rates
16 were generally higher than AEP Ohio's SSO rates.

17 Q. And, in your opinion, was AEP Ohio
18 permitted to go to market rates during that time
19 period as originally envisioned under Senate Bill 3?

20 A. No. I mean, I believe they were under
21 the law, but I believe the nature of the RSPs
22 administered by the Commission sort of prevented that
23 from occurring.

24 Q. Okay. Now, in your testimony on page 10,
25 lines 11 through 13, now, you're discussing the

1 company's proposed two-tiered capacity discounted
2 rate as part of the modified ESP, correct?

3 A. Correct.

4 Q. And you're stating that the fact that the
5 company proposed that two-tiered discounted capacity
6 rate, "demonstrates that Ohio Power is willing to
7 accept a price for capacity...other than what it
8 calculated to be its fully embedded cost or \$355 per
9 megawatt-day." Do you see that?

10 A. Yes.

11 Q. Okay. Now, you acknowledge, do you not,
12 that the two-tiered discounted capacity charge
13 proposal was not made in a vacuum, rather, it was
14 made as part of a package?

15 A. Yes, I understand that.

16 Q. Okay. Now, you make a -- you have that
17 statement at -- excuse me. There's a footnote
18 attached to that statement, footnote 5, you talk
19 about how -- you talk about retarding retail
20 competition, you talk about the charge being contrary
21 to state policy in your opinion. Do you see that
22 footnote?

23 A. I do.

24 Q. So how does -- I'm not sure I understand
25 the connection between that footnote and the

1 statement about your belief that AEP Ohio's willing
2 to accept a below-cost rate. Can you explain that?

3 A. Can I explain the footnote reference as
4 it relates to -- well, I guess the footnote cites
5 both my testimony and the testimony of FirstEnergy
6 Solutions' Witness Lesser in the 2929 case that talks
7 about the effects of a \$355 per megawatt-day capacity
8 price on both retail competition and other state
9 policies that are cited there or, I should say,
10 quoted there.

11 Q. Okay. So, again, to be clear, this is
12 really just a separate point in the footnote. It's
13 not additional evidence supporting your claim that
14 AEP's willing to accept a below-cost rate, is it?

15 A. The footnote there, itself, does not
16 demonstrate that. But the modified ESP that we're
17 here talking about obviously does with the two-tiered
18 mechanism that's in the preceding sentence.

19 Q. Okay. But with that as one component of
20 a package proposal, is it your understanding that if
21 there are modifications made to that or other parts
22 of the proposal, that the Commission -- excuse me,
23 the company may withdraw from the plan?

24 A. I understand from the modified petition
25 that the company indicated this is an integrated

1 package and that if any one piece was not approved,
2 that the company may exercise a right or option that
3 they have to withdraw the filing.

4 Q. Okay. Now, on page 12 of your testimony,
5 you're getting into some details about how you
6 recommend capacity be provided for shopping
7 customers. Now, can you explain for me what are all
8 the ways that you're proposing to modify the
9 company's two-tiered capacity proposal?

10 A. All the ways that we're proposing to
11 modify it?

12 Q. Yeah.

13 A. Well, you know, we offer, obviously, our
14 preferred outcome in reference to the testimony in
15 10-2929 case, so, of course, that would be different
16 than what the company's proposed in this case.

17 And as outlined here in the testimony,
18 you know, we talk about supporting the two-tiered
19 structure with a modification, one, that the
20 definition of those customers who are tier 1 be
21 modified from what is proposed by the company; two,
22 we shorten the timeframe by which the two tiers would
23 be in effect, and that's essentially the two changes
24 to the two-tier capacity construct.

25 Q. Okay. Is there an impact on aggregation,

1 governmental aggregation features of the company's
2 proposal that are covered in your testimony?

3 A. No, we don't address governmental
4 aggregation.

5 Q. And with respect to -- one aspect of your
6 change is "grandfathering." Do you know what I'm
7 speaking of when I use that term?

8 A. Yeah, I guess that's one way to refer to
9 it, "grandfathering." We described it differently.
10 And that is essentially protecting and preserving the
11 decisions, elections by customers to select
12 competitive retail electric service under the
13 capacity construct as they understood it as had been
14 previously adopted by the Commission under the
15 stipulation.

16 Q. So the stipulation contained a measure of
17 grandfathering as part of that --

18 A. Yes.

19 Q. -- capacity pricing resolution?

20 A. Correct.

21 Q. And are you recommending that the same
22 grandfathering treatment, as approved by the
23 Commission, be adopted, or are you recommending
24 something that goes beyond what the Commission
25 approved in connection with the stipulation?

1 A. What we recommended here is that for the
2 period between June 1, 2012, and May 31, 2014, that
3 customers who had shopped in good faith on that
4 stipulation would get the benefit of their bargain,
5 essentially, that they would maintain that access to
6 the market-based capacity that would be the PJM
7 price.

8 Q. Okay. But my question is: Does that
9 recommendation encompass the same customer group or a
10 more expansive customer group than the grandfathering
11 provision approved by the Commission in connection
12 with the stipulation?

13 A. If my recollection serves me, there was
14 some considerable post-hearing litigation or
15 uncertainty on that issue on what that tier was maybe
16 defined as. So whether it is consistent with what
17 the Commission ordered or not, in that order prior to
18 the Commission rejecting the stipulation, that's our
19 recommendation in this case.

20 Q. Okay. So down on page 12, I think you
21 were just referring to some of the language in your
22 recommendation on page 12, and down on line 19 and 20
23 you talk about the customers that entered into
24 contracts for competitive retail supply. Do you see
25 that?

1 A. Yes.

2 Q. So those are the customers you want to
3 grandfather.

4 A. Correct.

5 Q. So, to clarify, are you talking about
6 CRES contracts that were dated after December 14th,
7 2011, and prior to February 23rd, 2012?

8 A. Correct.

9 Q. Okay. Now, under the two-tiered capacity
10 pricing, was it your understanding that every
11 customer that was signing a contract during that
12 period would have rightfully expected to get tier 1
13 pricing?

14 A. Every customer signing a contract between
15 the -- what are the two dates you outlined? Between
16 December and March, right?

17 Q. Yeah. During the period the stipulation
18 was in effect.

19 A. During that period of time -- I'm sorry,
20 so your question was should they have -- did that
21 mean they had a right to the tier 1 capacity? Was
22 that your question?

23 Q. Under the stipulation, yeah, in order to
24 grandfather them here or now.

25 A. Under the stipulation, I don't believe

1 they necessarily had that right, unless they were
2 within the percentage threshold limitation for tier
3 1.

4 Q. Okay. And tier 1 filled up for certain
5 classes prior to the stipulation even being approved;
6 is that your recollection?

7 A. My recollection is, yes, that came to
8 light in discovery. Yes.

9 Q. Okay. Now, one of your recommendations
10 is to shorten the timeframe for tier 2, correct?

11 A. Yes.

12 Q. And with respect to part of your
13 rationale, I guess, or reasoning supporting that, is
14 tied in with the January 1st, 2014, corporate
15 separation target date?

16 A. That's correct.

17 Q. Okay. And would you agree that while
18 that's the target date, corporate separation may or
19 may not be completed by that date?

20 A. It's certainly possible, yes.

21 Q. Okay. It's possible that it may not be
22 completed by that date; is that what you're saying?

23 A. Yeah. The company's testimony is that --
24 in this case, was that they believe they can achieve
25 it by then. Of course, there's no certainty of that,

1 but it was the company's testimony that they believe
2 they'd be able to achieve that by January 1, 2014.

3 Q. And that date being achieved is not
4 something that's entirely within the company's
5 control; would you agree?

6 A. Maybe not entirely, but they're a big
7 stakeholder in that process.

8 Q. Okay. You address in your testimony an
9 offer for capacity made from Exelon to AEP Ohio, and
10 I believe that's pages 17 through 19, in there. Do
11 you see that?

12 A. Yes.

13 Q. Okay. I want to ask you some questions
14 about that and I don't -- part of your testimony is
15 redacted from the public version and contains
16 confidential material that I believe is mutually
17 confidential between Exelon and AEP Ohio, so I'm not
18 asking you to disclose any of that in my questions,
19 okay?

20 A. Okay.

21 Q. So do you agree that AEP Ohio is
22 obligated to provide standard service offer service
23 at the rate proposed upon acceptance of the ESP for
24 the entire term of the ESP?

25 A. I'm sorry. I wasn't following the

1 question.

2 Q. All right. Is it your understanding
3 that, let's take this case as an example, we've got a
4 three-year period for the proposed term of the ESP,
5 correct?

6 A. Correct.

7 Q. Okay. And by offering a price, in this
8 case non-base fuel generation, a fixed price for the
9 entire term of the ESP, would you agree that on day
10 one AEP Ohio is obligated to provide SSO service at
11 the proposed rates for the entire term of the
12 agreement?

13 A. Yes. You know, subject to whatever rider
14 or other rate adjustment options that they have.

15 Q. Okay. And that obligation to provide SSO
16 service at the pre-established rates applies
17 regardless of how many customers shop and/or return
18 to SSO service during the full ESP term, correct?

19 A. That was a long question, I'm trying to
20 repeat it in my head.

21 Q. Okay.

22 A. And I'm hesitating only because I agree
23 with you that the SSO rate may or may not remain
24 constant over the life of the SSO, so that's why I'm
25 struggling. I guess I -- the example I would give is

1 the current ESP that's now in overtime where the
2 Commission phased in certain rates. So the rate
3 wasn't the same for nonshopping customers over the
4 life of the SSO; it changed over predetermined
5 amounts.

6 Q. Okay.

7 A. And that was, if I recall, a fuel
8 adjustment mechanism.

9 Q. And my question is not focused on whether
10 the rate is frozen or not. I'm sorry if I confused
11 you on that. I'm simply asking that once the SSO is
12 approved for a term, in this case three years,
13 according to the terms and conditions that have been
14 approved in the ESP, the company, AEP Ohio, is
15 obligated to provide SSO service at those rates,
16 terms, and conditions the entire term of the plan,
17 regardless of how many customers leave SSO service or
18 how many customers return to SSO service during the
19 entire period.

20 A. I agree with that.

21 Q. Agreed? Okay.

22 And that same principle holds true, as
23 well, in addition to being independent of shopping
24 levels, it's also the case, is it not, that the SSO
25 rates that are approved apply during the whole term

1 regardless of whether additional environmental
2 requirements would be imposed during that period or
3 other regulatory costs may be imposed during that
4 period, correct?

5 A. I believe that is largely correct. I'm
6 only hesitating because I am not as familiar with all
7 the various riders the company has, and I do not know
8 if there is a rider that is still proposed in this
9 case that would provide the company with flexibility
10 to collect any of those costs that you mentioned,
11 whether it be for environmental or, I can't remember
12 the other example you gave.

13 Q. Okay. But assuming there's no
14 environmental rider in this case, my statement holds,
15 correct?

16 A. I believe that's some of the nature of
17 the regulatory structure, that any costs you incur
18 during a period of time, you know, may not be
19 recoverable, if you will, if they weren't included in
20 the approved rates.

21 Q. So there's a quantity risk and there's
22 environmental risk, for two examples, in providing an
23 SSO rate for three years, correct?

24 A. Potentially.

25 Q. Okay. Now, with respect to the Exelon

1 offer discussed in your testimony, do you know or are
2 you aware of other offers AEP Ohio may have received
3 during the same time period?

4 A. I don't recall, sitting here, if there
5 were other offers AEP received or what the nature of
6 those might have been.

7 Q. And you don't know whether or how many
8 extended other such offers, correct?

9 A. I don't recall whether there were others
10 or the number of any such offers that AEP might have
11 received.

12 Q. And you don't know the terms and
13 conditions of any such offers, correct?

14 A. Correct.

15 Q. Okay. Now, you mentioned that, and you
16 had a question earlier from OCC counsel about your
17 statement and testimony that Ohio Power, to your
18 knowledge, never advised the Commission of this
19 offer.

20 A. Correct.

21 Q. Do you recall that?

22 A. Yes, I do recall that.

23 Q. Now, is there any -- first of all, is
24 there any obligation that you know of that AEP Ohio
25 would have to do so?

1 A. I'm not aware of a specific regulatory or
2 administrative rule-type requirement, no.

3 Q. And do you see another reason to do so,
4 in your mind?

5 A. Well, I do. The nature of this
6 proceeding and its prior incarnations, there
7 certainly, I believe, were opportunities for that
8 dialogue and understanding of how the market operates
9 and what options there might have been to otherwise
10 meet the company's capacity obligations.

11 Q. Okay. In your view, would such a
12 disclosure have violated the confidentiality
13 associated with that offer?

14 A. Well, two things: One, I don't have the
15 four corners of the confidentiality provisions they
16 offer in front of me, but, as you know, the
17 Commission is a very different animal than most other
18 participants before the Commission, and the
19 Commission routinely is in the possession of
20 confidential, commercially-sensitive information
21 about parties that they have regulatory authority
22 over, among other things, and have an obligation to
23 hold things of that type in confidences.

24 Furthermore, I would imagine, like most
25 confidentiality provisions, both parties, you know,

1 have some rights or obligations or ways to deal with
2 that. So I don't think necessarily it's an
3 impediment, I guess is my answer to your question.

4 Q. But you don't know if the confidentiality
5 provisions may have prohibited disclosure?

6 A. I don't believe that it was
7 necessarily -- would prohibit disclosure of certain
8 aspects that would be short of sharing confidential
9 information about price or term. I think the mere
10 existence of offers and the nature of those, without
11 giving specifics, could have been the type of
12 information that might otherwise have been -- could
13 have been shared.

14 Q. Did Exelon share or disclose the offer
15 with the PUCO staff?

16 A. No. Not to the best of my knowledge.

17 Q. Okay. Now, Exelon operates as a
18 regulated utility in other jurisdictions, right?

19 A. Exelon does not, but subsidiaries that it
20 owns, I guess three regulated utilities.

21 Q. And I was, yeah, referring to the "Big
22 E," I guess, okay?

23 A. The last time someone referred to a "Big
24 E," it was one that was tilted that's no longer with
25 us.

1 Q. That's right. That's right. And don't
2 refer to us as the "Big A."

3 Okay. So, Mr. Fein, in those regulatory
4 jurisdictions, are the Exelon utilities in the habit
5 of sharing offers they rejected with the regulators?

6 A. I'm not really in a position to know. My
7 job focuses on our competitive business interests,
8 not on the utility side of the business, so I really,
9 I can't answer that.

10 Q. So you're not aware of any instance where
11 that happened?

12 A. I'm not.

13 Q. Okay. Now, you are familiar with CRES
14 activities and the business environment in Ohio,
15 correct?

16 A. Yes.

17 Q. Okay.

18 A. Generally.

19 Q. So if a CRES provider had signed a
20 contract with a customer for a certain rate over a
21 certain period of time, and you've got that position
22 covered -- do you know what I mean when I say that?

23 A. The "position" meaning the price?

24 Q. Yes. You've got the transaction. It's
25 not an open or exposed transaction, it's covered.

1 A. Uh-huh.

2 Q. Okay.

3 A. Yes.

4 Q. Now, would the CRES provider go out and
5 look for better deals in order to displace that
6 contract and help get the customer a lower rate at
7 that point?

8 A. It's certainly one thing that CRES
9 providers can do, sure.

10 Q. And would a CRES provider do that even if
11 it harmed the CRES itself financially?

12 A. I'm not aware of too many companies that
13 would want to harm themselves financially.

14 Q. Okay. Now, is it your contention that
15 AEP Ohio, after getting its ESP I plan approved in
16 2009, that it was supposed to go out during the ESP
17 term and find cheaper capacity resources to displace
18 the generation resources that were already dedicated
19 to serve the SSO load?

20 A. I am not aware that the Commission's
21 order directed them to do so at that time.

22 Q. Now, do you understand that an FRR entity
23 is limited in its participation in the RPM market?

24 A. Do I understand that an FRR entity is
25 limited in its participation; is that your question?

1 Q. Yeah, are you aware?

2 A. What do you mean by that?

3 Q. Pardon me?

4 A. I said, "What do you mean by that?"

5 Q. Can an FRR entity fully participate in
6 the FRR market or are there limitations to that
7 participation?

8 A. I believe there are some limitations on
9 that, but I don't profess to be an expert on what the
10 specifics are of that, and I certainly don't have the
11 RPM rules here in front of me.

12 Q. Okay. So at the bottom of page 16, in
13 lines 22 and 23, the statement about your opinion
14 that nothing prevents Ohio Power from procuring some
15 of its capacity from others in the market. Do you
16 see that?

17 A. Yes.

18 Q. Is that referring to bilateral contracts
19 or the RPM market?

20 A. That is referring to -- that sentence
21 there is referring to the bilateral market.

22 Q. Now, do you agree that there would be a
23 financial cost to AEP Ohio if it went out and
24 displaced capacity it had already dedicated to serve
25 SSO load by making additional purchases?

1 A. Assuming that the company was unable to
2 otherwise sell that capacity elsewhere or to meet
3 other needs or to sell to other market participants,
4 there may or may not be some impact to the company.

5 Q. Okay. Well, to avoid a financial cost,
6 wouldn't the company not only have to sell it, but
7 sell it at a rate that was equal to or greater than
8 the rate it was collecting under the SSO rates?

9 A. Yes; but the company does have the
10 ability, as I understand it, to make off-system
11 sales, thereby giving it an opportunity to sell that
12 capacity in other places.

13 Q. Well, again, what I'm asking you is not
14 just a matter of selling it, it's a matter of at what
15 price, correct?

16 A. Yeah. That's correct.

17 Q. And the price that the displaced capacity
18 was sold at would, itself, determine whether there's
19 a financial impact, correct?

20 A. Correct.

21 Q. And the baseline for that would be the
22 SSO rates that would be -- collect absent such
23 displacement, correct?

24 A. Correct.

25 Q. Okay. Now, you understand that AEP Ohio

1 is a member of the AEP interconnection agreement and
2 also referred to as the "generation pool" or the
3 "pool"?

4 A. Yes, I'm familiar with that.

5 Q. And do you understand, during this period
6 of time that you're referring to the Exelon offer,
7 that the pool was long on capacity and energy? Would
8 you agree with that?

9 A. That's my understanding.

10 Q. During the ESP I term, what is your
11 understanding of how a purchased power agreement
12 would flow through SSO rates?

13 A. It's my understanding that those rates or
14 charges would somehow flow through the fuel
15 adjustment clause.

16 Q. Okay. And if those kinds of purchases
17 flow through the FAC, are those subject to a prudence
18 audit?

19 A. I believe so.

20 Q. So such a purchase would be scrutinized
21 by the auditor in the FAC proceeding, correct?

22 A. That's correct.

23 Q. Okay. On page 19, in lines 3 and 4, you
24 state that there's -- "...no process existed to
25 ensure the most economic capacity decision for

1 customers." Do you see that?

2 A. Yes.

3 Q. What customers are you referring to here?
4 Is this retail nonshopping customers of AEP Ohio?

5 A. It's really referencing all customers.

6 Q. So who, in addition to retail nonshopping
7 customers of AEP Ohio, are you referring to?

8 A. By definition, the other group of
9 customers would be shopping customers.

10 Q. And, by that answer, you're saying that
11 the company should have lowered its cost of capacity
12 in order to provide that capacity to CRES providers
13 for shopping load; is that what you're saying?

14 A. What we're saying in this section is that
15 there were lower-cost capacity options available to
16 the company. As a result of the failure to avail
17 itself of those lower-priced capacity resources, it
18 was an uneconomic-capacity decision that affected its
19 customers.

20 Q. Again, you just said "customers" again.
21 Are you talking about CRES suppliers or AEP Ohio
22 nonshopping retail customers?

23 A. Well, it depends. If there were
24 lower-priced capacity options available, we might be
25 seeing the company proposing something different in

1 this case. The point is that there were lower-cost
2 capacity resources available. So if the company had
3 availed themselves of that, might that have led to
4 lower-priced options for consumers who took the
5 opportunity to shop? Yes. I guess that's the point.

6 Q. Okay.

7 A. But I --

8 Q. I'm sorry, go ahead.

9 A. Let customers make economic decisions
10 based upon what's in their best interest, if, as a
11 result of the company purchases or procuring
12 lower-cost capacity, that could have been a benefit
13 for customers who wanted to shop. I guess that's our
14 point.

15 Q. Okay. So if, Mr. Fein, if you purchase
16 something that you don't need, does your cost of
17 supplying service go up or go down?

18 A. If you purchase something you don't need
19 and are unable to sell it at a price that compensates
20 for any difference, it may have -- it may result in
21 some increased cost.

22 Q. Okay. And, to your understanding, let's
23 just say AEP had accepted Exelon's offer, would that
24 have reduced prices for nonshopping SSO customers
25 under the ESP I plan?

1 A. It might have over time. If they didn't
2 shop, since it's an embedded rate, it would not have
3 had an impact on the nonshoppers at that time because
4 they pay a static rate, as we discussed, during the
5 term of the SSO.

6 Q. Correct. And would the CRES provider
7 rate that's paid for capacity during the ESP I
8 period, have gone down if AEP Ohio had accepted
9 Exelon's offer?

10 A. It could have led to a different
11 capacity. I guess the point is if the offer had been
12 accepted, we could be talking about a different
13 capacity construct for this transition period. Okay,
14 it was forward, the term being discussed was over the
15 term of what we're talking about here today, the
16 appropriate construct for a three-year ESP.

17 Q. Mr. Fein, are you aware of what other
18 members of the AEP East generation pool pay for
19 capacity?

20 A. Not sitting here, no, I'm not.

21 Q. Do you know if it's higher or lower than
22 the proposed \$355 rate?

23 A. I don't know sitting here.

24 Q. Okay.

25 MR. NOURSE: Thank you, Mr. Fein.

1 That's all the questions I have, your
2 Honor.

3 EXAMINER TAUBER: Thank you.

4 Mr. Beeler?

5 MR. BEELER: No questions, your Honor.
6 Thank you.

7 EXAMINER TAUBER: Mr. Stahl, redirect?

8 MR. STAHL: May we take a short recess
9 your Honor? If anything, it will be very little.

10 EXAMINER TAUBER: Sure. Let's take ten
11 minutes. Let's go off the record.

12 MR. STAHL: Thank you.

13 (Recess taken.)

14 EXAMINER TAUBER: Let's go back on the
15 record.

16 Mr. Stahl?

17 MR. STAHL: Yes, your Honors. We have no
18 redirect.

19 EXAMINER TAUBER: Thank you.

20 You may be excused, Mr. Fein.

21 THE WITNESS: Thank you.

22 EXAMINER TAUBER: Thank you.

23 MR. STAHL: At this time we would move
24 the admission into evidence of Exelon Exhibits 101
25 and 101-A, 101-A being the confidential version,

1 subject to all of the provisions applicable thereto.

2 EXAMINER TAUBER: Are there any
3 objections to Exelon Exhibits 101 and 101-A?

4 MR. NOURSE: No, your Honor. But I'd
5 just clarify that the company would support 101-A
6 being admitted under seal.

7 EXAMINER TAUBER: I believe we already
8 sealed portions of it with a protective order, but we
9 will note that for the record as well.

10 MR. NOURSE: Thank you.

11 EXAMINER TAUBER: And we'll admit both
12 exhibits.

13 (EXHIBITS ADMITTED INTO EVIDENCE.)

14 EXAMINER TAUBER: Ms. McAlister.

15 MS. McALISTER: Thank you, your Honor.
16 The OMA Energy Group calls Mr. Forshey from AMG
17 Vanadium.

18 (Witness sworn.)

19 EXAMINER TAUBER: Thank you.

20 - - -

21 ED FORSHEY

22 being first duly sworn, as prescribed by law, was
23 examined and testified as follows:

24 DIRECT EXAMINATION

25

1 By Ms. McAlister:

2 Q. Mr. Forshey, could you please state your
3 name and address for the record.

4 A. Ed Forshey. Business address, 60790
5 Southgate Road, Cambridge, Ohio.

6 Q. And by whom are you employed?

7 A. Employed by AMG Vanadium as Director of
8 Energy and Asset Management.

9 Q. And on whose behalf are you providing
10 testimony today?

11 A. On behalf of the OMA Energy Group.

12 Q. And was the testimony that was filed on
13 May 4th, 2012, in this proceeding prepared by you or
14 at your direction?

15 A. Yes, it was.

16 MS. McALISTER: Your Honor, at this time
17 I would like to have marked as OMA Energy Group
18 Exhibit 101-A, the public version of Mr. Forshey's
19 prefiled direct testimony, and OMA Energy Group
20 Exhibit 101-B, the confidential version.

21 EXAMINER TAUBER: It shall be so marked.

22 (EXHIBITS MARKED FOR IDENTIFICATION.)

23 Q. Mr. Forshey, do you have a copy of what's
24 been marked OMA Energy Group Exhibit 101-A and B with
25 you today?

1 A. I do.

2 Q. Do you have any additions or corrections
3 to make to those exhibits?

4 A. No, I do not.

5 Q. And if I were to ask you the same
6 questions today as what are in those exhibits, would
7 your answers be the same?

8 A. Yes, they would.

9 Q. And they're true and correct to the best
10 of your knowledge and belief?

11 A. Yes.

12 MS. McALISTER: Your Honor, at this time
13 I would move for the admission of OMA Energy Group
14 Exhibits 101-A and B, subject to cross-examination,
15 and Mr. Forshey is available for cross-examination.

16 EXAMINER TAUBER: Thank you.

17 Ms. Kaleps-Clark?

18 MS. KALEPS-CLARK: No questions, your
19 Honor. Thank you.

20 EXAMINER TAUBER: Mr. Barnowski?

21 MR. BARNOWSKI: No questions, your Honor.

22 EXAMINER TAUBER: Ms. Kyler?

23 MS. KYLER: No questions, your Honor.

24 EXAMINER TAUBER: Mr. Sineneng?

25 MR. SINENENG: No questions, your Honor.

1 EXAMINER TAUBER: Mr. Darr?

2 MR. DARR: No questions.

3 EXAMINER TAUBER: Mr. Lang?

4 MR. LANG: No questions.

5 EXAMINER TAUBER: Mr. Etter, Mr. Serio?

6 MR. SERIO: Thank you, your Honor. Just
7 a couple questions.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Serio:

11 Q. Good morning, Mr. Forshey.

12 A. Good morning.

13 Q. Is it your understanding that the RSR
14 charge is designed by the company to recover the
15 costs associated with generation costs stranded
16 because of customers shopping?

17 A. Yes.

18 Q. And, in your testimony, you indicate that
19 it would be very difficult for your company to pass
20 along any additional costs to your customers,
21 correct?

22 A. That is correct.

23 Q. Now, to the extent that you were not able
24 to absorb the costs of any increase and you did have
25 to pass those costs along, who are your end-use

1 customers?

2 A. My end-use customers is the steel
3 industry.

4 Q. And then, in turn, the steel industry,
5 products that they manufacture end up being purchased
6 by residential customers, correct?

7 A. Correct.

8 MR. SERIO: That's all I have, your
9 Honor. Thank you.

10 EXAMINER TAUBER: Thank you.

11 Ms. Moore?

12 MS. MOORE: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Ms. Moore:

16 Q. Hello, Mr. Forshey. How are you?

17 A. I'm fine. Good morning. We dance again,
18 right?

19 Q. We do.

20 Now, Mr. Forshey, in your testimony, you
21 referred to AEP Ohio's capacity pricing proposal in
22 this case as being above market.

23 A. Yes.

24 Q. What is your understanding of the market
25 rate for capacity?

1 A. My understanding, when I say the "market
2 rate," is the PJM market.

3 Q. And is this the RPM rate?

4 A. Yes.

5 Q. Can you explain to me your understanding
6 of the RPM rate?

7 A. The RPM rate is an auction rate.

8 Q. And it's set by a yearly auction,
9 correct?

10 A. Correct.

11 Q. And are you aware that the RPM price is
12 set on a three-year forward basis?

13 A. Yes, I am.

14 Q. Do you know whether the RPM market is an
15 open market that anyone can participate in?

16 A. To my knowledge, it is.

17 Q. So it's your understanding that any
18 company that wanted to could participate in the
19 yearly auction for capacity?

20 A. I'm not aware of any restrictions.

21 Q. Do you know whether there are any limits
22 on the amount of capacity certain entities are
23 permitted to bid into the base residual auction?

24 A. No, I do not.

25 Q. And are you familiar with the FRR option

1 in PJM?

2 A. Yes, somewhat.

3 Q. Can you explain your understanding of the
4 FRR option?

5 A. My understanding there is -- it's an
6 option that the utility chooses -- has chose in terms
7 of rates.

8 Q. And when you say the "utility," do you
9 mean AEP Ohio?

10 A. AEP Ohio, yes.

11 Q. Ohio Power Company.

12 And, as an FRR entity, do you know
13 whether AEP Ohio is permitted to bid its capacity
14 into the base residual auction?

15 A. I'm not sure of the legal grounds whether
16 they can or cannot. I know they have not.

17 Q. Thank you.

18 Now, on page 4 of your testimony, on
19 lines 3 through 5, you state that no one knows the
20 price for June 1st, 2015, and beyond for the PJM
21 capacity price -- PJM RPM capacity price.

22 A. Yes.

23 Q. Is this still your understanding, sir?

24 A. Yes.

25 Q. So it's your understanding that the RPM

1 price for the June 2015 through May 2016 delivery
2 year is still not known?

3 A. I'm not aware of it.

4 Q. And also on page 4, at lines 8 through
5 11, you state that the difference between the PJM RPM
6 price and the AEP Ohio capacity charge will be passed
7 on to your company if it shops, correct?

8 A. That is correct, yes.

9 Q. What is the basis for this opinion?

10 A. Even though I have not shopped yet, I
11 have been talking with some competitors on rates, and
12 I specifically asked would that be passed on, and in
13 each of those cases they said it would be. It's not
14 a cost that they would absorb.

15 Q. When you say that you've been talking
16 with some competitors on rates, do you mean some of
17 AMG Vanadium's competitors?

18 A. No; utilities.

19 Q. So you've been speaking with competitive
20 retail electric service providers or CRES providers?

21 A. Correct.

22 Q. Okay. And so the CRES providers with
23 which you've spoken have stated affirmatively that
24 they would pass on any increase in their cost of
25 capacity to AMG Vanadium were AMG Vanadium to take

1 electric service from them?

2 A. That is true.

3 Q. And has AMG Vanadium received offers from
4 any CRES provider? And I just want a "yes" or "no"
5 answer here.

6 A. Yes.

7 Q. But AMG Vanadium has not yet accepted any
8 offers?

9 A. We have not.

10 Q. Also, on page 4, you have a table that
11 shows the difference between the RPM price and
12 \$355 per megawatt-day, and the difference between RPM
13 and \$255 per megawatt-day, and the difference between
14 RPM and \$146 per megawatt-day. Do you see that?

15 A. Yes.

16 Q. And those numbers are calculated over the
17 term of the proposed ESP, correct?

18 A. That's correct.

19 Q. Can you explain how these numbers were
20 calculated?

21 A. We took the peak load number which is
22 determined by AEP, trued them up for PJM pricing, and
23 compared each of those to the market and the three
24 options, the 355, the 255 and 146.

25 Q. So it's accurate if I characterize what

1 you just said as saying that you took the peak load
2 number, trued it up for PJM pricing, and compared it
3 to the RPM price --

4 A. Correct.

5 Q. For the next three years?

6 A. Yes. Correct.

7 Q. And did this calculation assume that
8 100 percent of an increase in a CRES provider's cost
9 of capacity would be passed through to AMG Vanadium?

10 A. Yes, it did.

11 Q. And you stated earlier that AMG Vanadium
12 is not currently shopping. So is it fair to say that
13 you do not know for sure whether such increases would
14 actually, in fact, be passed on to AMG Vanadium?

15 A. I do not.

16 Q. Have you or has anyone from AMG Vanadium
17 calculated the difference between the amount that
18 your company presently pays for electric service and
19 the amount that it would pay for capacity at any of
20 the three prices that you have listed in your
21 testimony in the table on page 4?

22 A. Would you mind restating that question?

23 Q. Sure. I'll break it down.

24 A. Okay.

25 Q. Have you or has anyone from your company

1 calculated the difference between the amount that AMG
2 Vanadium presently pays for capacity, I'm sorry,
3 presently pays for electric service and what it would
4 pay if capacity was priced at \$355 a megawatt-day?

5 A. Yes.

6 Q. Have you done that calculation?

7 A. Yes.

8 Q. Is that calculation reflected in your
9 testimony?

10 A. Yes.

11 Q. Can you point me to where that's
12 reflected?

13 A. I stand corrected. That number is not in
14 this testimony.

15 Q. But you have --

16 A. What's in the testimony is comparing to
17 the market, the PJM market, not to the number that
18 I'm currently paying.

19 Q. Okay. But you said that you have done
20 that calculation?

21 A. I have looked at that, yes.

22 Q. Do you recall what that amount of
23 difference would be?

24 MS. McALISTER: Could I have a
25 clarification? Are we talking about total billed

1 price compared to what AMG currently pays now with --
2 compared to the total energy price replacing only the
3 capacity cost?

4 MS. MOORE: Yes.

5 A. I would prefer to give a percentage
6 rather than an actual dollar amount.

7 Q. Okay.

8 A. Roughly 15 to 16 percent.

9 Q. More or less?

10 A. More.

11 Q. Have you performed a similar calculation
12 comparing what the company presently pays with the
13 \$255 per megawatt-day number?

14 A. Yes, I have.

15 Q. Do you recall a percentage for that one?

16 A. That was roughly 10 percent.

17 Q. More or less?

18 A. More.

19 Q. And have you performed a similar
20 calculation with assuming the \$146 per megawatt-day
21 number?

22 A. I did not.

23 Q. You did not?

24 A. No.

25 Q. In your understanding, under what

1 circumstances would a CRES provider be required to
2 pay \$355 per megawatt-day under the company's current
3 ESP proposal?

4 A. If I were -- if I gave notice and were to
5 shop and contract with a CRES supplier, they would
6 have to pay that capacity charge --

7 Q. You agree that --

8 A. -- or pass it on to me.

9 Q. You agree that in this case AEP Ohio, has
10 proposed a two-tier capacity pricing structure?

11 A. Yes.

12 Q. Okay. And the two tiers, what are those
13 two tiers?

14 A. The 146 and the 255.

15 Q. So under what circumstances would a CRES
16 provider, under AEP Ohio's ESP proposal, be required
17 to pay \$355 per megawatt-day for capacity?

18 A. My understanding is that that is
19 another -- that is a cost proposal option that AEP
20 has put out.

21 Q. Okay. Are you referring to AEP Ohio's
22 alternative proposal?

23 A. Yes.

24 Q. Are you aware that under that proposal,
25 retail customers would also receive an energy credit?

1 A. Yes.

2 Q. And what's your understanding of what the
3 impact of that energy credit would be on a retail
4 customer's bill?

5 A. Well, it would be a credit to the bill.
6 I'm not sure how much it would offset.

7 Q. Have you assessed the impact of the
8 alternative proposal on your company?

9 A. Yes.

10 Q. And what assessment have you made?

11 A. I haven't -- I guess I have not made a
12 decision.

13 Q. Fair to say you haven't formed an opinion
14 with respect to the alternative proposal?

15 A. That's correct.

16 Q. Okay. And have you quantified the dollar
17 impact of the alternative proposal?

18 A. Not totally.

19 Q. I want to talk now about the RSR, retail
20 stability rider.

21 A. Okay.

22 Q. What is your understanding of what that
23 rider would do?

24 A. My understanding is it's designed to
25 ensure AEP Ohio has an equity return of at least

1 10.5 percent.

2 Q. And are you aware of what some of the
3 benefits of the RSR would be?

4 A. To me?

5 Q. Are you aware of --

6 A. Are there benefits to me of the RSR? Is
7 that the question?

8 Q. Yes.

9 A. I'm not sure I know what the benefits
10 are. It's an additional cost.

11 Q. Okay. Would you agree that bill
12 transparency would be a benefit to your company?

13 A. I guess in my opinion, you know, I've got
14 bill transparency now.

15 Q. Okay. But would you agree that bill
16 transparency is a benefit to your company as a
17 general matter?

18 A. Well, as a general matter, any invoice I
19 get, you know, I expect to have the detail of what
20 I'm being charged for.

21 Q. So, yes, bill transparency --

22 A. Yes, it is.

23 Q. -- is a benefit?

24 Do you consider, as a general matter,
25 rate stability to be a benefit in electric prices?

1 A. Again, I understand where it's a benefit
2 to AEP Ohio. I'm not sure what benefit it is to me
3 personally as a company. It's a cost that I have to
4 pay over and above.

5 Q. I'm speaking as a general matter, if your
6 rates -- if your company's rates were more stable and
7 stable over a longer period of time, would that be a
8 benefit to your company?

9 A. Absolutely.

10 Q. Okay. Do you have an opinion as to what
11 the average return on equity is or should be for an
12 electric utility?

13 A. No, I do not. I have an idea of what it
14 is for my company and so forth, but I'm not going to
15 render an opinion what it should be for the utility.

16 Q. Fair enough.

17 Now, I believe you state in your
18 testimony that it's your understanding that the RSR
19 is designed to make AEP Ohio whole; is that correct?

20 A. Correct.

21 Q. Did you review AEP Ohio Witness Allen's
22 prefiled testimony in this case, either before the
23 hearing today or while preparing your prefiled
24 testimony?

25 A. No, I did not.

1 Q. Are you aware that the RSR would actually
2 only recover a portion of the generation resources --
3 generation revenues that AEP Ohio would forego as a
4 result of offering a number of features of the
5 proposed ESP?

6 A. No, I wasn't.

7 Q. On page 8, line 3, you state that the RSR
8 "would not be part of the price to compare." Do you
9 see that? Actually, the sentence begins on page 8,
10 line 1.

11 A. Okay. Yes.

12 Q. What do you mean by that statement?

13 A. Again, when I compare pricing, I compare
14 pricing to what I believe the market is, what a
15 competitive supplier would supply power or generation
16 to my operation.

17 Q. Could you give me an explanation of your
18 understanding of the term "price to compare" as
19 you're using it in this sentence?

20 A. "Price to compare," in my opinion, is to
21 compare different providers.

22 Q. If you could turn with me to page 5 of
23 your testimony, on lines 9 through 12, you describe
24 the impact of AEP Ohio's RSR on AMG Vanadium,
25 correct?

1 A. Yes.

2 Q. And without getting into the actual
3 numbers or dollar amounts that were calculated and
4 which are confidential and have been redacted in the
5 public version of your testimony, can you talk to me
6 and explain how those numbers were calculated? Just
7 explain the process that you --

8 A. It's just a matter of taking the rate,
9 the RSR rate, and applying it to the number of
10 kilowatts used by the company.

11 Q. Mr. Forshey, do you agree that AEP Ohio
12 should be fairly compensated for the capacity that it
13 supplies to CRES providers?

14 A. Yes, I would agree.

15 Q. And also, on page 5, from lines 13 to 16,
16 you calculate the combined impact of AEP Ohio's
17 capacity pricing proposal in the RSR. To calculate
18 those three numbers which, again, are also
19 confidential in the public version of your testimony,
20 did you just add the three numbers that you
21 calculated on page 4 in the table to the number that
22 you calculated for the RSR?

23 A. Yes. That is correct.

24 Q. Thank you.

25 And on page 6 of your testimony, at lines

1 8 and 9, you state that -- actually, I'm sorry, lines
2 5 through 9, you state that there are no practical
3 ways to mitigate the increases from the RSR in the
4 proposed capacity price "as AEP Ohio's proposal
5 inhibits customers' ability to shop for alternative
6 suppliers and save money. It also holds customers
7 captive to higher rates and essentially serves as a
8 tax on shopping." Do you see those statements?

9 A. Yes, I do.

10 Q. And, again, this statement assumes that a
11 hundred percent of an increase in the CRES provider's
12 cost of capacity will be passed on.

13 A. Yes, it does.

14 Q. Does this also presume that CRES
15 providers do not possess any other sources of price
16 competitiveness or savings that they would make
17 available to retail customers?

18 A. I would not know that.

19 Q. But I'm asking does your -- the
20 conclusions that you reached here on page 6 assume
21 that there would be no other way that a CRES provider
22 could offer a rate lower than AEP Ohio's SSO rate,
23 other than through a lower --

24 A. Yes, it does.

25 Q. -- capacity cost?

1 A. Yes, it does.

2 Q. And could you explain what you mean when
3 you state that the proposal holds customers captive
4 to higher rates and serves as a tax on shopping?

5 A. It does not give me a means to go out and
6 contract for a lower market rate because,
7 essentially, the capacity charge negates any savings
8 that I might achieve.

9 Q. Can you explain how, in your view, the
10 proposed RSR holds customers captive to higher rates?

11 A. I'm speaking in terms of the total --
12 total package, the capacity plus the RSR.

13 Q. Okay. And can you explain how the total
14 proposed package is a charge -- I'm sorry, is a tax
15 on shopping?

16 A. Again, it's -- the bottom line to me as a
17 company, it's a mechanism that prevents me of going
18 to market and contracting for a lower rate. It's a
19 preventive measure.

20 Q. Just a couple more questions,
21 Mr. Forshey. I believe you stated, in response to a
22 question from Mr. Serio earlier, that your
23 understanding is that the RSR charge is designed to
24 recover the costs associated with generation costs
25 stranded because of customer shopping; is that

1 correct?

2 A. Yes.

3 Q. When you use the term "stranded costs,"
4 what do you mean by that term? Or, to put it
5 differently, you're not referring to "stranded costs"
6 in a -- like as they are defined in a regulatory or
7 legal sense, are you?

8 A. No, I am not.

9 Q. How are you using that term?

10 A. I mean, to me, the RSR protects AEP Ohio
11 from a loss of revenue due to customers shopping.

12 Q. And one last question for you. Would you
13 be willing, as a business, to allow a competitor to
14 use your facilities for a price less than your cost
15 to run those facilities?

16 A. As a general rule, no.

17 MS. MOORE: Thank you very much.

18 No further questions, your Honor.

19 EXAMINER TAUBER: Thank you.

20 Mr. Beeler?

21 MR. BEELER: No questions, your Honor.

22 Thank you.

23 EXAMINER TAUBER: Ms. McAlister,
24 redirect?

25 MS. McALISTER: I think we do. Actually,

1 your Honor, could I have just a moment?

2 EXAMINER TAUBER: Sure.

3 (Recess taken.)

4 EXAMINER TAUBER: Ms. McAlister?

5 MS. McALISTER: Thank you, your Honor.

6 Just a few questions on redirect.

7 - - -

8 REDIRECT EXAMINATION

9 By Ms. McAlister:

10 Q. Mr. Forshey, you were asked whether --
11 or, if you knew when the 355 per megawatt-day
12 capacity pricing would come into play under AEP's
13 proposed ESP plan. What's your understanding of when
14 that comes into play?

15 A. Well, the 355 is a cost proposal. It's
16 not clear where we're at currently in the ESP and
17 when that would actually come into play.

18 Q. Okay. You were also asked some questions
19 about the alternative proposal under AEP's ESP plan.
20 What's your understanding of when or whether the
21 alternative proposal comes into play?

22 A. Well, again, it's an option that I'm not
23 clear of when it comes into play.

24 Q. And you also were asked a question
25 generally about whether rate stability is a benefit.

1 Do you know whether AEP's ESP plan would provide rate
2 stability to your company specifically?

3 A. Well, I know that the rates will have the
4 potential of increasing or decreasing, so I'm not
5 sure that is rate stability if it's going to be
6 changing.

7 MS. McALISTER: No further questions,
8 your Honor.

9 EXAMINER TAUBER: Thank you.
10 Recross, Ms. Kaleps-Clark?

11 MS. KALEPS-CLARK: No questions, your
12 Honor. Thank you.

13 EXAMINER TAUBER: Mr. Stahl?

14 MR. STAHL: No questions.

15 EXAMINER TAUBER: Mr. Barnowski?

16 MR. BARNOWSKI: No questions.

17 EXAMINER TAUBER: Ms. Kyler?

18 MS. KYLER: No questions.

19 EXAMINER TAUBER: Mr. Sineneng?

20 MR. SINENENG: No questions.

21 EXAMINER TAUBER: Mr. Darr?

22 MR. DARR: No questions.

23 EXAMINER TAUBER: Mr. Lang?

24 MR. LANG: No questions. Thank you.

25 EXAMINER TAUBER: Mr. Serio?

1 MR. SERIO: No questions, your Honor.

2 EXAMINER TAUBER: Ms. Moore?

3 MS. MOORE: No questions. Thank you.

4 EXAMINER TAUBER: Mr. Beeler?

5 MR. BEELER: No questions.

6 EXAMINER TAUBER: Thank you. You may be
7 excused.

8 THE WITNESS: Thank you, your Honor.

9 MS. McALISTER: Your Honor, could I renew
10 my motion to have OMA Energy Group Exhibits 101-A and
11 101-B moved into evidence?

12 EXAMINER TAUBER: Any objections to
13 Exhibits 101-A and 101-B?

14 (No response.)

15 EXAMINER TAUBER: They shall be admitted
16 into the record.

17 (EXHIBITS ADMITTED INTO EVIDENCE.)

18 MS. McALISTER: Your Honor, at this time
19 OMA Energy Group would call Mr. Burke from OSCO.

20 (Witness sworn.)

21 EXAMINER TAUBER: Thank you.

22 - - -

23 JOHN BURKE

24 being first duly sworn, as prescribed by law, was
25 examined and testified as follows:

DIRECT EXAMINATION

By Ms. McAlister:

Q. Mr. Burke, could you please state your name and business address for the record.

A. Yes. My name is John Burke, and the business address is 11th and Chillicothe Streets, Portsmouth, Ohio.

Q. And by whom are you employed?

A. OSCO Industries.

Q. And on whose behalf are you providing testimony today?

A. The OMA.

Q. And was that testimony that was filed on May 4th, 2012, in this proceeding prepared by you or at your direction?

A. At my direction.

MS. McALISTER: Your Honor, at this time could I have marked as OMA Energy Group Exhibit 102-A, the public version of Mr. Burke's prefiled testimony, and 102-B, the confidential version?

EXAMINER TAUBER: They shall be so marked.

(EXHIBITS MARKED FOR IDENTIFICATION.)

Q. Mr. Burke, do you have a copy of what's just been marked as OMA Energy Group 101-A and B

1 before you today?

2 EXAMINER TAUBER: 102?

3 MS. McALISTER: I'm sorry, 102. Thank
4 you, your Honor.

5 A. I do.

6 Q. Do you have any corrections or additions?

7 A. Yes. I noticed on page 4, line 12, it
8 looks like a typo. I believe that should be "146 per
9 megawatt-day" where it reads "145."

10 Q. And, with that correction, if I were to
11 ask you the same questions as what are in those
12 exhibits, would your answers be the same?

13 A. Yes.

14 Q. And they're true and correct to the best
15 of your knowledge and belief?

16 A. Yes.

17 MS. McALISTER: Your Honor, at this time
18 I would move for the admission of OMA Energy Group
19 Exhibits 102-A and 102-B, subject to
20 cross-examination, and Mr. Burke is available for
21 cross.

22 EXAMINER TAUBER: Thank you.

23 Ms. Kaleps-Clark?

24 MS. KALEPS-CLARK: No questions, your
25 Honor. Thank you.

1 EXAMINER TAUBER: Mr. Stahl?

2 MR. STAHL: No questions. Thank you.

3 EXAMINER TAUBER: Mr. Barnowski?

4 MR. BARNOWSKI: No questions.

5 EXAMINER TAUBER: Ms. Kyler?

6 MS. KYLER: No questions.

7 EXAMINER TAUBER: Mr. Sineneng?

8 MR. SINENENG: No questions.

9 EXAMINER TAUBER: Mr. Darr?

10 MR. DARR: No questions.

11 EXAMINER TAUBER: Mr. Lang?

12 MR. LANG: No. Thank you.

13 EXAMINER TAUBER: Mr. Etter?

14 MR. ETTER: Yes. Just a few questions,
15 your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Etter:

19 Q. Good morning, Mr. Burke. My name is
20 Terry Etter, and I'm with the Office of the Ohio
21 Consumers' Counsel.

22 Just a preliminary question, I guess.
23 Your company is a manufacturing company?

24 A. Yes.

25 Q. What do you manufacture?

1 A. We make cast metal parts that go in a
2 variety of products.

3 Q. And are those products eventually
4 purchased by residential customers, or could they?

5 A. Both residential and commercial
6 customers.

7 Q. Okay. Thank you.

8 Now, on page 5 of your testimony, you
9 discuss the retail service rider, the RSR.

10 A. Yes.

11 Q. And is it your understanding that the RSR
12 represents the AEP's cost of generation that's
13 stranded due to customer shopping?

14 A. That's funny, because in previous
15 testimony I've heard that, but I don't know. My
16 perception is that that's just a cost that they've
17 introduced to -- as a transitional cost -- maybe
18 that's the wrong word because "transitional cost"
19 seems to be a key buzz word -- but an additional cost
20 to go from where they are to the market. So whether
21 it actually pays for generation, I don't really have
22 any idea.

23 Q. Thank you.

24 And there on page 5, lines 7 through 9 of
25 your testimony, you discuss the impact of the RSR on

1 your company. Now, I don't want to get into the
2 numbers because I know they're confidential, but
3 would your company be able to pass along those costs
4 to customers including residential customers?

5 A. You know, let me respond to that by
6 saying this: As a result of my testifying about a
7 month ago, I have certainly been stewing on this
8 issue and will make every effort to pass -- to create
9 a mechanism to pass these rate increases through
10 because we've had a, you know, an uninterrupted
11 series of increases in our bill.

12 Now, I can't get into the depth that gets
13 displayed here at this testimony at the PUCO of where
14 that exactly is in the bill, but our costs per
15 kilowatt, it seems to be continuously going up, in
16 spite of our best efforts to control it.

17 Q. And so residential customers would be
18 paying at least part of those increases, correct?

19 A. Certainly. I'm an AEP customer at my
20 home; an all-electric home as well.

21 MR. ETTER: That's all the questions I
22 have. Thank you.

23 EXAMINER TAUBER: Thank you.

24 Ms. Moore?

25 MS. MOORE: Thank you, your Honor.

1 - - -

2 CROSS-EXAMINATION

3 By Ms. Moore:

4 Q. Hi, Mr. Burke. How are you?

5 A. Good morning.

6 Q. There are a couple of places in your
7 testimony where you refer to "above-market capacity."
8 What is your -- when you're thinking of the market
9 rate for capacity, what is that rate that you're
10 thinking of?

11 A. Okay, as Mr. Forshey commented, that's,
12 you know, the PJM, and I forget the acronym, I think
13 it's RPM model that they utilize.

14 Q. Can you give me your understanding of how
15 the RPM --

16 A. I have a document provided by your
17 company to our company which apparently shows these
18 rates as, you know, they have transitioned between,
19 you know, 2007, and are projected out to 2014 and
20 '15. So that's probably the extent of my knowledge
21 of the capacity rates on the open market.

22 Q. Do you have any knowledge about how those
23 rates get set?

24 A. I have no idea how they get set. I'm
25 learning that it's apparently an auction, but what

1 the, you know, the requirements are to participate in
2 that, I have no idea.

3 Q. So you know that the rates are set in an
4 auction, but you don't really know anything else?

5 A. Right.

6 Q. You don't know how far in advance the
7 rates are set?

8 A. I'm told it's three years. I mean,
9 June 1st just went by, and I don't know what that
10 next number is out there, so I don't know if that
11 price has been decided or not.

12 Q. Are you familiar with the FRR option in
13 PJM?

14 A. I've heard about that, and I've read some
15 of your literature about the FRR.

16 Q. What's your understanding of what the FRR
17 option is?

18 A. Well, apparently, you could choose to go
19 either of two routes. And your company chose this
20 FRR option, which essentially commits, you know,
21 utilizing AEP's capacity to supply its customers.

22 Q. And do you know whether, as an FRR
23 entity, AEP Ohio is allowed to bid its capacity into
24 the auction that takes place every year to set the
25 RSR price?

1 A. I wouldn't really know that. I mean, I
2 would have to assume you do something with your extra
3 capacity; where you, you know, where you send it, I
4 would have no idea the mechanism to do that.

5 Q. And OSCO is shopping currently, right?

6 A. Yes.

7 Q. On page 4 of your testimony, at lines 13
8 and 14, you state that the difference between the PJM
9 RPM price and the AEP-Ohio capacity charge will be
10 passed on to OSCO, correct?

11 A. Yes.

12 Q. What's the basis for that opinion?

13 A. Okay. The, you know, my contract with my
14 CRES supplier provides them with the opportunity to
15 pass that charge on.

16 Q. So it provided your CRES provider with
17 the option under the contract?

18 A. Yes.

19 Q. Has your CRES provider informed you that
20 it intends to exercise that option?

21 A. I haven't found that out yet. In other
22 words, are you talking about the -- whatever the
23 moratorium on the capacity rate for the month of
24 June?

25 Q. No, what I'm asking is you just stated a

1 moment ago that your contract -- that OSCO's contract
2 with its CRES provider contains a provision that
3 would give the CRES provider an option to pass
4 through an increase in its cost of capacity to OSCO,
5 correct?

6 A. Correct.

7 Q. So what I'm asking is: Has your CRES
8 provider contacted OSCO and stated to OSCO that it
9 intends to pass through a hundred percent --

10 A. Okay, no, they have not. And I might add
11 we have not asked them that question, but I certainly
12 can do that.

13 Q. When did OSCO begin shopping for electric
14 service?

15 A. Let's see, I believe it was August of
16 2010.

17 Q. And have you had the same CRES
18 provider --

19 A. Yes.

20 Q. -- since August 2010?

21 A. Yes.

22 Q. Has your CRES provider passed through any
23 reductions in their price of capacity to OSCO during
24 that time?

25 A. Let's see. We, about two months ago, you

1 know, we signed an extension to the, it was a -- to
2 the original three-year agreement adding an
3 additional year on that agreement. And there was
4 some -- something happened, I'm not sure, I think
5 there was a slight, you know, maybe three-mil
6 reduction in the price or something that came along
7 with that extension.

8 Q. Do you know whether that reduction in the
9 price was based on a reduction in your CRES
10 provider's cost of capacity or whether --

11 A. I don't know that.

12 Q. Okay. Is it possible that that reduction
13 could have been like a loyalty reduction or some
14 other incentive to keep your business?

15 A. That would be wonderful. But I don't
16 really know that detail. It may be, you know, the
17 answer to that may be in your chart here as to why
18 the, you know, why that was reoffered at a slightly
19 lower rate without, you know, without any activity on
20 our part.

21 Q. But as you sit here today, you're not
22 sure why there was a reduction.

23 A. No. I mean, we did not solicit that. We
24 were approached with that offer.

25 Q. And, on page 4 of your testimony, you

1 have a table and it shows the difference between the
2 RPM price and the \$355 per megawatt-day price, the
3 \$255 per megawatt-day price, and the \$146 per
4 megawatt-day prices. Do you see that?

5 A. Sure.

6 Q. these numbers?

7 A. I did not do that personally.

8 Q. Can you say who calculated them?

9 A. The OMA calculated those based on our,
10 you know, peak load capacity times, the difference
11 between the proposals that AEP has, that's the, you
12 know, the 355, the 255, the 146 versus the, you know,
13 these auction rates that are on your chart are 16,
14 28, and 126.

15 Q. Were you present during -- while those
16 calculations were done?

17 A. No.

18 Q. Okay. And one of the numbers that you
19 include in this comparison is the \$355 per
20 megawatt-day number, correct?

21 A. Right.

22 Q. In your understanding, under what
23 circumstances would a CRES provider be required to
24 pay AEP Ohio \$355 per megawatt-day for its capacity?

25 A. If the PUCO approves that, then obviously

1 we'll have to pay that. Did I understand the
2 question? I know you have several proposals out
3 there. You have the, you know, the capacity proposal
4 that, you know, brought us up here about a month ago,
5 and now this is a, I think the terminology is the
6 "rate proposal" which includes a reiteration of the
7 355 number, so.

8 Q. And, in this case, AEP Ohio is proposing,
9 as one option, a two-tiered capacity price, and the
10 two different tiers would be priced at \$146 and
11 \$255 respectively per megawatt-day, correct?

12 A. Right.

13 Q. And then is it your understanding that
14 AEP Ohio also has an alternative proposal in this
15 case where the capacity price would be \$355 per
16 megawatt day and there would be an energy credit to
17 retail customers?

18 A. Well, let's see, the curve ball there --
19 I don't understand the "energy credit," exactly what
20 you're meaning there. You know, my focus has been on
21 the 355 number.

22 Q. So you were not aware of the proposed
23 alternative proposal with an energy credit before
24 today?

25 A. No. Is it substantial? Because the, as

1 you see, I have a very substantial number there at a
2 355 capacity rate.

3 Q. If you -- I believe you just testified
4 that you weren't aware of AEP Ohio's alternative
5 proposal in this case with respect to the capacity
6 charge until today. Can you explain why the
7 difference between RPM and the \$355 per megawatt-day
8 number was included in your testimony?

9 A. Sure. Well, 'cause that's your proposal.
10 I mean, you're the -- the proposal, as I understand
11 it, is a two-tier, it's either 355, and you're saying
12 there's some offset, which in my case was not
13 elaborated on, so I didn't -- you're saying that my
14 number that I express there is incorrect because
15 there would be some offset, okay. I don't know what
16 that offset is. And I don't know whether my CRES
17 supplier would give me that offset.

18 Q. Okay. Let's talk now about the retail
19 stability rider, the RSR. What is your understanding
20 of what the RSR is?

21 A. Let's see, my understanding is I don't
22 try to -- I have not tried to understand the
23 specifics of that RSR. I guess being that we've
24 already gone out and gone with our CRES supplier, I
25 simply view that as an additional charge, you know,

1 that AEP is attempting to levy here to, I guess as a
2 bridge between where we are or the claim is that
3 between where we are and before we get to market that
4 AEP needs additional money to be made whole somehow.
5 But I don't, you know, we don't understand the
6 deficiency.

7 Q. Can you explain how the RSR works? Or
8 what it is designed --

9 A. As I understand it, it's simply a rate,
10 like a rider, you know, X amount per kilowatt, times
11 whatever our kilowatt usage, and that kicks out an
12 amount of dollars that are added to our bill. It
13 would -- I guess it would appear on our bill
14 presumably as a rider.

15 Q. Do you know what it's designed to
16 collect?

17 A. Not really.

18 Q. Would you agree that there are benefits
19 to being able to shop for electric service as a
20 customer?

21 A. Well, I would have said that back in
22 2010, but I'm not convinced of that in 2012. Our
23 whole attempt was to get some stability, but that
24 doesn't seem to have occurred.

25 Q. So is your testimony that there are no

1 benefits to being able to shop for electric service
2 as a customer, a retail customer?

3 A. Let's see, are you -- I guess are you
4 asking about shopping or are you asking about what
5 happened? Again, your bill, there's a demand rate, a
6 kilowatt, and then there's a zillion riders, when you
7 net all that out, our bill has gone up.

8 Now, in this context here, you know, you
9 all often pick out a line item on that bill and do a
10 lot of introspection about that line item, so like
11 RSR would be embedded down in the riders. Well,
12 other things, mechanically, are all moving
13 simultaneously here to create the bottom line.

14 Q. Sure. And the question -- the reason
15 that I'm asking you the question specifically about
16 the RSR is because in your testimony you specifically
17 testify regarding the RSR, so I'm just --

18 A. Yes.

19 Q. -- trying to ask you questions about
20 what's in your testimony.

21 A. Yeah.

22 Q. Now, just as a general matter, do you
23 think that there is benefit in shopping, in being
24 able to shop for electric service?

25 A. In general --

1 MS. McALISTER: Objection.

2 A. -- yes.

3 MS. McALISTER: He answered the question,
4 your Honor.

5 A. Here, I can explain it to you this way:
6 Your ESP number I, what your company sought was, you
7 know, in successive years, 15 percent increases, year
8 over year.

9 Had your ESP II proposal been identical,
10 I don't know what would have happened to our company.
11 And, you're darn right, I'm worried about that.

12 So before that happened, before you made
13 your ESP proposal No. II, you know, we went out and
14 shopped. We were -- we're after that stability that
15 you're, you know, you're alluding to, but we haven't
16 found it.

17 Q. So, from that statement, you would agree,
18 though, that rate stability would be a benefit.

19 A. Rate stability would be a benefit.

20 Q. And I believe you stated this earlier and
21 you also included it in your direct testimony, but
22 it's your opinion that the RSR is designed to make
23 AEP Ohio whole, correct?

24 A. I think that's your position. I don't
25 believe that I state that.

1 Q. Could you turn with me to page 8 of your
2 testimony.

3 A. Sure. I mean, I can allude to the -- the
4 theory is by, like, for instance our company, by
5 going out and shopping, you know, that we
6 disadvantaged your model because we've left, you
7 know, the kilowatts we were buying aren't from your
8 plants, hypothetically here.

9 Q. Are you on page 8 of your testimony, sir?

10 A. Just a second. Okay.

11 Q. Do you see in the sentence, on lines 2
12 and 3, where you characterize the RSR as being used
13 "to make AEP-Ohio whole"?

14 MS. McALISTER: Could I have the
15 reference again?

16 MS. MOORE: Page 8, lines 3 and 4.

17 THE WITNESS: Oh, 3 and 4.

18 MS. MOORE: I apologize.

19 A. Okay. And could you please repeat the
20 question now that I'm reading that? Should I read
21 it? "Piling on RSR to shopping and non-shopping
22 customers to make AEP-Ohio whole for its fully loaded
23 capacity costs only serves to make all AEP-Ohio
24 customers worse off than its above-market capacity
25 pricing proposal alone."

1 Q. And my question was: Is it your
2 understanding of the RSR that it's designed to make
3 AEP Ohio whole?

4 A. Yes, for some -- for some costs.

5 Q. Okay.

6 A. And I don't know what, you know, what
7 that cost is, and I don't necessarily believe the
8 cost numbers AEP headlines with.

9 Q. Now, when you used the term "whole" in
10 this context, do you mean that, in your
11 understanding, the RSR is designed to allow AEP Ohio
12 to recover all of the lost generation revenues that
13 it is going to forego by offering discounted capacity
14 to CRES providers?

15 A. That's -- okay, that is your
16 characterization of what the RSR is, correct?

17 Q. No, I'm asking if that's what you mean.
18 I'm trying to understand --

19 A. Well, let me say it this way: I presume
20 that's what I mean.

21 Q. Okay.

22 A. I'm trying to find out what you're saying
23 the RSR is. If that's -- if you're saying that's
24 what it is, then I'll certainly back up.

25 Q. I'm asking for your understanding of --

1 A. Okay. As my first testimony was, I don't
2 truly understand that. I merely looked at that
3 straightforwardly as a cost that you're saying you
4 either need or do need as a result of this
5 transition. The exact genesis of that cost, I'm not
6 really sure I know what that is; if it's in your
7 generation capacity that you now can't sell, I don't
8 really know that.

9 Q. Are you aware that the RSR would recover
10 less than AEP Ohio's total lost revenue or foregone
11 revenue from offering a discounted price for
12 capacity?

13 A. No.

14 Q. Do you agree that AEP Ohio needs to be
15 fairly compensated for the capacity that it supplies
16 to CRES providers?

17 A. Sure.

18 Q. Did you, yourself, calculate the impact
19 of AEP Ohio's RSR on OSCO?

20 A. Yes. You mean the -- whatever kilowatt
21 times the rate?

22 Q. Yes. You performed that calculation?

23 A. Uh-huh.

24 Q. Okay. Did you calculate the combined
25 impact of the capacity pricing proposal and the RSR?

1 A. Well, as you're aware, I didn't do the
2 other, you know, the full calculation, but I can
3 certainly add those together to, you know, come up
4 with a number --

5 Q. Don't say -- the number's confidential,
6 so I just want to caution you not to say it.

7 A. Yes, the numbers that are over on page 5,
8 lines 12 through 14, are simply, you know, the RSR
9 rider added to the projected difference between
10 whatever the RPM and the capacity rates.

11 Q. Okay.

12 MS. MOORE: I have no further questions.
13 Thank you.

14 THE WITNESS: Thank you.

15 EXAMINER TAUBER: Mr. Beeler?

16 MR. BEELEER: No questions, your Honor.

17 EXAMINER TAUBER: Ms. McAlister,
18 redirect?

19 MS. McALISTER: No. Thank you, your
20 Honor.

21 EXAMINER TAUBER: Mr. Burke, you may be
22 excused. Thank you.

23 THE WITNESS: Thank you.

24 MS. McALISTER: Your Honor, at this time
25 I would renew my motion to move OMA Energy Group

1 Exhibits 102-A and B into the record.

2 EXAMINER TAUBER: Are there any
3 objections to OMAEG Exhibits 102-A and 102-B?

4 (No response.)

5 EXAMINER TAUBER: Hearing none, they
6 shall be admitted into the record.

7 (EXHIBITS ADMITTED INTO EVIDENCE.)

8 EXAMINER TAUBER: Ms. McAlister.

9 MS. McALISTER: Thank you, your Honor.
10 At this time OMA Energy Group calls Mr. Siefker from
11 Whirlpool to the stand.

12 (Witness sworn.)

13 EXAMINER TAUBER: Thank you.

14 - - -

15 JOHN P. SIEFKER
16 being first duly sworn, as prescribed by law, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 By Ms. McAlister:

20 Q. Could you please state your name and
21 business address for the record.

22 A. My name is John P. Siefker. My business
23 address 4901 North Main Street in Findlay, Ohio.

24 Q. And by whom are you employed?

25 A. I'm employed by Whirlpool Corporation.

1 Q. And on whose behalf are you providing
2 testimony today?

3 A. On behalf of the OMA.

4 Q. And was that testimony that was filed on
5 May 4th, 2012, in this proceeding prepared by you or
6 at your direction?

7 A. It was prepared at my direction.

8 MS. McALISTER: Your Honor, at this time
9 I'd like to have marked as OMA Energy Group Exhibit
10 103-A the public version of Mr. Siefker's prefiled
11 testimony, and OMA Energy Group Exhibit 103-B, the
12 confidential version.

13 EXAMINER TAUBER: The exhibits shall be
14 so marked.

15 (EXHIBITS MARKED FOR IDENTIFICATION.)

16 Q. Mr. Siefker, do you have a copy of what's
17 been marked as OMA Energy Group 103-A and B before
18 you?

19 A. Yes, I do.

20 Q. Do you have any corrections or additions
21 to make to those?

22 A. No, I do not.

23 Q. And if I were to ask you the same
24 questions as what's in those exhibits today, would
25 your answers be the same?

1 A. Yes, they would.

2 Q. And they're true and correct to the best
3 of your knowledge and belief?

4 A. Yes.

5 MS. McALISTER: At this time, your Honor,
6 I would move for the admission of OMA Energy Group
7 Exhibits 103-A and B, subject to cross, and
8 Mr. Siefker is available for cross-examination.

9 EXAMINER TAUBER: Thank you.

10 Ms. Kaleps-Clark?

11 MS. KALEPS-CLARK: No questions, your
12 Honor.

13 EXAMINER TAUBER: Mr. Stahl?

14 MR. STAHL: No questions, your Honor.

15 EXAMINER TAUBER: Mr. Barnowski?

16 MR. BARNOWSKI: No questions, your Honor.

17 EXAMINER TAUBER: Ms. Kyler?

18 MS. KYLER: No questions, your Honor.

19 EXAMINER TAUBER: Mr. Sineneng?

20 MR. SINENENG: No questions.

21 EXAMINER TAUBER: Mr. Darr?

22 MR. DARR: No questions.

23 EXAMINER TAUBER: Mr. Lang?

24 MR. LANG: No. Thank you.

25 EXAMINER TAUBER: Mr. Serio?

1 MR. SERIO: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Serio:

5 Q. Good afternoon.

6 A. Good afternoon.

7 Q. I've just got a couple of questions for
8 you. You manufacture appliances, correct?

9 A. That's correct.

10 Q. And those appliances are sold to
11 residential customers, generally speaking?

12 A. Yes, that is our end-user.

13 Q. And to the extent there's any higher
14 costs that come to you as a result of this
15 proceeding, and you're not able to mitigate those
16 costs and you have to pass them through, those would
17 be passed through to those residential customers,
18 correct?

19 A. Yes, it would.

20 Q. Is it your understanding the RSR charge
21 is designed to compensate the company for the cost of
22 stranded generation?

23 A. My understanding, it's to capture costs
24 for capacity loss, yes.

25 MR. SERIO: That's all I have, your

1 Honor. Thank you.

2 EXAMINER TAUBER: Thank you.

3 Ms. Moore?

4 MS. MOORE: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Moore:

8 Q. Hello, Mr. Siefker. How are you?

9 A. Good. How are you doing this afternoon?

10 Q. Well. Thank you.

11 Now, there are a couple places in your
12 testimony where you refer to "market rates." When
13 you use the term "market rates," are you referring to
14 the RPM rate?

15 A. Yeah; that's the PJM auction that I call
16 "the market rate."

17 Q. So would it be fair that anywhere I see
18 "market rates" in your testimony, I could substitute
19 "RPM rate" and it would still be accurate?

20 A. That is correct.

21 Q. Can you explain your understanding of how
22 the RPM price is set?

23 A. It's done on a yearly basis, usually
24 three years in advance of when it takes effect. It's
25 done on an open-auction market through the PJM.

1 Q. Okay. And is the auction that sets the
2 RPM price, do you know whether that's truly an open
3 market that anyone can participate in?

4 A. I have -- I don't know for sure.

5 Q. Okay. Do you know whether there are any
6 limits on the amount of capacity that an entity could
7 bid into the auction each year?

8 A. No. No, I do not know that.

9 Q. Are you familiar with the FRR option in
10 PJM?

11 A. Yes, I am familiar with that. It's a
12 fixed resource requirement. It's also another way to
13 satisfy PJM with either their own capacity rate, ESP,
14 their energy security plan, and I believe the other
15 option is SSO or whatever option to satisfy PJM on
16 their requirements.

17 Q. Okay. And so your understanding of the
18 FRR option is that an electric distribution company,
19 like AEP Ohio, would supply their own capacity to
20 meet the --

21 A. Correct, yes.

22 Q. -- needs of their service territory? And
23 you said "yes"?

24 A. Yeah. They can use their own assets,
25 what they have, and -- to satisfy their customers and

1 their own assets, yes.

2 Could I ask you just to speak up just a
3 little bit, please?

4 Q. Sure. Absolutely.

5 A. Thank you.

6 Q. I think we had this problem last time
7 too.

8 A. Yes.

9 Q. I'll try to speak louder.

10 And you're aware that AEP Ohio is an FRR
11 entity?

12 A. Yes, I am aware of that.

13 Q. And, as an FRR entity, is AEP Ohio
14 permitted to bid its capacity into the auction each
15 year to set the RPM prices?

16 A. I don't know all those standards. I
17 don't know what the -- if they're allowed or not, I
18 don't know all the legal ins and outs of that.

19 Q. Now, on page 4 of your testimony, lines 9
20 through 11, you state that "No one knows the price
21 for June 1st, 2015 and beyond as the PJM RPM auctions
22 have not been conducted yet." Do you see that?

23 A. Yes.

24 Q. Do you know whether that auction has been
25 conducted for the June 2015 through May 2016 --

1 A. No, I do not know or even aware of the
2 price. I'm not sure that has taken -- been held yet.

3 Q. Okay. And also on page 4, at lines 19
4 and 20, you state that the difference between the PJM
5 RPM price and the AEP-Ohio capacity charge will be
6 passed on to Whirlpool.

7 A. That is my understanding, yes.

8 Q. What is the basis for that understanding?

9 A. Well, I mean, that's an added cost, so
10 the capacity rate of AEP Ohio being more than the PJM
11 rate, market price, they would have to pass that cost
12 on.

13 Q. And by "they," are you referring to your
14 CRES provider?

15 A. Yes.

16 Q. When did Whirlpool begin shopping for
17 electric service?

18 A. We began shopping last year, midsummer,
19 but we've always been looking at different price
20 things over the past year, but we really started
21 looking -- getting serious about it last summer.

22 Q. Okay.

23 A. Which would be 2011.

24 Q. And do you recall approximately when
25 Whirlpool entered into an agreement with a CRES

1 provider?

2 A. It was in September.

3 Q. And has Whirlpool had the same CRES
4 provider since?

5 A. Yes.

6 Q. Has your CRES provider informed Whirlpool
7 that if its cost of capacity increases, it will
8 increase the price it charges Whirlpool for electric
9 service?

10 A. That is stated in our agreement with
11 them; that's correct. They will pass any increase
12 coming out of these hearings, once this ESP is
13 settled or the capacity rate is settled, that it
14 would be, yes, passed on to us through the contract
15 we have with them.

16 Q. Okay. Now, when you talk about your
17 contract "with them," does the contract say that they
18 will pass on an increase, or do they simply retain
19 the right or the option to pass on an increase?

20 A. They have the option.

21 Q. Okay. But no one from -- representing
22 your CRES provider has contacted Whirlpool and said
23 we plan to exercise this option.

24 A. No, not of yet.

25 Q. Okay.

1 A. Of course, these hearings aren't done
2 either, so.

3 Q. On page 5 of your testimony, you have a
4 table that shows the difference between the RPM price
5 and the numbers \$355 per megawatt-day, \$255 per
6 megawatt-day, and \$146 per megawatt-day.

7 A. Yes.

8 Q. Do you see that? Did you calculate these
9 numbers?

10 A. No. They were calculated for me, but I
11 reviewed them and I believe them to be true.

12 Q. Okay. And you weren't present when they
13 were calculated?

14 A. No. But, again, I reviewed them and, I
15 mean, it's an approximate number, but it's close.

16 Q. What did you do to review the numbers?

17 A. I took our peak load, what it would be,
18 and you've got to shore that up for the different,
19 you know, PJM rate and then your zonal rate, and then
20 you take that times the numbers, and then you figure
21 out, you know, what the PJM rate is for that year
22 versus what you're proposing, and then that's the
23 difference between the two.

24 Q. And you include this \$355 per
25 megawatt-day number among the numbers that you have

1 compared to RPM in your testimony, correct?

2 A. That's correct.

3 Q. Under what circumstances would a CRES
4 provider be required to pay \$355 per megawatt-day for
5 the capacity it purchases from AEP Ohio in this case?

6 A. I would think that's up to the Commission
7 to decide what that capacity rate would be. If it's
8 355 or it's 255 or if it's 146, that's what the rate
9 would have to be, and their option to pass that on to
10 us.

11 Q. Before today, were you aware that in this
12 ESP application AEP Ohio has made an alternative
13 capacity pricing proposal under which CRES providers
14 would be charged \$355 per megawatt-day and retail
15 customers would receive an energy credit?

16 A. No, I'm not aware of that.

17 Q. And so fair to say that you have not done
18 any assessment of the impact on Whirlpool of that
19 alternative proposal?

20 A. No, I have not.

21 Q. Can you explain your understanding of
22 AEP Ohio's proposed retail stability rider, or RSR?

23 A. The RSR rider is a revenue to return
24 their capacity losses due to the capacity issues they
25 would have with everybody going to a CRES provider.

1 They would need to retain that cost, or a portion of
2 it, I'm not sure.

3 Q. Do you know whether the RSR would collect
4 any other revenues besides revenues from unrealized
5 revenue --

6 A. Capacity lost.

7 Q. -- from discounted capacity?

8 A. No, I do not.

9 Q. Do you consider the ability to shop a
10 benefit to customers?

11 A. Yes, I always believe that ability to
12 shop and look for the best price out there is a
13 benefit.

14 Q. Okay. Do you agree that transparency in
15 bills is a benefit to customers?

16 A. Yes, transparency on bills, what I'm
17 paying for, yes.

18 Q. Do you agree that rate stability is a
19 benefit for customers?

20 A. Yes, rate security is a benefit for
21 customers.

22 Q. Okay. And, on page 5 of your testimony,
23 lines 3 through 5, you state that it's your
24 understanding of the RSP that "it is designed to
25 ensure that AEP-Ohio receives enough revenue to earn

1 a return on equity of 10.5 percent...."

2 A. Yes, I see that.

3 Q. What is the basis for that understanding?

4 A. What is the basis for the RSR?

5 Q. What's the basis for your understanding
6 of what the RSR is designed to do?

7 A. It's designed so that AEP doesn't have a
8 bad year. It's designed so they become whole with
9 their cost. You know, when Whirlpool loses capacity
10 and we go down, we have bad years. This here is to
11 make sure that AEP Ohio retains its loss, claimed
12 loss on capacity, and keeps them from having a bad
13 year.

14 Q. I think you might have misunderstood my
15 question. My question was: You have in here, you
16 know, your opinion of what the RSR is designed to do.

17 A. Right.

18 Q. On what do you base that opinion of what
19 the RSR is designed to do?

20 A. I base that opinion because if capacity
21 loss -- if I -- I base that opinion on my history in
22 manufacturing. If I was manufacturing at a loss and
23 somebody, you know, due to capacity, and I had an out
24 to try to make up for that capacity to keep whole, I
25 would do that. And I think that's what the attempt

1 is here with this rider.

2 Q. As you prepared your direct testimony or
3 prepared for the hearing today, did you review the
4 company's application in this case or the company's
5 witnesses' testimony filed in support of that
6 application?

7 A. Did I review the -- say that again.

8 Q. Did you review the company's ESP
9 application in this case as you were preparing your
10 testimony?

11 A. No, I did not.

12 Q. Did you review the company's witnesses'
13 testimony that was filed with the application in this
14 case?

15 A. No, I did not.

16 Q. Okay. And on page 9 of your testimony --

17 A. Yes.

18 Q. -- on lines 3 and 4 of page 9 of your
19 testimony, you characterize the RSR as being designed
20 "to make AEP Ohio whole for its fully loaded capacity
21 costs...." Do you see that?

22 A. Uh-huh. Yes.

23 Q. Is it your understanding that the
24 proposed RSR would allow AEP Ohio to collect a
25 hundred percent of the foregone revenue that it is

1 losing as a result of offering discounted capacity?

2 A. My understanding is it is -- will be
3 shored up at the end of the year whether they made
4 their 10 percent or not. They would see if they
5 collect too much or if they did not collect too much.
6 But it's a mechanism for them to capture revenue and
7 then see if they overcharged or undercharged people
8 and that would be shored up at the end of the year.

9 Q. If they lost -- when you use the term
10 "whole," do you mean -- what do you mean by the term
11 "whole"?

12 A. So they don't have a bad year. "Whole"
13 meaning that they're hitting their profit margins,
14 they're hitting where -- their return on equity and
15 they're not having a bad year, that's what I mean by
16 "whole." I wish I had that with Whirlpool.

17 Q. When you use the term "whole," you don't
18 mean that they're going to recover a hundred percent
19 of their revenue losses.

20 MS. McALISTER: Objection, your Honor.
21 Asked and answered.

22 EXAMINER TAUBER: I'm not sure I've heard
23 an answer, so I'll allow the question.

24 A. Could you repeat the question, please?

25 Q. When you use the term "whole" as you just

1 testified, you use it to mean that AEP Ohio will hit
2 the 10.5 percent ROE number, you don't use it to mean
3 that AEP Ohio will recover a hundred percent of its
4 revenue losses, correct?

5 A. No; it's to get their capacity cost that
6 they lost, back whole, by my understanding.

7 Q. But not necessarily a hundred percent of
8 that.

9 A. That's correct.

10 Q. Okay. On page 5 of your testimony, you
11 calculate the impact of AEP Ohio's RSR on Whirlpool.

12 A. Yes.

13 Q. Did you perform that calculation?

14 A. Yes, I can perform that calculation.
15 It's the amount of capacity what you use in
16 kilowatt-hours times the given amount for the RSR.

17 Q. Okay. And do you agree that AEP Ohio
18 should be fairly compensated for the capacity that it
19 supplies to CRES providers?

20 A. Repeat that question, please.

21 Q. Do you agree that AEP Ohio should be
22 fairly compensated for the capacity that it supplies
23 to CRES providers?

24 A. Yeah, they should be fairly compensated
25 for their capacity, but would that, you know, the

1 market is today, should it be at that cost?

2 Q. So the answer to my question is yes, you
3 agree they should be fairly compensated?

4 A. No.

5 MS. MOORE: I have no further questions.
6 Thank you.

7 THE WITNESS: Thank you.

8 EXAMINER TAUBER: Mr. Beeler?

9 MR. BEELER: No questions, your Honor.
10 Thank you.

11 EXAMINER TAUBER: Ms. McAlister,
12 redirect?

13 MS. McALISTER: No. Thank you, your
14 Honor.

15 EXAMINER TAUBER: You may be excused.
16 Thank you.

17 THE WITNESS: Thank you.

18 MS. McALISTER: Your Honor, we would
19 again renew the motion for admission of OMA Energy
20 Group Exhibit 103-A and B.

21 EXAMINER TAUBER: Are there any
22 objections to Exhibits 103-A and 103-B?

23 (No response.)

24 EXAMINER TAUBER: Hearing none, they
25 shall be admitted.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 EXAMINER TAUBER: Ms. McAlister.

3 MS. McALISTER: Thanks, your Honor. At
4 this time the OMA Energy Group would call Mr. Belden
5 from Belden Brick.

6 EXAMINER TAUBER: Would you please raise
7 your right hand.

8 (Witness sworn.)

9 EXAMINER TAUBER: Thank you.

10 - - -

11 BRADLEY H. BELDEN

12 being first duly sworn, as prescribed by law, was
13 examined and testified as follows:

14 DIRECT EXAMINATION

15 By Ms. McAlister:

16 Q. Could you please state your name and
17 business address for the record.

18 A. My name is Bradley Belden. I work with
19 the Belden Brick Company in Kenton, Ohio.

20 Q. And the address?

21 A. 700 West Tuscarawas Street.

22 Q. And you just mentioned that you're
23 employed by the Belden Brick Company, so I won't ask
24 you.

25 A. Yeah.

1 Q. On whose behalf are you testifying today?

2 A. The OMA Energy Group.

3 Q. And was that testimony that was filed on
4 May 4th, 2012, in this proceeding prepared by you or
5 at your direction?

6 A. At my direction.

7 MS. McALISTER: Your Honor, at this time
8 I'd like to have marked as OMA Energy Group 104-A the
9 public version of Mr. Belden's prefiled testimony,
10 and OMA Energy Group 104-B the confidential version.

11 EXAMINER TAUBER: They shall be so
12 marked.

13 (EXHIBITS MARKED FOR IDENTIFICATION.)

14 Q. Mr. Belden, do you have a copy of what's
15 been marked OMA Energy Group Exhibits 104-A and B
16 before you?

17 A. I do.

18 Q. Do you have any corrections to make to
19 those exhibits?

20 A. No, I do not.

21 Q. And if I asked you the same questions
22 that are in there today, would your answers be the
23 same?

24 A. Yes.

25 Q. And they're true and correct to the best

1 of your knowledge and belief?

2 A. Yes.

3 MS. McALISTER: Your Honor, at this time
4 I would move for the admission of OMA Energy Group
5 Exhibit 104-A and B, subject to cross-examination,
6 and Mr. Belden's available for cross.

7 EXAMINER TAUBER: Thank you.

8 Mr. Barnowski?

9 MR. BARNOWSKI: No questions, your Honor.

10 EXAMINER TAUBER: Ms. Kyler?

11 MS. KYLER: No questions, your Honor.

12 EXAMINER TAUBER: Mr. Sineneng?

13 MR. SINENENG: No questions.

14 EXAMINER TAUBER: Mr. Darr?

15 MR. DARR: No questions.

16 EXAMINER TAUBER: Mr. Lang?

17 MR. LANG: No. Thank you.

18 EXAMINER TAUBER: Mr. Serio?

19 MR. SERIO: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Serio:

23 Q. Good afternoon.

24 A. Good afternoon.

25 Q. Just a couple of questions for you. Can

1 I venture a guess that you manufacture bricks?

2 A. That's correct.

3 Q. And that's a product that you sell to
4 residential customers?

5 A. We do. And commercial customers as well.

6 Q. To the extent that you're not able to
7 mitigate the costs of any increases from this case,
8 you'd have to pass that cost along to your customers,
9 correct?

10 A. We would try.

11 Q. And is it your understanding that the RSR
12 charge is designed by the company to compensate them
13 for the cost of generation that has been stranded
14 because of customers shopping?

15 A. I don't understand that it's for
16 generation, specifically. I just know that it's, you
17 know, designed in this case to help them offset costs
18 somewhere in that mix.

19 Q. If you had a choice, would you rather
20 have a stable price that's higher or an unstable
21 price that's lower?

22 A. An unstable price that's lower.

23 MR. SERIO: That's all I have, your
24 Honor. Thank you.

25 EXAMINER TAUBER: Thank you.

1 Ms. Moore?

2 MS. MOORE: Thank you, your Honor.

3 - - -

4 CROSS-EXAMINATION

5 By Ms. Moore:

6 Q. Hi, Mr. Belden.

7 A. Hi.

8 Q. Throughout your testimony you refer to or
9 use the phrase "market rates." Safe to assume that
10 when you use "market rates," you are referring to
11 "RPM"?

12 A. That's correct.

13 Q. So I can replace the term "market rates"
14 with the "RPM price" and your testimony would still
15 be accurate?

16 A. That's correct.

17 Q. Can you please describe your
18 understanding of what the RPM price is and how it's
19 set?

20 A. My understanding is that there's an
21 auction every year, around the May timeframe, set for
22 three years in advance for the PJM territory.

23 Q. And do you know whether anyone that wants
24 to can participate in those auctions?

25 A. No, I do not know that.

1 Q. Okay. Do you know whether there are any
2 limits on the amount of capacity a company is
3 permitted to bid into the auction to set the RPM
4 price?

5 A. I do not know that either.

6 Q. Are you familiar with the FRR option in
7 PJM?

8 A. I am familiar with it, yes.

9 Q. Can you explain your understanding of the
10 FRR option?

11 A. I understand that AEP Ohio has selected
12 the FRR option where you haven't participated in that
13 auction and that you supply capacity to everyone in
14 your territory.

15 Q. And do you know whether AEP Ohio, as an
16 FRR entity, is allowed to participate in the auction
17 to set the RPM price?

18 A. I don't know if you're allowed or not.

19 Q. Okay. On page 4 of your testimony, lines
20 13 and 14, you state that the difference between the
21 PJM RPM price and the AEP Ohio capacity charge will
22 be passed on to Belden.

23 A. Correct.

24 Q. Now, let me back up. Belden is shopping,
25 correct?

1 A. That's true.

2 Q. Okay. What's the basis for the statement
3 that we just read on page 13 or, I'm sorry, on page
4 4, lines 13 and 14?

5 A. There's an option in our contract for the
6 CRES provider to pass on those costs, the capacity --
7 extra capacity charges, that they're not
8 anticipating.

9 Q. Okay. And you said that that's an option
10 under the contract with your CRES provider, correct?

11 A. Correct.

12 Q. Has your CRES provider informed your
13 company that it intends to exercise that option?

14 A. No. They have not told us, and we have
15 not asked.

16 Q. When did Belden Brick begin shopping for
17 electric service?

18 A. In 2010 is when we started our search,
19 and we signed a contract in December of 2010.

20 Q. Have you been with the same CRES provider
21 since December 2010?

22 A. We have.

23 Q. Also on page 4 of your testimony, you
24 have a table that shows three columns, the first
25 column is the difference between RPM and the \$355 per

1 megawatt-day, the second is the difference between
2 RPM and the \$255 per-megawatt day, and the third is
3 the difference between RPM and the \$146 per
4 megawatt-day. Do you see that?

5 A. Yes.

6 Q. Did you calculate the numbers in that
7 table?

8 A. I did not perform the calculation myself,
9 but I reviewed them.

10 Q. Okay. And what did you do to review
11 them?

12 A. Well, I supplied the PLS or the
13 capacity -- the numbers that you have to use for the
14 demand charge, and then you multiply that with the
15 scaling and some other factors in there, and you
16 multiply that times these different numbers, and then
17 compare that to what the auction rate -- the market
18 rates are.

19 Q. Okay. And these calculations assume that
20 100 percent of an increase in your CRES provider's
21 cost of capacity would be passed on to Belden Brick,
22 correct?

23 A. Yes; that's assuming a hundred percent.

24 Q. And are you aware that AEP Ohio has
25 proposed two options for capacity pricing in this

1 proceeding, the first being a two-tiered capacity
2 pricing structure and the second being a capacity
3 pricing structure where CRES providers are charged
4 \$355 per megawatt-day and retail customers receive an
5 energy credit?

6 MS. McALISTER: Objection, your Honor. I
7 think it actually mischaracterizes the application.

8 EXAMINER TAUBER: Ms. Moore?

9 MS. McALISTER: I said I think it
10 mischaracterizes the application.

11 MS. MOORE: I think the witness could
12 state whether he understands generally what the
13 proposals being made in the company's application
14 are.

15 EXAMINER TAUBER: I'll allow it.

16 A. Okay. I understood the two-tier -- I
17 guess I did not understand. Did you say that there
18 was a -- some sort of credit thing with the 355 rate?
19 Is that what you stated?

20 Q. Yes.

21 A. Okay. I did not understand that there
22 was some sort of credit there. But I did understand
23 the two-tiered system, that is 355 or the tiered
24 system.

25 Q. Okay. And because you were not aware of

1 the energy credit before today, is it fair to say
2 that you have not assessed the impact of that
3 combined alternative proposal on your company?

4 A. Correct.

5 Q. What is your understanding of the retail
6 stability rider and its purpose?

7 A. My understanding is that it's a fixed
8 rider for all AEP Ohio customers, regardless of
9 shopping or not, that would help AEP maintain their
10 return on equity.

11 Q. Would you agree that the ability to shop
12 for electric service is a benefit to customers?

13 A. I would.

14 Q. Would you agree that bill transparency is
15 a benefit to customers?

16 A. I would.

17 Q. Would you agree that rate stability is a
18 benefit to customers?

19 A. Yes.

20 Q. Do you have an opinion as to what the
21 average return on equity is or should be for an
22 electric utility?

23 A. No, I don't have an opinion on what it
24 should be.

25 Q. Do you have -- do you know what the

1 average return on equity for an electric utility in
2 Ohio is?

3 A. I don't know that.

4 Q. And, on page 8 of your testimony, you
5 state, make a statement that reflects your opinion
6 that the RSR is designed "to make AEP Ohio whole for
7 its fully loaded capacity costs," correct?

8 A. I see that, yes.

9 Q. When you use the term "whole," do you use
10 that term to mean that you understand the RSR to
11 allow AEP Ohio to recover 100 percent of its lost
12 revenues from offering discounted capacity?

13 A. I understand that it is a mechanism to
14 help AEP collect additional money. Regardless of
15 whether or not it will get to a predetermined return
16 on equity according to some model at this point, but
17 that's what I understand, that it will at least help
18 recover costs and potentially get a return on equity
19 that you are, you know, set out to make.

20 Q. But just so that I understand, when you
21 use the term "whole," you're not using that to mean
22 that you believe the RSR will allow AEP Ohio to
23 recover 100 percent of lost revenues.

24 A. I guess I don't have your calculations on
25 how you, you know, on how much of that -- how much

1 the rider will help you make yourself whole. I know
2 it will help in that purpose.

3 Q. Is it possible that a business could earn
4 a certain return on equity and still have lost
5 revenues?

6 A. I think that would be difficult.

7 Q. Is it possible?

8 A. It depends on the project, I suppose.

9 Q. I'll ask again. Is it possible?

10 A. I wouldn't think so, no.

11 Q. Have you -- in preparing your testimony
12 or preparing to testify here today, did you review
13 the company's application in this case?

14 A. No, I did not.

15 Q. In preparing your testimony or preparing
16 to testify today, did you review any of the AEP Ohio
17 witnesses' testimony in support of that application?

18 A. No, I did not.

19 Q. And if you'll turn to page 5 of your
20 testimony, there you calculate the impact to Belden
21 Brick of AEP Ohio's RSR, correct?

22 A. Can you show me what line?

23 Q. Sure. I believe it's lines 6 through 9.

24 A. Okay. Yes.

25 Q. Did you perform that calculation?

1 A. I did not calculate it myself, but I
2 reviewed the calculation.

3 Q. Okay. Do you agree that AEP Ohio should
4 be fairly compensated for the capacity that it
5 supplies to CRES providers?

6 A. Can you repeat the question?

7 Q. Sure. Do you agree that AEP Ohio should
8 be fairly compensated for the capacity that it
9 supplies to CRES providers?

10 A. I do.

11 MS. MOORE: I have no further questions,
12 your Honor.

13 Thank you, Mr. Belden.

14 THE WITNESS: Thank you.

15 EXAMINER TAUBER: Mr. Beeler?

16 MR. BEELEER: No questions. Thank you.

17 EXAMINER TAUBER: Ms. McAlister?

18 MS. McALISTER: No redirect. Thank you,
19 your Honor.

20 EXAMINER TAUBER: Mr. Belden, you may be
21 excused. Thank you.

22 THE WITNESS: Thank you.

23 MS. McALISTER: Your Honor, I would renew
24 my motion for admission of OMA Energy Group Exhibits
25 104-A and B.

3633

1 EXAMINER TAUBER: Are there any
2 objections to OMAEG 104-A and 104-B?

3 (No response.)

4 EXAMINER TAUBER: Hearing none, they
5 shall be admitted into the record.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 EXAMINER TAUBER: At this time we'll take
8 a lunch recess until 1:30. Let's go off the record.

9 (Thereupon, at 12:38 p.m. a lunch recess
10 was taken until 1:54 p.m.)

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3634

1 Tuesday Afternoon Session,
2 June 5, 2012.

3 - - -

4 EXAMINER SEE: Let's go on the record.
5 Mr. Darr? Mr. Olier? Who's --
6 Mr. Darr.

7 MR. DARR: IEU calls Joseph Bowser.

8 EXAMINER SEE: Mr. Bowser, if you would
9 raise your right hand.
10 (Witness sworn.)

11 EXAMINER SEE: Okay. Make sure your
12 microphone is on, please.

13 - - -

14 JOSEPH G. BOWSER
15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Darr:

19 Q. Please state your name.

20 A. Joseph Bowser.

21 Q. By whom are you employed?

22 A. McNees, Wallace & Nurick.

23 Q. And what is your position with McNees
24 Wallace?

25 A. I am a Technical Specialist.

1 MR. DARR: At this time I'd like to ask
2 to have marked as IEU Exhibit 129 the prefiled
3 testimony of Mr. Bowser.

4 EXAMINER SEE: The exhibit is so marked.
5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Do you have in front of you what's been
7 marked as IEU Exhibit 129?

8 A. Yes, I do.

9 Q. Could you identify that for us, please?

10 A. Yes. It's my testimony filed on May 4th.

11 Q. Do you have any additions or corrections?

12 A. No, I don't.

13 Q. If asked today the questions that are
14 contained in that prefiled testimony marked as IEU
15 Exhibit 129, would your answers be the same?

16 A. Yes.

17 MR. DARR: With that, I submit the
18 witness for cross-examination.

19 EXAMINER SEE: There was a motion to
20 strike and a reply thereto. After considering that
21 request and response the following portions of
22 Mr. Bowser's testimony will be stricken: Page 11,
23 lines 16 -- the sentence beginning on line 16 through
24 line 19.

25 Question and answer 16 which starts on

1 page 18, carries over to page 21.

2 Question and answer 17 which starts on
3 page 21 and carries through to page 25.

4 Question and answer 18 that starts on
5 page 25 and carries through to page 27.

6 Question and answer 19, starts on page 27
7 and carries over to page 28.

8 Then lines 9 through 13 to the start of
9 the sentence "What are your specific," that sentence
10 stays.

11 Then the motion to strike is granted as
12 to lines 16 through 20 on page 28.

13 Motion to strike is granted as to page
14 29, lines 4 through 22 on page 29, through line 15 on
15 page 30.

16 Do I need to repeat any of that?

17 (No response.)

18 EXAMINER SEE: Any cross for this
19 witness, Mr. Howard?

20 MR. HOWARD: No. Thank you, your Honor.

21 EXAMINER SEE: Mr. Barnowski?

22 MR. BARNOWSKI: No. Thank you, your
23 Honor.

24 EXAMINER SEE: Mr. Siwo?

25 MR. SIWO: No questions, your Honor.

1 EXAMINER SEE: Ms. Kyler?

2 MS. KYLER: No questions, your Honor.

3 EXAMINER SEE: Mr. Sineneng?

4 MR. SINENENG: No questions, your Honor.

5 EXAMINER SEE: Mr. Lang?

6 MR. LANG: No. Thank you.

7 EXAMINER SEE: Mr. Serio?

8 MR. SERIO: No. Thank you, your Honor.

9 EXAMINER SEE: Mr. Satterwhite?

10 MR. SATTERWHITE: Thank you, your Honor.

11 If I could have one second to catch up on what's
12 struck and that might help me organize.

13 EXAMINER SEE: Okay.

14 MR. DARR: Excuse me, your Honor. Did
15 you strike a portion of question 20?

16 EXAMINER SEE: I'm sorry, you say
17 question and answer 20?

18 MR. DARR: I know part of the answer to
19 20 was stricken. I'm asking with regard to question
20 20. There was a line reference I didn't get a page
21 number to.

22 EXAMINER SEE: Okay. I struck, on page
23 28, from line 1 down to line 13.

24 MR. DARR: 13.

25 EXAMINER SEE: We keep that next

1 sentence, "What are your specific recommendations on
2 the version of the Rider PIRR that is included in the
3 proposed...ESP?"

4 And then we strike the remainder of that
5 page which is lines 16 through 20. Carrying over, we
6 -- a motion to strike was granted as to page 29
7 starting on line 4 through 22.

8 MR. DARR: Thank you.

9 EXAMINER SEE: Did you need the balance
10 of that or is this the only portion --

11 MR. DARR: That was the only portion I
12 didn't quite catch --

13 EXAMINER SEE: Okay.

14 MR. DARR: -- I think.

15 MR. SATTERWHITE: I think I'm ready.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Satterwhite:

19 Q. Good afternoon, Mr. Bowser. How are you
20 doing today?

21 A. Good afternoon.

22 Q. Good to see you again. I'd like to start
23 on page 12 of your testimony.

24 A. Okay.

25 Q. And here you're arguing for a

1 5.34 percent carrying charge; is that correct?

2 Around lines 19 through 23.

3 A. Actually, I'm arguing that, ideally, the
4 carrying charge rate would be based on a contemporary
5 interest rate which would be more on the order of
6 3.6 percent. However, at the same time, I would
7 recommend that the absolute maximum carrying charge
8 be the 5.34 percent that you just referred to.

9 Q. And you state, on lines 19 to 23, in your
10 support of the highest 5.34 percent that you think
11 that could be appropriate because the phase-in
12 deferral is a loan that AEP Ohio made to consumers to
13 phase in the retail stability increase; is that
14 correct?

15 A. In effect, what this represents is a
16 deferred rate increase. It's not a capital
17 investment which would potentially merit a weighted
18 average cost of capital carrying charge.

19 Q. All right. But on line 20 specifically,
20 I'm trying to look at the words you use in your
21 testimony, and you say it's "effectively a loan." I
22 was wondering what you think the terms of the loan
23 that was provided are.

24 A. Basically, you know, we've got to go
25 back, I think, to the ESP case and the fact that

1 there were billing caps that had been established in
2 those -- in that case for the years 2009 through
3 2011, and it was the company's costs and amounts
4 incurred above those caps that ultimately led to
5 these deferrals.

6 Q. I'm focusing on the word you use of
7 "loan." Is that just an explementary word trying to
8 see if you consider this a traditional loan that had
9 terms and conditions with the customers in AEP Ohio,
10 or am I overanalyzing your use of the word "loan"
11 there?

12 A. Yeah, I think maybe you're overanalyzing
13 the use.

14 Q. Fair enough.

15 Do you know how AEP financed this, what
16 we'll loosely call "loan"?

17 A. It would be basically, you know, there
18 was a deferral amount, a regulatory asset that was
19 deferred. There's really no specific source of
20 capital that would have financed this.

21 Q. So there was nothing that AEP Ohio was
22 collecting for the costs that were deferred over that
23 time period, correct?

24 A. You lost me with that question.

25 Q. Is there anything that the company was

1 collecting on the deferred fuel amounts in that time
2 period?

3 A. Well, they were being deferred, so they
4 weren't being collected at that time. They'll be
5 amortized at some point in the future.

6 Q. But you're not arguing that the costs
7 weren't still incurred by the company, are you?

8 A. No. That's correct, I'm not arguing that
9 the -- it was not appropriate for the companies to
10 defer those regulatory assets.

11 Q. Right. I understand the deferral
12 discussion. I'm trying to talk now about the costs
13 that were incurred by the company at the time that
14 you describe it as a loan from the company to
15 customers and trying to determine, in your mind, how
16 you think the company paid for those costs that were
17 incurred while the deferral took place.

18 A. I'm sorry, I don't understand your
19 question.

20 Q. We've established that there was a cost
21 at the time, correct?

22 A. And that cost was --

23 Q. To provide -- I'm sorry. Go ahead.

24 A. And that cost was reflected by setting up
25 that regulatory asset.

1 Q. Okay. And was the company collecting --
2 you mentioned it was a "deferral." Was the company
3 collecting anything at the time or was it just a
4 deferral dealing with that regulatory asset?

5 A. Are you referring to the fact that at
6 that time the company was accruing carrying charges,
7 as well, on those amounts?

8 Q. I'm trying to get your understanding of
9 what was happening at the time. So we've established
10 that there were fuel costs associated with the fuel
11 that was provided and then deferred as a regulatory
12 asset, correct?

13 A. Yes.

14 Q. And by definition of "deferral," as you
15 pointed out multiple times, the company wasn't
16 collecting the full cost at the time because it was
17 deferred, correct?

18 A. Right. It was -- it was actually a case
19 of deferred revenues which the Commission permitted
20 the company to recognize in the form of a regulatory
21 asset. Because those were revenues beyond what
22 amounts were allowed in the caps and, therefore, were
23 allowed to be recovered by the company at some future
24 date.

25 Q. I'm sorry, I didn't mean to cut you off.

1 And "revenues" is a term you used, but the Commission
2 referred to them as "deferred fuel costs," correct?

3 A. Well, I think, you know, that was -- the
4 Commission referred to it that way because, you know,
5 generally, there aren't mechanisms for recognizing
6 deferred revenues outside of certain industries;
7 therefore, to me it's still deferred revenues, but
8 the mechanism for recognizing those revenues was to
9 set up those regulatory assets.

10 Q. So the answer is "yes," right? The
11 Commission referred to them as "costs"?

12 A. That may have been the language that they
13 used in the order.

14 Q. Now, were you present in the room when
15 Company Witness Renee Hawkins testified?

16 A. In this current --

17 Q. Correct.

18 A. -- proceeding?

19 Q. Yes.

20 A. No, I was not.

21 Q. Okay. Were you aware that the AEP Ohio
22 parent contributed \$550 million into AEP Ohio in 2009
23 to manage the underrecovery of the fuel?

24 A. No, I was not.

25 Q. Let's move to page 14 of your testimony.

1 And here you're discussing the weighted average cost
2 of capital for the deferral period in the modified
3 ESP. And you oppose, correct me if I'm wrong, you
4 oppose the, what we'll call "WACC," up to the delay
5 of the June 1st, 2013, proposal, because I believe,
6 as you stated earlier in your oral testimony today as
7 well, you don't view this as a capital investment,
8 correct?

9 A. Correct.

10 Q. Now, in lines 3 to 14 on this page, are
11 you saying that WACC is only appropriate for capital
12 investments?

13 A. I'm saying that it's not appropriate in
14 this instance because, in this case, it's really a
15 deferred increase in rates. I'm not applying that as
16 broadly as you're saying it.

17 Q. So you're not stating that it could only
18 be applied to capital investments. You're just
19 saying it shouldn't be applied to these deferrals of
20 costs.

21 A. Correct. I'm only addressing the
22 deferrals here.

23 Q. And would that same argument, then, apply
24 to the time period of deferrals before the delay to
25 June 1st, 2013?

1 A. My recommendation is that the carrying
2 costs should now be at the debt-based cost, not the
3 WACC cost.

4 Q. Right. But I'm trying to make the
5 distinction. You said you didn't want to go as broad
6 as I had characterized your testimony to be capital
7 investment. So now we're dealing with the deferred
8 fuel costs, can we agree on that, from the ESP I
9 period?

10 A. Would be, right, the deferred increase in
11 rates.

12 Q. And is it your understanding that the
13 proposal that your testimony surrounds is the delay
14 of a year of the collection of that pot of deferred
15 cost -- fuel cost?

16 A. That's part of what I'm testifying to in
17 this case.

18 Q. Okay. And so my question is: The
19 inappropriateness of WACC in your testimony, as
20 applied to the delay from 2012 to 2013, is that the
21 same theory that you would apply to using WACC prior
22 to 2012, the carrying cost of the deferral?

23 A. No; I'm only addressing in my testimony
24 the carrying cost rates beginning with January 1st of
25 2012, forward, i.e., through any period of delay as

1 well as through the amortization of the rider.

2 Q. I understand that. What I'm trying to do
3 is test your theory of the application. These are
4 the same fuel deferrals, correct, in both periods?
5 Both prior to 2012 and after 2012?

6 A. I'm sorry. I don't understand your
7 question.

8 Q. The fuel deferrals that the company is
9 proposing to extend a year before collection, those
10 are the fuel deferrals from the ESP I, correct?

11 A. Yes, they are.

12 Q. And are you saying that it's the nature
13 of the one-year delay that makes the WACC
14 inappropriate, or are you saying in any case
15 collection or a carrying charge based on these fuel
16 deferrals would be inappropriate to assign a WACC to?

17 A. Yes, it would be inappropriate to assign
18 the WACC carrying cost to these during the period of
19 delay and the amortization period.

20 Q. What about at a different time?

21 A. Such -- what do you mean by a "different
22 time"?

23 Q. Prior to 2012.

24 A. Ideally, the carrying charges would have
25 been computed that way. Nevertheless, what I'm

1 recommending in this case is that it be applied net
2 of accumulated deferred income tax and at a
3 debt-based carrying charge rate during the period of
4 delay and during the period of amortization, because
5 there's no longer -- in my mind, there's no longer a
6 doubt that the company will, at some point, be
7 recovering these amounts, whatever those amounts are
8 ultimately deemed to be appropriate for recovery.

9 Q. When you started that answer, you said
10 ideally it would be computed that way when I was
11 referring to prior to 2012. Did you mean ideally it
12 would be computed at the weighted average cost of
13 capital or what you're proposing now for the
14 extension period?

15 A. Net of accumulated deferred income taxes.

16 Q. But you are aware that the PUCO had
17 already approved the weighted average costs prior to
18 this period that we're talking about now, correct?

19 A. But my understanding is that only applied
20 through the deferral period and not through the
21 period of amortization.

22 Q. But you are aware that the Commission had
23 approved it for that earlier period, correct?

24 A. I believe that's what the Commission
25 order had said.

1 Q. Okay. I think you alluded to this
2 earlier, but why, again, what's your understanding of
3 why we have a deferral to begin with? What created
4 the deferral?

5 A. The deferral was created by the billing
6 caps that existed under the ESP I where, essentially,
7 amounts that the companies incurred in excess of
8 annual billing caps, which really were deferred
9 revenues then to be collected from customers in the
10 future, were permitted by the Commission to be
11 deferred as a regulatory asset.

12 Q. And, again, you used the word "deferred
13 revenues." This is that same conversation we had
14 earlier, correct, of the Commission order called it
15 "costs" but you viewed it as "revenues"?

16 A. Yes. Substantively, I view them as
17 deferred; however, the mechanism for giving those
18 amounts recognition was to set up the deferred asset.

19 Q. I'm just trying to make a clarification
20 of what the Commission ordered versus your
21 understanding afterwards, so, okay.

22 So is it fair to say that we're in this
23 position because the Commission was trying to defer
24 or decrease the rate impacts from the ESP I when it
25 was approved?

1 A. It would have had the effect of smoothing
2 out the rate increases, if you will. It would have
3 decreased the rates, the rate increases back in 2009
4 to '11, thereby smoothing them out over a longer
5 period of time.

6 Q. Were you involved in the ESP I for
7 AEP Ohio?

8 A. I believe I was.

9 Q. And it was your understanding -- did the
10 company ask for these deferrals in their application?

11 A. I do not remember where this came up,
12 actually. I know it was the result of the case, but
13 I don't recall --

14 Q. If it was requested by the company or if
15 the Commission ordered it?

16 A. Correct.

17 Q. Are you aware, and I understand you're
18 not an attorney, so I'll get all that out of the way,
19 just in your opinion or your understanding, is there
20 a statute that allows the Commission to phase in rate
21 impacts associated with an electric security plan?

22 A. Yes, there is.

23 Q. Does that help you remember if the
24 Commission ordered or exercised that statute in this
25 case to order a phase-in that created these

1 deferrals?

2 A. It still doesn't clarify in my mind
3 whether the company asked for it or the Commission
4 granted it, but, yeah, I would acknowledge that the
5 Commission has that authority.

6 Q. And the Commission orders can represent
7 whatever happened in the case, right?

8 A. Yes, they could.

9 Q. You mentioned earlier when you were
10 saying how you would create the rate for this new
11 interim period, did you rely at all on the testimony
12 of OCC Witness Soliman for your position on ADIT?

13 A. No, I did not.

14 Q. Now, on page 18 of your testimony, lines
15 4 through 9, you state it would be unreasonable to
16 set the amortization period without having the final
17 info on the amount of, one, the deferral eligible for
18 recovery, and, two, the results of a competitive bid.
19 Do you see that testimony?

20 A. Yes.

21 Q. Now, when you talk about "the amount of
22 the deferral," is that referring to what's been
23 struck from your testimony dealing with the PIRR --
24 do you understand what I'm talking about when I say
25 the "PIRR docket"?

1 A. The 11-4920?

2 Q. Correct. Is this testimony stating that
3 it would be unreasonable to set the period without
4 knowing the result of the issues of that case?

5 A. No. As you said, I think a large portion
6 of the testimony that was struck dealt with what I'm
7 talking about there and that's with respect to, you
8 know, fuel adjustment clause audits, the SEET,
9 S-E-E-T, earnings cases, and remand of the original
10 ESP I case. Those are the adjustments that I'm
11 talking about for coming up with the appropriate
12 deferral balance.

13 Q. And a lot of those issues are in the,
14 were presented by IEU and other parties as part of
15 the PIRR dockets of what the proper amount should be
16 going forward, correct?

17 A. I believe there were arguments put forth
18 in 11-4920 to that effect, yes.

19 Q. And you describe, actually, that case in
20 your testimony, and even attach some of the comments
21 of IEU that deal with a lot of those issues, correct?

22 A. Correct.

23 Q. But the base question I'm asking is, is
24 it your testimony that there needs to be a result to
25 that case before the amortization period can be set?

1 A. Ideally that would be the case. I had
2 also made a recommendation in addition to that one
3 that --

4 Q. Let's make sure it's stuff that survived.
5 I didn't mean to interrupt you.

6 A. Well --

7 Q. I don't want to provide a platform for
8 you to get everything back in that was struck.

9 THE WITNESS: Could you -- could I have
10 the question read back then, please?

11 (Record read.)

12 MR. DARR: Can we have a clarification of
13 what you mean by "that case"?

14 MR. SATTERWHITE: The PIRR docket that we
15 discussed earlier, 11-4920 and '21.

16 A. Ideally, yes.

17 Q. Now, the other thing you talk about is
18 the results of the competitive bid. Can you point me
19 to where in your testimony, I want to see if that's
20 survived or not, the areas where you discuss and
21 describe the competitive bid that you're
22 recommending?

23 A. It was page 4, recommendation one.

24 Q. And I think I found another cite, on page
25 13, if that helps.

1 A. Yeah, page 13 is where I give the longer
2 explanation about the competitive solicitation.

3 Q. This was interesting. My question is
4 very narrow, because I'm sure you can talk a lot
5 about this, but I was wondering if you can explain to
6 me just the structure of what you're recommending
7 here, not the effect of it, but just what you're
8 really recommending.

9 A. In effect, it would be similar to an RFP,
10 or request for proposal, that could be tendered to
11 various entities that might be interested in issuing
12 financing bonds. And the companies, in effect, would
13 get bids back with respect to that with the idea
14 being that those could be reviewed.

15 And the bid, if you will, given to the
16 entity that had the most favorable financing costs,
17 overall interest rate on bonds and financing costs,
18 in order to minimize the cost of that financing to
19 customers.

20 Q. And is this proposal something that
21 you're suggesting AEP Ohio take on, or is this a
22 large stakeholder process to review this?

23 A. I believe AEP can take this on on its
24 own.

25 Q. And what's your understanding if the

1 Commission doesn't order this competitive
2 solicitation, what process you think that AEP would
3 take in the absence of this?

4 A. I can't pretend to read AEP's mind to
5 know what the company would do.

6 Q. So you don't have any evidence that the
7 process that AEP Ohio would follow would turn out
8 with just the exact same result of your
9 recommendation, do you?

10 A. No, I don't.

11 Q. Flip back to the back of your testimony,
12 please, page 32.

13 A. Yes.

14 Q. Lines 3 to 5, you make an assertion that
15 AEP wants to increase SSO rates and erect economic
16 barriers to shopping so they can do the things that
17 other EDUs have already done. Do you see that
18 testimony?

19 A. Yes.

20 Q. What are you referring to that other
21 utilities had already done?

22 A. Have moved either pretty much fully or
23 much closer to fully competitive generation rates.

24 Q. And, according to your bio, you were at
25 the Ohio Consumers' Counsel during the RSP period.

1 A. That is correct.

2 Q. Would that have been 2003-2004? Do you
3 remember that as the RSP period?

4 A. That's what I'm thinking it is, yes.

5 Q. Okay.

6 A. But I'm not sure.

7 Q. And you actually provided testimony in
8 some of the RSP proceedings, correct?

9 A. I believe that's correct.

10 Q. Okay. And was OCC advocating a move to
11 full markets against the idea of RSPs at the time?

12 MR. DARR: Objection. Relevance.

13 MR. SATTERWHITE: Your Honor, we've had a
14 lot of -- if I may?

15 EXAMINER SEE: Go ahead.

16 MR. SATTERWHITE: We've had a lot of
17 debate, again, about what's gone on in history here,
18 and we have a witness that used to represent a
19 different agency. Testimony of the witness and the
20 positions taken by that agency, I think, might be
21 interesting for the Commission to see -- to get a
22 roundabout view of where things were at the time.

23 MR. DARR: Again, your Honor, if I may
24 respond?

25 EXAMINER SEE: Briefly.

1 MR. DARR: The relative position of OCC,
2 or whether it was OCC or IEU, as I argued yesterday,
3 as to where they were at that particular point in
4 time is not relevant. What is relevant is what did
5 the Commission do and how did it act. We've
6 investigated that at length. It doesn't appear to be
7 relevant as to what individual parties' positions
8 were at the time.

9 MR. SATTERWHITE: If I may, your Honor?

10 EXAMINER SEE: Mr. Satterwhite and then
11 Mr. Serio.

12 MR. SATTERWHITE: I believe we have to go
13 down this line because counsel for IEU was rather
14 indignant and offended about the assertion of what
15 parties' positions were during this time period.
16 It's made the need to develop this record and show
17 what the different positions were at the time.

18 And I think showing where different
19 parties were, and the benefit of having a witness
20 that served for IEU and OCC can show that there was
21 debate in the industry at the time and help the
22 Commission to understand that this Commission -- that
23 has new Commissioners, that there was a lot of debate
24 at the time of where we were, what market rates were,
25 and what companies had to do. So I think it's

1 completely relevant and it rounds out the record
2 rather nicely.

3 EXAMINER SEE: Mr. Serio?

4 MR. SERIO: Your Honor, Mr. Bowser isn't
5 on the stand representing OCC. He worked for OCC at
6 the time, but other than to mention in his testimony
7 that he worked at OCC, that's completely beyond the
8 scope of his testimony.

9 If the company wants to put testimony on
10 that there was debate going on at the time, they have
11 an ability to do that with their own rebuttal
12 witness, but they shouldn't be doing it with this
13 witness, whatever OCC was doing at the time, because
14 he doesn't represent OCC right now.

15 EXAMINER SEE: The objection is
16 sustained.

17 Q. (By Mr. Satterwhite) Mr. Bowser, based on
18 your experience that you state in your testimony of
19 being involved in the regulated industry before the
20 Commission here in Ohio, did AEP's territory have
21 some of the lowest rates in the state at the time the
22 other EDUs you mentioned in line 4 were seeking
23 stranded costs under SB 3?

24 A. At that time, AEP rates were some of the
25 lowest in the state, that's correct.

1 Q. And what's the time period, from your
2 recollection, of how long those rates were the
3 lowest; to the best of your ability?

4 A. I don't know. 2001-2002 at least, but I
5 can't say definitely what period that would be.

6 Q. Now, you have an attachment to your
7 testimony where you discuss the "Returns on Equity."
8 I believe it's the last page before the service,
9 JGB-5.

10 A. Yes.

11 Q. Do you see that?

12 A. Yes, I do.

13 Q. Now, looking at the dates you have here
14 on the top on "Returns on Equity," at what time, is
15 it your understanding, that AEP Ohio had the ability
16 to operate in a competitive market without
17 regulation?

18 A. I don't recall.

19 Q. You don't recall or you don't know?

20 A. I don't know.

21 Q. And, to reach these numbers, can you tell
22 me how you reach each of the numbers in each of the
23 years?

24 A. Are you talking about the top section of
25 that page --

1 Q. Yes.

2 A. -- the "Returns on Equity"?

3 Q. Yes.

4 A. Yes. It's basically the net income
5 return on equity that's typically used on Wall Street
6 when company earnings are discussed. Basically, that
7 calculation is net income before extraordinary items,
8 divided by the average of the beginning and ending
9 balances of common equity.

10 Q. So what are "extraordinary items," in
11 your understanding?

12 A. Typically, nonrecurring items that are of
13 an unusual nature and so, therefore, when companies'
14 earnings are looked at, those are typically viewed as
15 anomalies and, therefore, not an item to include in
16 the calculation.

17 Q. And, earlier, I believe you said that you
18 were involved in the SEET proceedings before the
19 Commission; is that correct?

20 A. I have had some involvement in those,
21 correct.

22 Q. Is the methodology used here to reach the
23 return on equities similar to the -- the same as the
24 methodology the Commission used in AEP Ohio's SEET
25 proceeding?

1 A. It's the same starting point used in the
2 SEET, but then in SEET proceedings there are
3 additional adjustments that were made.

4 Q. So, in your view, this is more of an
5 all-in as compared to what the Commission uses for
6 purposes of SEET?

7 A. Correct. This is total company.

8 Q. Okay. Now, you're familiar with the
9 Waterford and Darby assets of the company, correct?

10 A. I remember that those were in issue in a
11 case a while back; beyond that, though, I don't
12 recall very much.

13 Q. You remember that IEU argued against
14 AEP Ohio's right to transfer those assets even though
15 they were acquired after Senate Bill 3?

16 A. I don't recall that for sure.

17 Q. Do you remember if that was a case that
18 went all the way up to the Supreme Court?

19 MR. DARR: Objection.

20 EXAMINER SEE: Overruled.

21 A. I don't recall.

22 Q. Okay. Fair enough.

23 Also in your testimony you discuss
24 emergency rate relief. I'll get you a page number
25 here. I believe starting around page 32. Do you see

1 that testimony?

2 A. Yes.

3 Q. Now, you cite -- let me back up.

4 Did you do this research on your own to
5 put this in your testimony about the statute, the
6 legal standard for emergency rate relief?

7 A. I did, but to the extent pieces of this
8 are legal, it's in here on the advice of counsel.

9 Q. That's fine. I just want to see what's
10 your testimony versus you relying on your counsel.

11 By including it, was it your assumption
12 that the emergency rate relief, under 4909.16, could
13 be used in association with an electric security plan
14 under 4928?

15 A. No.

16 Q. But you still provide conditions in here
17 that you say the company has not met, correct?

18 A. Yeah. I think you might need a little
19 background here.

20 Q. Well, just -- I'm sure your counsel can
21 ask you questions on redirect, I just want you to
22 answer my questions.

23 A. Okay. What was the question again?

24 Q. You provide -- you still provide
25 conditions in your testimony that you believe the

1 company has not met, even though you just testified
2 that you don't think emergency rate relief would
3 apply in this case, correct?

4 A. Emergency rate relief would have to apply
5 in a different case than this.

6 Q. So it's not your assertion that the
7 company has fallen short of a 4909.16 showing for
8 emergency rate relief in this case, correct?

9 A. My review of what was filed in this case
10 as well as in the capacity case, the 10-2929 case,
11 led me to believe that the company was potentially
12 seeking rate relief that might be of an emergency
13 nature. And if that was the case, what's reflected
14 in the company's filing in this case would not
15 provide what is necessary for that determination to
16 be made.

17 Q. So let me see if I understand, then. So
18 the point of including this in your testimony was
19 that you believed this is the appropriate way for a
20 company to seek, quote/unquote, emergency rate
21 relief, and you just don't think that that's
22 appropriate in this case and was followed in this
23 case; is that fair?

24 A. Yeah; in, you know, in Mr. Powers'
25 testimony, Mr. Allen's testimony in the capacity

1 charge case, the company had made a filing for
2 interim rate relief. All of those basically were
3 indicating that the company expected its earnings to
4 drop in 2012 and 2013, due, I think, mostly from not
5 charging RPM-based capacity charges.

6 And so to the extent that the company was
7 indicating that perhaps there was some other form of
8 rate relief necessary, I included this emergency rate
9 relief information in my testimony.

10 Q. So, again, you include it because you say
11 there's one way to get the emergency rate relief
12 that's under 4909.16 and you don't think it's
13 appropriate in this case and you don't think the
14 company met the standard in this case, correct?

15 A. With the caveat that I'm not sure that
16 4909.16 is the only section. I know that's the
17 section that I had looked at and cited in my
18 testimony, but with that caveat, yes, I would agree.

19 Q. Okay. And this is what was provided to
20 you by counsel that you relied upon, the citations
21 here of what the parameters of the emergency rate
22 relief that you're discussing with these cases
23 includes, correct?

24 A. That's correct.

25 Q. So are you aware of any provisions within

1 4928, in the electric security plan statute, parts
2 that would prevent the company from seeking the
3 relief it's asking in the modified ESP?

4 A. I can't answer that question. I'm not
5 familiar with every section under 4928. I'm not --

6 Q. Well, did you ask your counsel, when
7 being provided -- for this recommendation, whether
8 there were other areas that you should consider as
9 well?

10 MR. DARR: Objection, your Honor.

11 EXAMINER SEE: Overruled. You may answer
12 the question, Mr. Bowser.

13 A. At this point we were looking strictly at
14 emergency rate relief.

15 Q. Correct. So the question, again, then,
16 is: Did you ask if there were other areas that would
17 deal with emergency rate relief that you should be
18 considering to make your recommendation to the
19 Commission?

20 MR. DARR: For the record, repeat my
21 objection, your Honor.

22 EXAMINER SEE: So noted.

23 A. No, I did not.

24 Q. And you personally don't know of any
25 other provision that might bar the relief requested

1 by the company in the modified ESP, correct?

2 A. No, I'm not familiar enough with the law
3 to know that.

4 Q. Okay. Let's talk about securitization a
5 little bit. On page 11, if I can have you turn
6 there. Let me know when you get there.

7 A. Okay.

8 Q. You mention at the top that AEP Ohio has
9 used securitization in the past to decrease carrying
10 costs. Do you see that testimony?

11 A. Yes.

12 Q. And then you state that AEP has not
13 explained why it cannot do the same again with the
14 assets in the PIRR, correct?

15 A. Correct.

16 Q. Are the old exhibits up there?

17 Are you familiar with IEU Exhibit 112,
18 the Form 10-K excerpt?

19 A. No, I'm not.

20 MR. SATTERWHITE: I have my copy, and I
21 can stand up next to him, or if you guys -- thanks.

22 MR. DARR: We're digging through right
23 now to see if we can find ours.

24 MR. SATTERWHITE: Thank you.

25 Q. And while they're looking, maybe I can

1 ask you some questions and we might not even need the
2 document, so we'll see.

3 When you say the company has done
4 securitization in the past, were you referring to
5 securitized accounts receivable?

6 A. Yes, I was.

7 Q. And is it your understanding that that
8 dealt with short-term debt?

9 A. I believe it did, yes.

10 Q. Is it your opinion that assets can be
11 securitized in an accounts receivable financing
12 system?

13 A. Accounts receivable assets can, yes.

14 Q. And what's your understanding of what
15 we're dealing with in the PIRR?

16 A. It would be a longer term. It would
17 require a longer-term bond than one year.

18 Q. And have you dealt with utilities'
19 securitization of assets in other states?

20 A. No, I have not.

21 MR. DARR: Mr. Satterwhite, we have our
22 copy, if you want to follow up.

23 MR. SATTERWHITE: I think that covered
24 it.

25 MR. DARR: Very good.

1 MR. SATTERWHITE: Thank you.

2 Give me one second, your Honor. I need
3 to check.

4 EXAMINER SEE: Okay.

5 Q. (By Mr. Satterwhite) I'd like you to turn
6 to page 15 of your testimony, please.

7 A. Okay.

8 Q. I believe this is still the active part
9 of your testimony. Starting on line 18, down to line
10 20, where you say it's your opinion that it's not
11 proper "to calculate carrying charges on deferred
12 balances that have not been reduced by any associated
13 ADIT." Do you see that?

14 A. Yes.

15 Q. Is that the ADIT that would be applied or
16 figured as part of the PIRR docket or is that
17 something different?

18 A. This would be the accumulated deferred
19 income taxes associated with the deferrals that will
20 be collected through the PIRR.

21 Q. And those are the deferrals that are
22 being considered in the PIRR dockets, correct?

23 A. As well as in this case, yes.

24 Q. So to the extent that there's something
25 that IEU has claimed a position on in the PIRR

1 dockets on items like ADIT, that the Commission has
2 previously found inappropriate, is it your testimony
3 that you'd like to apply a second look at that in
4 just the delay period of a year or for the Commission
5 to reach back into the deferral and change the entire
6 balance?

7 A. You lost me at the start of your
8 question. Are you talking about in --

9 Q. Lost you at the start? Wow.

10 A. -- the 11-4920, or in this case?

11 Q. I'm trying to compare them both and
12 seeing how to apply your recommendations. And I
13 believe what you just told me was you wanted to
14 consider the ADIT as it applied to the balance that's
15 currently under review in the 11-4920 case and
16 consider that in this case, correct?

17 A. Basically, what I'm recommending would be
18 applicable in both those cases.

19 Q. And is there a distinction where it can
20 only be in one and only be in the previous case, and
21 the different part would only be in this case, or is
22 it the application to the previous case, if it's
23 decided there, impacts the period in this case?

24 MR. DARR: I'm confused, your Honor.

25 EXAMINER SEE: Yes.

1 MR. DARR: I have no idea what previous
2 case and future case and -- this has the makings of a
3 bad joke at some point. Who's on first?

4 EXAMINER SEE: If you could rephrase.

5 MR. SATTERWHITE: I can try to clarify.

6 EXAMINER SEE: Thank you.

7 Q. (By Mr. Satterwhite) When I say "previous
8 case," I'm considering two cases here. There's the
9 PIRR dockets that was the basis of a number of
10 positions in your testimony being stricken because
11 it's being considered in that case. Do you
12 understand that?

13 A. Yes.

14 Q. And the present case we have here which,
15 according to Examiner Tauber's ruling, deals with
16 just the extension period and the issues involved in
17 that extension of a year. Is that clear --

18 A. Yes.

19 Q. -- between the two?

20 So your testimony on page 15 and 16 deals
21 with an ADIT recommendation. Does the Commission, to
22 apply this recommendation, need to reach back to the
23 PIRR dockets to apply it?

24 A. It needs to be reached -- it needs to be
25 done in one of these two. Wherever the Commission

1 decides that it's going to rule on the appropriate
2 balance of the PIRR, then that's where it needs to be
3 done.

4 Q. So if this case were just dealing with
5 the delay of a year of collection or implementation,
6 would the appropriate case to consider that be in the
7 balance case which is the PIRR dockets?

8 A. If the issues were bifurcated that way,
9 then yes. The bottom line is it needs to be dealt
10 with in one of the two places.

11 Q. And would your answer be the same on page
12 17, dealing with your concern on government
13 aggregation, that issue needs -- and to clarify,
14 you're saying that issue needs to be decided and
15 addressed in the appropriate place?

16 A. Yes, again, in one of the two cases.

17 MR. SATTERWHITE: Thank you, Mr. Bowser.

18 Your Honor, that's all I have at this
19 time.

20 EXAMINER SEE: Mr. Margard?

21 MR. MARGARD: No. Thank you, your Honor.

22 EXAMINER SEE: Redirect, Mr. Darr?

23 MR. DARR: Could I have a couple minutes,
24 your Honor?

25 EXAMINER SEE: Sure. Let's go off the

1 record.

2 (Recess taken.)

3 EXAMINER SEE: Let's go back on.

4 Mr. Darr, redirect?

5 MR. DARR: Thank you, your Honor. Two
6 areas.

7 - - -

8 REDIRECT EXAMINATION

9 By Mr. Darr:

10 Q. Mr. Bowser, you had a discussion with
11 Mr. Satterwhite with regard to the accounting for
12 purposes of the deferrals. Could you explain, for
13 the record, the accounting entries or the accounting
14 processes used for those deferrals?

15 A. Yes. In effect, when the regulatory
16 asset is set up, there's a debit made to, I believe
17 it's account 182, regulatory assets, and a credit is
18 made to the -- to expense.

19 Q. And, for accounting purposes, does this
20 represent a deferred -- a deferred expense item? Or
21 how would you describe it?

22 A. For accounting purposes, yes, it's a
23 deferred expense, that's correct.

24 Q. The second area that I'd like to address
25 is a question that Mr. Satterwhite asked you with

1 regard to the treatment of the deferral with regard
2 to -- as it develops out of this case or the other
3 case. You indicated that there should be some delay
4 until there is some finalization. Do you recall that
5 line of questions?

6 A. Yes, I do.

7 Q. And when you referred to "finalization,"
8 do you mean finalization of the PIRR case or
9 something more global?

10 A. Right, I meant finalization of the cases
11 in which there are issues that will ultimately affect
12 the PIRR deferral. And I think I had mentioned some
13 of those were the FAC audit cases, the SEET, or
14 S-E-E-T, significantly excess earnings cases, and
15 then also the remand of the ESP I case.

16 MR. DARR: Thank you. I don't have
17 anything further.

18 EXAMINER SEE: Recross?

19 Mr. Howard?

20 MR. HOWARD: No. Thank you.

21 EXAMINER SEE: Mr. Barnowski?

22 MR. BARNOWSKI: No. Thank you, your
23 Honor.

24 EXAMINER SEE: Mr. Siwo?

25 MR. SIWO: No questions, your Honor.

1 EXAMINER SEE: Ms. Kyler?

2 MS. KYLER: No questions, your Honor.

3 EXAMINER SEE: Mr. Sineneng?

4 MR. SINENENG: No. Thank you.

5 EXAMINER SEE: Mr. Lang?

6 MR. LANG: No. Thank you.

7 EXAMINER SEE: Mr. Serio?

8 MR. SERIO: No. Thank you, your Honor.

9 EXAMINER SEE: Mr. Satterwhite?

10 MR. SATTERWHITE: No. Thank you, your
11 Honor.

12 EXAMINER SEE: Mr. Margard?

13 MR. MARGARD: No. Thank you, your Honor.

14 - - -

15 EXAMINATION

16 By Examiner See:

17 Q. Mr. Bowser, you're advocating that
18 certain proceedings that might affect the balance of
19 the deferred fuel expenses be finalized before
20 recovery of those expenses begins; is that correct?

21 A. Yes, your Honor.

22 Q. Are you advocating that position because
23 you feel that the Commission has no authority to
24 revise the PIRR after it is securitized by the
25 company?

1 A. No. In my opinion, it would be best to
2 not begin the recovery until all issues have been
3 resolved; however, if the Commission did decide to go
4 ahead and approve amortization of the PIRR, then I
5 believe it should be collected subject to
6 reconciliation, i.e., the Commission would be able to
7 go in, then, and make adjustments if needed.

8 Q. And in your recommending that the other
9 cases that might affect the balance of the deferred
10 fuel expenses, you realize that finalization of
11 FAC -- I'm sorry, of the FAC case, the significantly
12 excessive earnings test cases, and remand of the
13 first ESP case, could extend for several months,
14 years, 24 months?

15 A. Yes, your Honor.

16 EXAMINER SEE: Okay. All right. Thank
17 you. Thank you, Mr. Bowser.

18 Mr. Darr?

19 MR. DARR: I move the admission of IEU
20 129 and proffer the portions that have been stricken.

21 EXAMINER SEE: Are there any objections?

22 MR. SATTERWHITE: Yes, your Honor. I'd
23 like to renew my motion to strike the certain
24 portions I asked questions about. I believe on page
25 15, starting on line 18, dealing with the ADIT

1 issues, all the way to the end of 17 that deal with
2 the governmental aggregation, I specifically asked
3 Mr. Bowser whether that tied to the overall balance
4 and the overall issue of the PIRR versus the delay in
5 implementation.

6 And I believe Examiner Tauber's ruling
7 previously was that anything that didn't deal with
8 the delay in implementation, that dealt with the
9 overall balance, would not be part of this case. So,
10 therefore, I believe, upon further cross-examination,
11 that -- and the witness's admission that these two
12 areas fit within that bucket and should also be
13 stricken.

14 MR. DARR: May I respond, your Honor?

15 EXAMINER SEE: Yes, Mr. Darr.

16 MR. DARR: We believe that the original
17 ruling was correct, your Honor. Mr. Bowser's
18 testimony obviously, and this whole issue, is highly
19 integrated, but both of these go to some immediate
20 questions that need to be addressed by the Commission
21 and, therefore, we'd ask that it be left in the
22 record for this case.

23 MR. SATTERWHITE: If you need me to
24 respond, your Honor, let me know.

25 EXAMINER SEE: No. Thank you.

1 So that we can move on, I am going to
2 take the objections and the motion and Mr. Darr's
3 response under advisement, look back at the
4 transcript, and I'll give you our ruling on it --

5 MR. SATTERWHITE: Thank you.

6 EXAMINER SEE: -- later.

7 You're dismissed, Mr. Bowser.

8 Mr. Etter?

9 MR. ETTER: Yes. OCC calls Ibrahim
10 Soliman to the stand.

11 (Witness sworn.)

12 EXAMINER SEE: Have a seat.

13 - - -

14 IBRAHIM SOLIMAN

15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Etter:

19 Q. Would you state your name and business
20 address, please.

21 A. My name is Ibrahim Soliman. My business
22 address is 10 West Broad Street, Columbus, Ohio,
23 43215.

24 MR. ETTER: May I approach, your Honor?

25 EXAMINER SEE: Yes.

1 MR. ETTER: I would like to have marked
2 OCC Exhibit 115 which is the direct testimony of
3 Mr. Soliman, which was filed in this docket on
4 May 4th, 2012.

5 EXAMINER SEE: The exhibit is so marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Mr. Soliman, do you have a copy of what
8 has just been marked as OCC Exhibit 115?

9 A. Yes, I do.

10 Q. And was this testimony filed or prepared
11 by you or at your direction?

12 A. Yes.

13 Q. And do you have any changes to make?

14 A. I have one correction to be made.

15 Q. Where is that?

16 A. Page 7, line 4, I'd like to delete that
17 which is between "accurate" and "calculation."

18 Q. So that should say "...regarding the
19 accurate calculation of carrying charges," correct?

20 A. That's correct.

21 Q. Now, do you also have a copy of what was
22 previously marked as OCC Exhibit 114-A?

23 A. Yes, I do.

24 Q. And these are revised attachments --
25 toward the back of the exhibit are revised

1 attachments IS-E, F, and G, correct?

2 A. That's correct.

3 Q. Do they replace the same attachments that
4 were in the -- that are in the document just marked
5 as OCC Exhibit 115?

6 A. Yes, that's correct.

7 Q. And why have these revised attachments
8 been prepared?

9 A. The attachment that was filed back in
10 May 4th, 2012, was just the estimated amount of the
11 deferred fuel and ADIT. This new attachment or the
12 revised exhibits reflect the actual balance of the
13 deferred fuel and ADIT as of March 31st, 2012.

14 Q. And how were those revisions -- revised
15 information obtained?

16 A. These updates were obtained by the OCC
17 discovery request.

18 Q. And do those come -- those discovery
19 responses, did they come in after your testimony was
20 filed on May 14th?

21 A. Yes, that's correct.

22 Q. Now, if I were to ask you the same
23 questions in OCC Exhibit 115 and the revised -- with
24 the revisions on 114-A, if I were to ask you these
25 same questions today, would your answers be the same?

1 A. Yes.

2 MR. ETTER: Your Honor, we move for the
3 admission of OCC Exhibit 115, and I tender the
4 witness for cross-examination.

5 EXAMINER SEE: I note that there are
6 motions to strike portions of Mr. Soliman's
7 testimony. That motion is granted as to page 3,
8 starting on line 8, and carrying over to page 4, line
9 14.

10 THE WITNESS: I'm sorry, your Honor.
11 From what page to --

12 EXAMINER SEE: Starting at page 3, line
13 8, so that would be question and answer 7, as well as
14 question and answer 8.

15 MR. ETTER: Your Honor, we would proffer
16 the portions that were stricken.

17 EXAMINER SEE: Cross?

18 Mr. Petricoff?

19 MR. PETRICOFF: Yes?

20 EXAMINER SEE: Any cross?

21 MR. PETRICOFF: No, your Honor.

22 EXAMINER SEE: Mr. Barnowski?

23 MR. BARNOWSKI: No. Thank you, your
24 Honor.

25 EXAMINER SEE: Mr. Siwo?

1 MR. SIWO: No questions, your Honor.

2 Thank you.

3 EXAMINER SEE: Ms. Kyler?

4 MS. KYLER: No questions, your Honor.

5 EXAMINER SEE: Mr. Sineneng?

6 MR. SINENENG: No. Thank you.

7 EXAMINER SEE: Mr. Darr?

8 MR. DARR: No. Thank you.

9 EXAMINER SEE: Mr. Lang?

10 MR. LANG: No. Thank you.

11 EXAMINER SEE: Mr. Nourse?

12 MR. NOURSE: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Nourse:

16 Q. Good afternoon, Mr. Soliman.

17 A. Good afternoon.

18 Q. On page 2 of your testimony, you indicate
19 a list of items, documents you reviewed in
20 preparation for your testimony. Do you see that?

21 A. Yes.

22 Q. Now, is that an exclusive list of
23 documents you reviewed to prepare your testimony?

24 A. Yes.

25 Q. Okay. So if a document's not listed

1 here, then you didn't look at it; is that accurate?

2 Let me clarify. You didn't look at it for purposes

3 of preparing your testimony.

4 A. Well, I did review the Commission's

5 Opinion and Order from the first ESP.

6 Q. From the ESP I case?

7 A. Yes.

8 Q. Okay. Did you --

9 A. I'm sorry. Related to the deferred fuel
10 issue.

11 Q. Okay. And did you review the
12 December 14th, 2011, Opinion and Order in the current
13 case?

14 A. No, I did not.

15 Q. Did you review the March 7th entry in the
16 current case?

17 A. No, I did not.

18 Q. Okay. Did you review Company Witness
19 Assante's testimony from the ESP I case?

20 MR. ETTER: Excuse me. Just to clarify,
21 do you mean for preparation of his testimony?

22 MR. NOURSE: Yes.

23 A. No, I did not. But I remember his
24 testimony from the first ESP.

25 Q. Okay. On page 5 of your testimony,

1 you've got two approaches listed, referenced here, as
2 to reducing the amount of carrying charges relating
3 to ADIT, correct?

4 A. Yes.

5 Q. So you're familiar with the phase-in plan
6 from the ESP I proceeding, correct?

7 A. Yes.

8 Q. And you're familiar with the regulatory
9 asset that was created for deferred fuel expenses,
10 correct?

11 A. Yes.

12 Q. And in setting up that regulatory asset,
13 there was -- there were various amounts that were not
14 collected under the FAC that actually reflected fuel
15 expense incurred by the companies during that period,
16 correct?

17 A. I know the Commission authorized the
18 company to create regulatory asset for any portion of
19 the fuel that was not recovered through the FAC.

20 Q. Okay. And that's what I want to focus on
21 with a couple questions here. The amount that was
22 not recovered, as you just said, or the amount that
23 was not collected, that would be the same meaning to
24 your understanding?

25 A. Yes.

1 Q. Okay. And do your approaches that you
2 list on page 5, the two approaches you just
3 referenced, do they reduce the amount not collected
4 by the company before applying carrying charges?

5 A. What I'm recommending that the amount of
6 the deferred fuel balance that will be subject for
7 recovery during the amortization period to be -- for
8 the purpose of calculating a carrying cost, to be
9 reduced by the ADIT before applying the carrying cost
10 rate. I'm not recommending that the fuel amount to
11 be reduced by the ADIT, as recommended in the first
12 ESP.

13 Q. Okay. Well, I'm not really asking you
14 about the ESP. I'm not sure what you're referring to
15 there, but I have just a narrow question. Are your
16 two approaches that you reference on page 5, do they
17 reduce the amount not collected by the companies
18 prior to applying carrying charges?

19 A. No, they will not reduce the deferred
20 fuel principal amount.

21 Q. So, okay, so the principal amount under
22 your -- reflected in your exhibits is equal to the
23 amount not collected by the companies; is that what
24 you're saying?

25 A. The amount of the deferred -- the

1 deferred fuel principal amount balance as of end of
2 March 2012.

3 Q. Okay. Well, let me ask again. So the
4 principal amount in your exhibits is equal to the
5 amount not collected by the companies from 2009
6 through 2011, under the FAC mechanism; is that
7 correct?

8 A. Yes.

9 Q. So in your exhibits you did not reduce
10 the principal of the regulatory asset established for
11 the amounts not collected through the FAC?

12 A. Yes, that's correct. If you look at my
13 updated exhibit, you will see that my principal
14 amount of fuel of 549 has not been changed and that
15 will be collected during the amortization period.
16 That will not be reduced by the ADIT.

17 Q. Well, my question, sir, was about the
18 application of carrying charges. And are you saying,
19 in your exhibit, you apply carrying charges to the
20 full principal amount that's equal to the amount not
21 collected under the FAC?

22 A. No. I reduced the principal amount of --
23 I reduced the balance of that deferred fuel by the
24 ADIT before applying the carrying charge rate or
25 before calculating the carrying charge cost.

1 MR. NOURSE: Thank you.

2 That's all the questions I have, your
3 Honor.

4 EXAMINER SEE: Mr. Margard?

5 MR. MARGARD: No. Thank you, your Honor.

6 EXAMINER SEE: Redirect, Mr. Serio? I'm
7 sorry, Mr. Etter.

8 MR. ETTER: No redirect, your Honor.

9 EXAMINER SEE: Thank you, Mr. Soliman.

10 THE WITNESS: Thank you.

11 EXAMINER SEE: Mr. Etter.

12 MR. ETTER: Yes, your Honor. OCC moves
13 for the admission of Exhibits 114 and 114-A which
14 were deferred from yesterday, and for Exhibit 115.

15 MR. NOURSE: Your Honor, the company
16 opposes admission of Mr. Soliman's exhibits. And I'd
17 note that the updated exhibits reflected in OCC 114-A
18 that relate to Mr. Soliman's testimony, as I just
19 confirmed through examination, reflect a reduction of
20 the principal regulatory asset and reflect an outcome
21 of the 4920 and 4921 cases that remains pending.

22 And according to Examiner Tauber's
23 ruling, last week, in connection with Dr. Duann's
24 testimony, this proceeding will permit issues
25 relating to the PIRR as proposed in the modified

1 application which deals with the delay of the
2 implementation of the PIRR; otherwise, any arguments
3 will be addressed accordingly in the docket for the
4 4920 and 4921 cases.

5 Your Honor, I think the exhibits in 114-A
6 that were, you know, they were filed after the time
7 we filed our motion to strike and, again, as made
8 clear in the record here, reflect OCC's desired
9 outcome of the 4921 case and 4920 cases, and are
10 beyond the scope in this proceeding and should be
11 stricken.

12 EXAMINER SEE: You were not objecting to
13 the admission of OCC Exhibit 114, the direct
14 testimony of Ms. Hixon, were you, Mr. Nourse?

15 MR. NOURSE: No.

16 EXAMINER SEE: I believe counsel for the
17 company --

18 MR. NOURSE: I'm sorry if I said that.

19 EXAMINER SEE: I'm making sure. I'm not
20 sure that you did.

21 MR. NOURSE: Oh, I'm sorry, because we
22 deferred that. Yes.

23 EXAMINER SEE: Yes.

24 MR. NOURSE: Correct. The company does
25 not object.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 EXAMINER SEE: As with the testimony of
3 Mr. Bowser, the Bench would like to look back at the
4 record and the prior ruling to confirm the
5 representation of the parties, and we'll take the
6 admission of OCC Exhibit 115 and 114-A, as to the
7 revised exhibits of Mr. Soliman, under advisement.

8 MR. NOURSE: Thank you, your Honor. And,
9 for convenience, the reference I made was to Volume
10 IX, at page 2738 and '39.

11 EXAMINER SEE: Okay.

12 MR. ETTER: Just for clarification, your
13 Honor, Exhibit 114 has been admitted into the record;
14 is that correct?

15 EXAMINER SEE: Ms. Hixon's testimony has
16 been admitted into the record.

17 114-A, since it has the attachments, the
18 revised attachments of Mr. Soliman, is being taken
19 under advisement as well as his testimony.

20 Thank you, Mr. Soliman.

21 Let's go off the record.

22 (Discussion off the record.)

23 EXAMINER SEE: Let's take a 10-minute
24 break.

25 (Recess taken.)

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

3 Mr. Petricoff?

4 MR. PETRICOFF: Yes, your Honor. Thank
5 you. At this time we would like to call Teresa L.
6 Ringenbach to the stand.

7 EXAMINER SEE: Mr. Petricoff, do you
8 happen to have a redline copy of Ms. Ringenbach's
9 testimony with the corrections shown on her errata
10 sheet?

11 MR. PETRICOFF: A redline? No. In the
12 supplemental we have an errata sheet that shows it.
13 We've not prepared a redline. We'd be glad to do so
14 and submit it to the Bench and all the parties if
15 that would be advantageous.

16 EXAMINER SEE: That's okay.

17 Could you raise your right hand,
18 Ms. Ringenbach.

19 (Witness sworn.)

20 EXAMINER SEE: Thank you. Have a seat.
21 Please ensure that your mic is on and pull it closer
22 to you.

23 - - -

24 TERESA L. RINGENBACH
25 being first duly sworn, as prescribed by law, was

1 examined and testified as follows:

2 DIRECT EXAMINATION

3 By Mr. Petricoff:

4 Q. Would you please state your name and
5 business address for the record.

6 A. Teresa L. Ringenbach, and it's Direct
7 Energy, and the address is 9605 El Camino Lane, Plain
8 City, Ohio.

9 Q. And, Ms. Ringenbach, on whose behalf do
10 you appear today?

11 A. Direct Energy and RESA.

12 MR. PETRICOFF: Your Honor, at this time
13 I would like to have marked as RESA Exhibit 102 the
14 direct prepared testimony of Teresa Ringenbach, and
15 marked as RESA Exhibit 103 the supplemental testimony
16 of Teresa L. Ringenbach.

17 EXAMINER SEE: The exhibits are so
18 marked.

19 (EXHIBITS MARKED FOR IDENTIFICATION.)

20 Q. Ms. Ringenbach, turning to your direct
21 testimony. Have you prepared an errata sheet for
22 changes and corrections to your direct testimony?

23 A. Yes.

24 Q. And is that errata sheet attached as
25 Exhibit A to your supplemental testimony?

1 A. Yes.

2 Q. And could you describe or classify the
3 kind of changes you made? Are these substantive or
4 are these more grammatical and typographical?

5 A. Grammatical and there's a lot of typos.

6 Q. If I were to ask you, today, the
7 questions in your direct testimony, RESA Exhibit 102,
8 with the corrections that are in the errata sheet,
9 would your answers be the same?

10 A. Yes.

11 Q. And if I were to ask you the questions
12 that are in the supplemental testimony today, would
13 your answers be the same?

14 A. Yes.

15 Q. And was this testimony prepared by you or
16 under your supervision and direction?

17 A. Yes.

18 MR. PETRICOFF: Your Honor, at this time
19 the witness is available for cross-examination.

20 MR. NOURSE: Your Honor, as a procedural
21 matter, I just wanted to note that I believe there
22 was a motion for leave to file supplemental testimony
23 I believe should be addressed before we proceed.

24 Based on what's included in the
25 supplemental testimony, the company does not object

1 to that motion, but presuming you want to rule on it
2 before we proceed.

3 EXAMINER SEE: Good to hear you don't
4 object.

5 And does anyone in the room object?

6 (No response.)

7 EXAMINER SEE: RESA's request to file
8 supplemental testimony is granted.

9 And, with that, let's begin cross.

10 Mr. Clark, are you representing a party
11 to this case?

12 MR. CLARK: Direct Energy, your Honor.

13 EXAMINER SEE: Okay.

14 MR. CLARK: So I have no cross.

15 EXAMINER SEE: Mr. Barnowski?

16 MR. BARNOWSKI: No questions, your Honor.

17 EXAMINER SEE: Ms. McAlister?

18 MS. McALISTER: Just a couple.

19 - - -

20 CROSS-EXAMINATION

21 By Ms. McAlister:

22 Q. Good afternoon, Ms. Ringenbach.

23 A. Hello.

24 Q. It's your proposal that the Commission
25 adopt an RPM capacity price for all customers; is

1 that correct?

2 A. Yes.

3 Q. But if the Commission rejects that
4 proposal, you say, on page 10 of your testimony, that
5 the customers that contracted for power with CRES
6 providers should receive the RPM-priced power and be
7 held harmless; is that correct?

8 A. That's correct.

9 Q. Would that also include the customers
10 that provided the 90-day notices to AEP that they
11 intended to shop, but have not yet contracted with a
12 CRES provider?

13 A. Yes, it would, because typically when you
14 provide the notice, you've already contracted.

15 Q. Okay. So would it include those
16 customers who provided the notice --

17 A. Yes.

18 Q. -- but may have -- okay. I'm going to go
19 ahead and finish my question just so it's clear for
20 the record.

21 But have actually not yet contracted.

22 A. Yes.

23 MS. McALISTER: No further questions,
24 your Honor.

25 EXAMINER SEE: Ms. Kyler?

1 MS. KYLER: No questions, your Honor.

2 EXAMINER SEE: Mr. Sineneng?

3 MR. SINENENG: No questions, your Honor.

4 EXAMINER SEE: Mr. Darr?

5 MR. DARR: No questions.

6 EXAMINER SEE: Mr. Lang?

7 MR. LANG: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Lang:

11 Q. Just a few questions, actually on your
12 supplemental testimony. And in your supplemental
13 testimony you refer to the notice that was marked
14 earlier as FES Exhibit 119. Was that a -- do you
15 know whether Direct Energy received that notice on
16 May 14th, on the date of the notice?

17 A. I would have to look at the notice that
18 came to us to verify the date.

19 Q. Now, I believe this is marked as an
20 exhibit with Mr. Dias, AEP Ohio Witness Dias. Did
21 you review his testimony with regard to this exhibit?

22 A. No.

23 Q. Mr. Dias indicated that this change in
24 procedure was the result of a collaborative with CRES
25 providers. Was that a -- was that something that

1 Direct Energy participated in; do you know?

2 A. Not that I know of.

3 Q. Do you have any information with regard
4 to members of RESA that would have participated in a
5 collaborative regarding this issue?

6 A. I don't.

7 Q. Do you have any information with regard
8 to when customers are switched back to AEP Ohio,
9 whether there's any policy if they return to a CRES
10 provider, whether they would be able to return at
11 tier 1 pricing?

12 A. It's my understanding that currently
13 under tariff, if they're returned to AEP, they're
14 subject to a minimum stay. So they would essentially
15 be stuck for another year and likely lose their tier
16 1 pricing.

17 MR. LANG: That's all the questions I
18 have. Thank you.

19 EXAMINER SEE: Mr. Etter?

20 MR. ETTER: Thank you, your Honor. Just
21 a few questions.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Etter:

25 Q. Good afternoon.

1 A. Hello.

2 Q. Now, on page 5 of your testimony, you
3 provide a recommendation there regarding CRES
4 provider access to customer information. And, just
5 to be clear, that entire recommendation refers to
6 information that the CRES provider has received
7 authorization from the customer to access, correct?

8 A. That's correct.

9 Q. And on line 14, you use the phrase
10 "proper customer authorization," but what do you mean
11 by that?

12 A. We typically require that our customers
13 give us, it's like a letter of authorization, called
14 an "LOA," and it basically says I give you full
15 access to all the information on my account that I
16 would have access to.

17 Q. Is that, in general, as far as you know,
18 for other CRES providers, the LOA?

19 A. I would say it's standard practice among
20 everyone.

21 Q. And at the top of page 6, you discuss
22 access to gridSMART and gridSMART data. GridSMART is
23 available currently only in a limited area of
24 AEP Ohio's service territory; is that right?

25 A. That's right.

1 Q. And you say, on lines 9 and 10, that
2 shopping and nonshopping customers should be treated
3 the same for these utility funded enhancements. What
4 do you mean by that?

5 A. Basically, we're talking about if you
6 are -- if you are with the utility today, you have
7 access to anything that comes out of the gridSMART
8 program, whether it's energy efficiency programs or
9 whatever it might be.

10 We want to make sure that if you switch
11 to a CRES provider, that you still have all of that
12 access because you're still paying that rider, you're
13 still paying for those programs. So just because
14 you're being served by another provider, as long as
15 you're paying for those programs, you should still
16 have access to them.

17 Q. And that would be limited to shopping and
18 nonshopping customers in the area that gridSMART is
19 currently being offered; is that right?

20 A. Yes.

21 Q. And the question on lines 2 and 3, at the
22 top of page 6, deals with the terms and conditions
23 having customers -- or, gridSMART data available on
24 the same terms and conditions. Do you believe that
25 gridSMART customers should have access to their own

1 data? You are referring there to their own data and
2 not to somebody else's data, correct?

3 A. Yes.

4 Q. And how about general data regarding
5 similar customers that could be used for comparison
6 purposes, should gridSMART customers have that kind
7 of data available to them?

8 A. I just want to clarify the question. Are
9 you asking me should gridSMART customers have access
10 to other customers' data?

11 Q. Not other specific customer's data, but
12 general data regarding customers of -- that are
13 similarly situated, customers who are in the same
14 neighborhood, same usage level, that sort of thing,
15 should they be able to have that kind of data to be
16 used for comparison purposes?

17 A. As long as it's generic and confidential
18 and not specific to any other customer. I certainly
19 wouldn't want competitors having access to each
20 other's information.

21 Q. Now, later on page 6, you make four
22 recommendations numbered 6 through 9, and you use
23 some terminology there that I'd kind of like to get
24 clarifications on.

25 First of all, in recommendation No. 6,

1 you use the terms "Rate Ready" and "Bill Ready
2 billing." Can you explain what those are?

3 A. "Rate Ready" is essentially we send the
4 rate to the utility, they calculate the bills. "Bill
5 Ready" is they send us the usage data, we calculate
6 our part of the bill and send them the total amount.

7 Q. Thank you.

8 And in recommendation No. 7, you mention
9 a "Purchase of Receivables Program." How does that
10 operate?

11 A. The utility would purchase the
12 receivables of the CRES provider, either at a
13 discount or without a discount, and then it becomes
14 the utility's receivable to collect.

15 So we get paid what -- either the total
16 amount that the customer owes, or the total amount
17 less a certain percentage to account for
18 uncollectibles and then the utility keeps the rest.

19 Q. And in recommendation No. 8, you mention
20 "supplier consolidated billing with utility shutoff";
21 what is that?

22 A. The supplier would create a single bill
23 which includes the utility charges on our bill versus
24 the way it happens today where our charges are on the
25 utility's bill.

1 And the "shutoff" portion of that means
2 if the customer doesn't pay their total bill to us,
3 including supplier charges, we would have the ability
4 to work with the utility for the utility to follow
5 their normal processes to disconnect customers.

6 Q. And what kind of customer safeguards
7 should be in place there?

8 A. We actually are saying the same ones that
9 are in place today.

10 Q. On pages 8 and 9 of your direct
11 testimony, first of all, it's page 8, line 19, the
12 phrase "Rate Stability Rider" is there, and it's
13 mentioned as an "RSR." Is that the same as the
14 retail stability rider that's been proposed by the
15 company?

16 A. It's not exactly the same.

17 Q. And how would that be different?

18 A. We're actually proposing that all
19 customers pay RPM for capacity, and to the extent
20 there's some difference between those prices from
21 what comes out of the 10-2929 case, then that would
22 flow through the rate stability rider.

23 Q. And you recommend on page 9, lines 2 and
24 3, that "...the RSR be set at a level that allows
25 AEP Ohio's total revenue from its regulated

1 services...." Can you explain what you mean there by
2 "total revenue"?

3 A. Right. So, again, what comes out of the
4 Commission's order in the 10-2929 case, right,
5 assuming the Commission comes out with some higher
6 amount than saying it's just all RPM, then that
7 difference between RPM and whatever amount comes out
8 of that order is what we're talking about here.

9 Q. You're familiar with contracts that CRES
10 providers have with their company -- or their
11 customers, excuse me.

12 A. Yes.

13 Q. And would the RSR -- would CRES providers
14 be allowed to pass the RSR on to their customers
15 through their contracts?

16 A. This proposal is if the RSR is a
17 nonbypassable rider, so it wouldn't be part of the
18 CRES's contract.

19 Q. So all customers would be forced to pay
20 this, correct?

21 A. Yes.

22 MR. ETTER: That's all the questions I
23 have. Thank you, your Honor.

24 EXAMINER SEE: Mr. Nourse?

25 MR. NOURSE: Thank you, your Honor.

1 - - -

2 CROSS-EXAMINATION

3 By Mr. Nourse:

4 Q. Good afternoon, Ms. Ringenbach.

5 A. Hello.

6 Q. Let me first ask you a couple questions
7 about your supplemental testimony, RESA Exhibit 103.
8 Do you have that?

9 A. I do.

10 Q. Okay. In page 3, in answer 6 of that
11 supplemental testimony, your opinion appears is that
12 this practice that's being discussed would affect
13 customers who were struggling financially. Do you
14 see that reference in line 5?

15 A. Yes.

16 Q. Okay. Is that a target audience for RESA
17 members for Direct Energy customers that are
18 struggling to pay their utility bill?

19 A. No.

20 Q. And can you explain, is that something
21 you focus on marketing efforts to or something you
22 avoid happening?

23 A. We try to avoid that happening.

24 Q. How do you do that?

25 A. Well, for business customers, we do run

1 credit checks on them. For residential customers,
2 we're not currently selling in AEP, because you don't
3 have a purchase of receivables program, and it's very
4 expensive to do credit checks on residential
5 customers, so we're just not selling there rather
6 than trying to do those individual checks.

7 Q. Okay. Since you mentioned "business
8 customers," do you think this policy you're
9 discussing in your supplemental testimony will affect
10 business customers?

11 A. Yes, I do.

12 Q. In your experience, are business
13 customers likely to get their power disconnected very
14 often?

15 A. Not likely to get it disconnected, but
16 they do tend to pay late, but do pay.

17 Q. Okay. In fact, with most businesses, if
18 you got your power turned off, you're probably out of
19 business, would you agree?

20 A. I agree.

21 Q. So most businesses don't go out of
22 business very often, do they?

23 A. That's correct.

24 Q. Now, let's focus on your discussion here
25 as it relates to residential customers. Are you

1 familiar with OCC Witness Jim Williams's testimony in
2 this case?

3 A. No.

4 Q. Okay. So if I told you, on page 6 of his
5 testimony, he indicated that the percentage of total
6 customers for AEP Ohio that are disconnections for
7 nonpayment was approximately 6 percent, would that
8 sound about right to you?

9 A. I will assume it's right.

10 Q. Okay. So for purposes of these
11 questions, let's use that 6 percent number without
12 attribution to either AEP Ohio or RESA, okay?

13 A. Okay.

14 Q. So assuming there are 6 percent of
15 customers that may be subject to disconnection for
16 nonpayment, would you agree that -- and this, again,
17 is focused on residential, okay?

18 A. Yes.

19 Q. Residential customers.

20 Would you agree that the PIPP population
21 might be part of that 6 percent?

22 A. No; because PIPP should have less
23 disconnections by entering into their payment
24 arrangements through the PIPP program.

25 Q. Okay. So your testimony is that the PIPP

1 customers base would be above and beyond the
2 6 percent as far as disconnections for nonpayment?

3 A. Are you saying -- I just want to be
4 clear. I'm saying that I would think that PIPP would
5 probably have a lower amount of disconnections than
6 other customers who don't participate in the PIPP
7 program.

8 Q. Okay. And that's because they pay a
9 percentage of income rather than their actual bill;
10 is that what you mean?

11 A. Yes.

12 Q. Okay. So, but in any event, whatever the
13 rate is, those PIPP customers would be part of the
14 6 percent, you would expect?

15 A. The ones who are disconnected, yes.

16 Q. Okay. And would you also expect that
17 only a portion of the 6 percent, minus PIPP, would be
18 shopping customers that would be subject to this
19 policy?

20 MR. ETTER: Objection, your Honor.
21 There's been no foundation laid here for whether the
22 witness knows anything about the PIPP program or PIPP
23 shoppers or PIPP customers and their demographics or
24 their practices.

25 MR. NOURSE: Your Honor, I'm not sure how

1 that objection relates to my question, but I'm asking
2 about the -- I think the witness has followed my
3 questions and can explain to the extent she doesn't
4 have knowledge about any of those matters that would
5 affect her answer.

6 EXAMINER SEE: I'll allow it.

7 A. Can you ask me the question again?

8 Q. Do you want the question again?

9 EXAMINER SEE: Do you need it read back?

10 Q. So would you expect a portion of the
11 customers that are subject to disconnection for
12 nonpayment, that only a portion of those customers
13 would be shopping customers that would be affected by
14 this policy you're discussing?

15 A. Yes, I would assume that not all of the
16 customers being disconnected are with the CRES
17 provider.

18 Q. Okay. Now, are you familiar with the
19 company's projections of shopping levels based on
20 testimony in this case?

21 A. From?

22 Q. Projected shopping levels.

23 A. Yes; from Bill Allen's testimony?

24 Q. Yes.

25 A. Yes.

1 Q. Okay. And is it your recollection that
2 in Mr. Allen's testimony, again, relative to
3 residential customers, that approximately 35 percent
4 of those customers would stay with the EDU?

5 A. Yes.

6 Q. Okay. Now, you also talked about the
7 12-month minimum stay on page 2 of your supplemental
8 testimony, that such a switch would trigger the
9 12-month stay. Do you see that?

10 A. Yes.

11 Q. Well, before we get to that, let me back
12 up.

13 So in your testimony here on page 2, line
14 16, you make the statement that the "shift in
15 practice could result in a great number of customers"
16 on line 16. Do you see that?

17 A. Yes.

18 Q. Okay.

19 A. Yes.

20 Q. Now, based on the discussion we just had,
21 can you put any numbers behind your statement about a
22 "great number of customers"; what you actually
23 expect?

24 A. Well, let's be clear that the discussion
25 we just had dealt with customers for disconnection.

1 Not all customers are disconnected for \$50 more than
2 60 days. So based -- I can't base it on the
3 discussion we just had because this affects more than
4 customers who are subject to disconnection. This
5 affects a customer who might perpetually have \$50 in
6 arrears, but be continuously paying the majority of
7 their bill and never actually hit disconnection.

8 Q. Okay. Do you have any statistics or
9 quantitative analysis that you have studied or looked
10 at that issue?

11 A. I can tell you that within Direct Energy
12 we had about 20 customers that were dropped
13 immediately.

14 Q. Okay. So 20 customers of Direct Energy's
15 that were currently served by Direct Energy that were
16 shifted back to SSO service --

17 A. Yes.

18 Q. -- because they didn't pay their bill?

19 A. Because they didn't pay their full amount
20 of their bill.

21 Q. Okay. Now, is RESA opposed to the
22 12-month minimum stay provision that AEP Ohio has?

23 A. Yes.

24 Q. And is it your understanding that policy
25 was approved by the Commission?

1 A. Yes.

2 Q. Is it your understanding that the other
3 electric distribution utilities in Ohio have some
4 similar provisions of service?

5 A. They do; some of them are actually
6 getting rid of it.

7 Q. Okay. So you disagree with the 12-month
8 stay in general.

9 A. Yes.

10 Q. Now, setting aside your disagreement with
11 the 12-month stay, do you acknowledge or do you agree
12 that there's an underlying -- a legitimate underlying
13 concern about gaming the system, of switching during
14 off-season, switching back during on-season, those
15 types of concerns? Would you agree?

16 A. I agree that there is a concern.

17 Q. So relative to your concern here about
18 the policy impact, even if the Commission agreed with
19 that concern, they would not need to modify the
20 12-month stay as a general matter, correct? They
21 could just make an exception for these customers that
22 are not gaming that just didn't pay their bill?

23 A. They could.

24 Q. Thank you. I think that's all the
25 questions I have on your supplemental testimony.

1 If you could return to your direct
2 testimony. On page 3, answer 8, in line 6, you state
3 that, in your opinion, the modified ESP contains many
4 aspects that are, in your words, "anti-customer,"
5 "anti-customer choice." Do you see that?

6 A. Yes.

7 Q. And does that reference in that statement
8 of your opinion, does that cover -- is that shorthand
9 for the items that you list on pages -- Section III
10 of your testimony, pages 4 through 7?

11 A. Yes.

12 Q. Okay. Okay. So let's talk about that
13 Section III of your testimony. In answer 10, line 6
14 on page 4, you state that AEP Ohio's eliminated some
15 barriers.

16 A. Yes.

17 Q. Can you list those or tell me what you're
18 referring to there? I'll give you a minute. Go
19 ahead.

20 A. All right. Yes. So AEP has agreed to
21 create more transparency in the fuel rider by
22 separating out the renewable portfolio standard which
23 CRES providers pay to;

24 AEP's also agreed to keep the current
25 tariff structure in place for right now, which

1 created a lot of confusion under the last change;

2 The other thing is elimination of the
3 90-day notice and eventually -- eventually the
4 minimum stay provisions. The "90-day notice" being
5 you have to give notice that you're going to leave 90
6 days before you actually switch, which makes it
7 difficult because you have to essentially try to sync
8 the 90-day notice up with the actual meter read
9 switch date and customers, from a CRES provider's
10 perspective, we're holding a price for a long --

11 THE REPORTER: I'm sorry. I'm having
12 trouble hearing you.

13 THE WITNESS: So when you deal with a
14 90-day notice, it's a pretty big barrier. One, as a
15 CRES provider we're holding the price for a longer
16 period of time before we're actually serving the
17 customer, so that's an increased cost to the
18 customer.

19 Beyond that, you have to try to sync the
20 90-day notice up with the EDI enrollment schedule.
21 So you have to know the meter read date and come out
22 so many days before that to make sure you get it in
23 on time.

24 So it's a pretty confusing process for
25 suppliers and for other customers, so getting rid of

1 that was a big barrier, but it was removed.

2 Q. Okay. For clarity, that 90-day notice
3 only applied to certain customers to begin with,
4 right?

5 A. That's right.

6 Q. Okay. Anything else in your list?

7 A. That's it.

8 Q. Nothing you can think of?

9 A. Nothing I can think of. Thank you.

10 Q. Okay.

11 All right. We'll skip No. 1, capacity
12 pricing, for now. We'll come back to that.

13 No. 2, ensure CRES customers are eligible
14 for funds to the EDR. Do you see that?

15 A. Yes.

16 Q. Okay. Now, this, as I understand it,
17 you're saying you would like CRES providers to be
18 able to offer discounts, economic development
19 discounts that would be recovered from all customers?

20 A. Essentially, what we're saying is if a
21 customer pays the EDR, they should be eligible for
22 funds through that, just as if they were with the
23 utility.

24 Q. Now, can CRES providers implement
25 nonbypassable charges under your understanding of

1 Senate Bill 221?

2 A. No.

3 Q. Okay. Will you agree that your
4 understanding is that an EDU can implement a
5 nonbypassable charge for this type of economic
6 development on all customers? Correct?

7 A. Correct.

8 Q. Okay. Do CRES providers in Duke or
9 FirstEnergy's service territory have this feature
10 that you're seeking here?

11 A. Yes, in Duke, they do.

12 Q. I'm sorry?

13 A. In Duke, they do. If you pay the
14 nonbypassable economic development rider and you
15 switch to a CRES provider, you're still eligible to
16 receive -- to participate in programs or receive
17 funds from it.

18 Q. And does the Commission approve special
19 arrangements for -- first of all, let me back up. Do
20 you understand what I mean when I refer to a "special
21 arrangement"?

22 A. You mean like a reasonable arrangement
23 contract?

24 Q. Or a reasonable arrangement under the
25 statute.

1 A. Yes.

2 Q. Okay. And that's something that's
3 provided for between a customer and an EDU, correct?

4 A. Correct.

5 Q. And the PUCO approves those contracts
6 prior to them being effective, correct?

7 A. Correct.

8 Q. And does that occur with respect to a
9 CRES provider?

10 A. The Commission doesn't approve the
11 contract between a CRES and their customer.

12 Q. And so you're saying in the Duke example,
13 the CRES can offer whatever they want to offer and
14 the other customers pay for it?

15 A. What I'm suggesting is if the customer
16 can get a discount on the wires or distribution side
17 of their bill through funding through the EDR they're
18 paying for, they should be eligible for that.

19 Q. So it would be an arrangement that the
20 Commission approved as to the EDU?

21 A. Yes.

22 Q. And so the customer would switch to a
23 CRES provider and get the same rate?

24 A. They could switch to a CRES provider and
25 have discounted generation that's not funded through

1 anything else. And they could also, on the
2 distribution side of their bill, receive some sort of
3 discount through the EDR.

4 Q. Okay. So your comment about "Duke only"
5 applies to distribution rates?

6 A. Yes.

7 Q. Okay. Thank you.

8 Page 6, item 4, you had a previous
9 discussion with Mr. Etter about this. You're seeking
10 equal treatment, I gather, in this recommendation for
11 shoppers and nonshoppers?

12 A. Yes.

13 Q. Okay. And what's the unequal treatment
14 that exists today that you're trying to remedy
15 through this recommendation?

16 A. We're actually just trying to ensure that
17 as gridSMART grows or new programs come on that all
18 customers can have access to it.

19 Q. So you don't have any current inequity or
20 situation that you're finding to be inappropriate; is
21 that accurate?

22 A. No, not today.

23 Q. So what is it? You agree with me, then,
24 you don't have any current --

25 A. Not currently.

1 Q. Okay. All right. And, to your
2 knowledge, the gridSMART program is not dependent on
3 whether a customer is switching or taking SSO
4 service, is it?

5 A. Not today.

6 Q. Okay. And unlike the EDR example we just
7 talked about, you're not suggesting, are you, that
8 with gridSMART that the CRES provider would be
9 providing any service in connection with gridSMART,
10 are you?

11 A. What we're suggesting is if gridSMART
12 grows to include any sort of smart meter rollout,
13 things like that, that our customers aren't
14 prohibited from their CRES provider using a smart
15 meter data transitory mechanism or accessing smart
16 meters to offer them different products.

17 Q. Item 5 on page 6, reduce or eliminate the
18 switching fee. Do you see that?

19 A. Yes.

20 Q. Okay. Now, here again, this is something
21 that the Commission approved for AEP Ohio, correct?

22 A. Yes.

23 Q. Okay. It's not something that AEP Ohio
24 unilaterally develops or changes without Commission
25 approval?

1 A. That's my understanding.

2 Q. Okay. And, again, you have similar
3 charges by other utilities in Ohio?

4 A. That are half as much, but yes.

5 Q. So the level is different.

6 A. Yes.

7 Q. Do you know if the costs are different?

8 A. I do not.

9 Q. Okay. Now, with respect to items 6
10 through 9 at the bottom of page 6, carrying over to
11 page 7, so you had a brief discussion with Mr. Etter
12 about some of these and I think they speak for
13 themselves, I guess, but my question is: With
14 respect to all four of those recommendations, are
15 there any Commission rules or orders that AEP Ohio is
16 not following in those four areas today?

17 A. Is not following? No.

18 Q. Yeah. In other words, are any of these
19 four items things that are required, either under
20 Ohio law, as you understand it, or Ohio regulations
21 or PUCO orders?

22 A. No.

23 Q. Okay. Let's shift back to the subject of
24 the capacity rate which is covered in Section IV of
25 your testimony, I believe, or at least part of

1 Section IV. Now, is it fair, would you agree that
2 RESA generally opposes regulatory structure for
3 pricing and categorically advocates market pricing?

4 A. Yes.

5 Q. Okay. So when we look at the structure
6 of Senate Bill 221 and the SSO pricing option of an
7 ESP or an MRO -- you're familiar with those options,
8 correct?

9 A. Yes.

10 Q. Okay. So is it fair to say that RESA
11 prefers the MRO option?

12 A. Yes.

13 Q. In all cases.

14 A. Yes.

15 Q. Okay. And -- okay.

16 Now let me ask you a few questions about
17 the FRR option. And you understand what I'm
18 referring to?

19 A. Yes.

20 Q. And you agree that AEP Ohio is an FRR
21 entity through May of 2015?

22 A. Yes.

23 Q. And is it your understanding that an FRR
24 entity has the option to establish a cost-based
25 capacity charge?

1 A. Yes.

2 Q. Okay. And does your testimony address
3 the issue of what a proper cost-based capacity charge
4 should be?

5 A. It does not say a specific rate or what
6 costs should go into it, no.

7 Q. And you don't have an opinion about
8 what -- well, let me say it this way: You haven't
9 evaluated AEP Ohio's costs of providing capacity to
10 support their shopping load, have you?

11 A. No.

12 Q. Now, do you agree that the capacity
13 charge for AEP Ohio should not be confiscatory?

14 A. Yes.

15 Q. And what's your definition of
16 "confiscatory"?

17 A. I believe that the Commission should
18 determine what the proper costs are and ensure that
19 AEP is made whole for the costs they incur.

20 Q. Okay. So whatever AEP Ohio's costs of
21 providing capacity are, you believe it's appropriate
22 that the capacity charge should cover those costs or
23 be used in conjunction with another rate component
24 like the RSR to help cover those costs; is that
25 accurate?

1 A. Yes, that's what my testimony says.

2 Q. Okay. So is it fair to say that you
3 recommend and endorse the retail charge for capacity
4 to ensure that CRES providers are not subsidizing
5 non-CRES customers and vice versa?

6 A. Yes.

7 Q. Now, would you agree that if AEP Ohio's
8 collecting roughly \$355 per megawatt-day of capacity
9 costs from SSO customers, it's appropriate to charge
10 CRES providers \$355 per megawatt-day in order to
11 match rates and ensure there's no subsidy?

12 A. I believe that everybody should get
13 charged RPM, both shopping and nonshopping, and if
14 the Commission determines that the 355 is the right
15 amount, that that would go through the RSR that we're
16 proposing.

17 Q. Okay. But if SSO customers are paying
18 355 or something that roughly approximates that
19 level, is it appropriate to charge CRES providers a
20 comparable charge?

21 A. What we're suggesting, since we don't
22 know what AEP's customers are paying, that everybody,
23 one, pay RPM and let the Commission determine what
24 the appropriate capacity charge is, and then run any
25 difference through the RSR.

1 Q. My question is: If the SSO customers are
2 paying 355, is it appropriate to charge CRES
3 providers a similar rate?

4 MR. PETRICOFF: Your Honor, we would
5 object. That's asked and answered.

6 MR. NOURSE: Well, your Honor, I think
7 her answer was qualified in a different way than my
8 question was, so I was trying to clarify that.

9 EXAMINER SEE: The objection is
10 overruled. The witness can answer the question.

11 THE WITNESS: Can you read me the
12 question again?

13 (Record read.)

14 A. If all customers are being charged the
15 same capacity price, then yes.

16 Q. Okay. Is there a section in your
17 testimony that explains or defends the proposition
18 that capacity charges should be set at RPM rates?

19 A. I'm looking for it. There is a section
20 that says "transparent."

21 Only in the references back to my
22 testimony in the 10-2929 case, and the reference to
23 it should be "a single transparent RPM-based price."

24 Q. Okay. Would you agree that \$355 a
25 megawatt-day is a single transparent price for

1 capacity?

2 A. No.

3 Q. Okay. What's not transparent about it?

4 A. When you look at the market, there's an
5 auction, everybody bids in, that's what sets the RPM
6 price. When you look at the 355 price, you have a
7 whole case dealing with whether or not that's
8 accurate, what goes into it.

9 Q. So there's a bigger record in this case
10 than there is for the BRA, isn't there?

11 A. No, there is not. The BRA is set by the
12 market. Market determines the price.

13 Q. All right. That's what you mean by
14 "transparent"?

15 A. Yes.

16 Q. That it's market based.

17 A. Yes.

18 Q. Now, you're familiar or you recall, do
19 you not, AEP Ohio filed a case before the FERC, in
20 November 2010, to pursue or establish a cost-based
21 capacity charge, correct?

22 A. Yes.

23 Q. Okay. And would you agree that all or
24 virtually all of the existing retail contracts today
25 have been entered into after November 2010?

1 A. I would agree that shopping increased. I
2 don't know when contracts were actually entered into.

3 Q. I just want to show you your transcript
4 from 10-2929. Do you have it?

5 MR. PETRICOFF: If you have an extra
6 copy, I'll take it.

7 Q. Can you turn to page 831. Can you read
8 aloud lines 13 through 17?

9 A. "Would it -- would you agree that either
10 all of the current contracts that are out there in
11 AEP's territory virtually or all of them have been
12 entered into subsequent to November of 2010?

13 "Yes."

14 Q. Do you recall your testimony in that
15 case?

16 A. Yes.

17 Q. Okay. Do you agree with what you said at
18 that time?

19 A. Yes. I would --

20 Q. Okay. Thank you.

21 Now, if you could turn back to page 7 of
22 your testimony. Okay. And in lines -- in answer --
23 well, I'm sorry, it's marked question 11, but it's
24 answer 11. Starting on line 6, in the last couple
25 sentences there, you're talking about the RSR

1 capturing anything above RPM, correct?

2 A. Yes.

3 Q. Okay. And so this would be one of your
4 recommended modifications to the RSR; they work in
5 that fashion.

6 A. That whatever the Commission decides the
7 capacity price is, the RSR captures the difference
8 between that and RPM, yes.

9 Q. Okay. So, yeah, if it's higher than RPM,
10 the CRES providers would pay RPM, and the RSR would
11 capture the delta between the Commission-established
12 capacity charge down to the RPM; is that accurate?

13 A. Yes.

14 Q. Okay. So that's a modification. In
15 other words, you understand that the RSR, as proposed
16 by the company, incorporates, really indirectly,
17 among other things, the capacity discount being
18 offered in the ESP of the two-tiered discounts,
19 correct?

20 A. Yes.

21 Q. Now, I take it from your primary
22 recommendation in your testimony, as well as
23 statements you may have made earlier today, RESA
24 rejects the two-tiered capacity discounts being
25 offered in the ESP filing.

1 A. Yes.

2 Q. And that's because you believe RPM is the
3 correct rate?

4 A. We believe RPM is the correct rate and
5 the tiered approach has been a nightmare to
6 implement.

7 Q. Okay. So any other reason besides --
8 well, let me back up.

9 Let me ask you this: At the bottom of
10 page 7, there you state, lines 21 and 22, that the
11 two-tiered capacity approach is "similar to the
12 rejected stipulation...." Do you see that?

13 A. Yes.

14 Q. Okay. Now, is it your opinion or
15 understanding that the Commission rejected the
16 two-tiered capacity pricing, specifically in the
17 February 23rd entry that rejected the stipulation?

18 A. They rejected the stipulation in total.

19 Q. And is there anything that you're aware
20 of in the entry, in the cited reasons for rejecting
21 the stipulation, that have to do with the two-tiered
22 capacity solution?

23 A. I would have to read the entry again.

24 Q. Have you read the entry?

25 A. Yes, but not recently.

1 MR. CLARK: Objection, your Honor. The
2 entry speaks for itself.

3 MR. NOURSE: I'm asking her understanding
4 of whether she's recalling anything or whether she's
5 aware of anything to the entry. She's made a
6 statement on page 7, I just pointed out, that implies
7 the Commission rejected the two-tier structure, and
8 I'm probing that statement.

9 THE WITNESS: It says "...with a tier
10 structure similar to the rejected stipulation...."

11 Q. Okay. I'm trying to determine what you
12 mean here, so --

13 A. They rejected the stipulation as a whole,
14 which included the tiered structure.

15 Q. And, to your recollection or
16 understanding, was there anything in the
17 February 23rd entry on rehearing that cited any
18 problems or concerns about the two-tier capacity
19 pricing specifically?

20 MR. CLARK: Again, your Honor, objection.

21 EXAMINER SEE: Just a moment. Who
22 introduced this witness?

23 MR. PETRICOFF: This is my witness, your
24 Honor.

25 MR. NOURSE: Thank you.

1 EXAMINER SEE: Okay. Thank you.

2 MR. PETRICOFF: We'll permit the -- we're
3 not objecting to the questions thus far.

4 EXAMINER SEE: Ms. Ringenbach, you need
5 to wait for a ruling from the Bench before you
6 proceed with an answer, okay?

7 THE WITNESS: Oh, okay.

8 EXAMINER SEE: Next time.

9 THE WITNESS: Okay.

10 MR. NOURSE: Okay, your Honor, but I
11 think I was still waiting for an answer.

12 MR. PETRICOFF: Could we have the
13 question read back, your Honor?

14 THE WITNESS: Yeah.

15 (Record read.)

16 A. I don't recall if there was anything
17 specific to the tiered-capacity in the entry that
18 rejected the stipulation.

19 Q. Okay. And subsequent to that date,
20 March 7th, is it your understanding the Commission
21 adopted interim relief in the capacity charge case
22 that extended the two-tiered capacity pricing?

23 A. Yes.

24 Q. And, again, on May 30th there was an
25 additional entry that, again, extended the same

1 two-tiered capacity pricing?

2 A. Yes, there was.

3 Q. Thank you.

4 Turn to page 8 of your testimony, please.

5 In line 5 -- let me see. I'll move down.

6 Okay. On line 7, you make a reference
7 there to "single tier, single price." Do you see
8 that?

9 A. Line 7? Yes.

10 Q. Line 7. Okay. So, again, that's
11 important to you that there's a single tier and a
12 single price?

13 A. Yes.

14 Q. And wouldn't any uniform charge be
15 transparent under your definition here?

16 A. Not necessarily. If you were trying to
17 build a market, you want customers to be familiar
18 with all aspects and that would mean educating them
19 on RPM and how it works.

20 Q. Okay. Moving further down the page,
21 you've got a statement beginning on line 12, "...CRES
22 providers, until very recently, have not been able to
23 verify which of their current customers are in which
24 tier...." Do you see that?

25 A. Yes.

1 Q. Okay. So when you say "until very
2 recently," are you saying that that issue has
3 resolved?

4 A. Identifying our current customers, AEP
5 did put in place a less-mangled process where there's
6 a website that we can go on and identify the
7 customers that we're currently serving, which tier
8 they're in.

9 MR. PETRICOFF: Your Honor, we're having
10 trouble hearing back here. Could we have the court
11 reporter repeat the answer.

12 And, Ms. Ringenbach, if you would please
13 speak into the microphone.

14 EXAMINER SEE: Yes.

15 (Record read.)

16 MR. PETRICOFF: Thank you.

17 Q. Okay. Ms. Ringenbach, can you turn to
18 page 9.

19 A. Yes.

20 Q. I'm looking at the statement, I guess
21 it's the first full sentence on the page, and if you
22 go -- it says that RESA generally recommends "the RSR
23 be set to a level that allows AEP Ohio's total
24 revenue from its regulated services, in the
25 aggregate, to cover its prudently incurred costs and

1 provide for a reasonable return." Do you see that?

2 A. Yes.

3 Q. Okay. So you're saying, are you not,
4 that AEP Ohio should recover its capacity costs in
5 rates including a reasonable return?

6 A. Yes.

7 Q. Do you know or is it your opinion that --
8 as to whether the RPM pricing for 2012 through 2015
9 would allow AEP Ohio to recover its capacity costs
10 including a reasonable return?

11 A. AEP's capacity costs are going to be
12 determined in a different case and that order hasn't
13 come out yet, so I don't know if RPM covers it all or
14 not.

15 Q. Okay. And is your answer the same --
16 well, never mind. Strike that.

17 On line 15 you state that "...customers
18 and CRES providers must have advanced notice of where
19 a particular customer stands in the queue...." Do
20 you see that?

21 A. Yes.

22 Q. I'm not sure what you mean by "advanced
23 notice," but can you explain that and -- number one,
24 and, number two, tell me whether that's something
25 that you had access to under the stipulation.

1 A. It's not something that we have access to
2 under the stipulation. Under the stipulation, we did
3 know where our customers stood in the queue, and what
4 load was in front of them; however, what we didn't
5 know then and we still don't know now is if a
6 customer is not our customer, what tier they're in
7 and what they're receiving.

8 And we -- Direct Energy actually had an
9 experience where we had the letter of authorization
10 of the customer to access their data and try to get
11 the information from AEP on which tier they're in,
12 are they receiving -- what was then RPM, now I think
13 is 146 under the interim order, or are they in the
14 next level up. And the response we got from AEP was,
15 well, why don't you call their CRES provider and ask
16 them.

17 Q. Okay. So you agree that's not something
18 that's required under the stipulation of the current
19 pricing mechanism.

20 A. It was not under the old stipulation and
21 it's not required today.

22 Q. Okay. Now, in line 20, you've got a
23 reference to "universal RPM." Is that just -- the
24 word "universal," is that just another way you're
25 referring to the single tier/single price concept?

1 A. Yes.

2 Q. Okay. If you could turn to page 10.

3 Now, your answer 15, I'm going to try to clarify some
4 of what you're saying here. And starting in line 10,
5 you're saying certain customers should be held
6 harmless for exercising their right to choose a CRES
7 supplier. Do you see that?

8 A. Yes.

9 Q. And you're basically talking about the --
10 is it fair to characterize this as what you believe
11 as customers relying on the stipulation during the
12 period in which the stipulation is in effect?

13 A. And the history that was before that with
14 the Commission saying it's RPM.

15 Q. Okay. But the customers you're talking
16 about here, are they customers that took -- well, let
17 me rephrase.

18 Are the customers you're talking about
19 here, when did they take the action that you believe
20 relied upon the Commission or the stipulation?

21 A. These are customers that would have
22 signed up before May, so customers who either put in
23 their 90-day notice or had signed with a CRES
24 provider before the stipulation was rejected,
25 thinking under that stipulation that maybe in 2012

1 I'm not going to get RPM, but I can get it in 2013 or
2 2014, depending on how quickly I act, because they
3 would get in line. And then you had the customers
4 who had been continuously shopping before that.

5 Q. Okay. So you're not just talking about
6 the stipulation. You're talking about RPM pricing
7 that may have been in effect prior to the
8 stipulation.

9 A. Yes.

10 Q. And when you talk about, on line 20,
11 customers getting the benefits of the contract they
12 bargained for, what's that referring to?

13 A. So when they entered into a contract with
14 their CRES provider, they entered into it with the
15 understanding I'm going to get this price at this
16 amount for this period of time, and ensuring that if
17 there is some sort of regulatory pass-through or if
18 they had a capacity pass-through contract that was
19 relying on RPM, that they're getting that benefit.

20 Q. And, again, I believe you testified
21 earlier that all or virtually all of the contracts
22 that are out there today were entered into after the
23 company filed its FERC case to establish a cost-based
24 rate, correct?

25 A. Yes.

1 Q. Now, do you know how many customers are
2 involved in this category that you're discussing on
3 page 10?

4 A. I don't know. I'd have to look at the
5 switching stats between --

6 Q. Okay. Do you recall whether the
7 Commission, in their December 14th dated order, how
8 they dealt with these customers we're talking about?

9 MR. PETRICOFF: Objection, your Honor.
10 We have not identified what "these customers" are.
11 And in terms of if she's supposed to give -- if the
12 question went beyond as to what the order said, the
13 order speaks for itself. I think the question wasn't
14 what her memory was, but I think to actually identify
15 who these customers are.

16 Q. Well, we've been talking about page 10
17 and the group of customers that you're referring to.
18 Do you understand that, Ms. Ringenbach?

19 A. Yes.

20 Q. Okay. And my question was: Do you
21 recall whether the Commission, in its December 14th
22 order, how they dealt with the customers you're
23 talking about on page 10?

24 A. This is my memory here.

25 Q. Good.

1 A. It's not going to be very specific in my
2 answer, but, generally, there was a -- they agreed
3 with the parts of the stipulation that said customers
4 who had switched before a certain date were
5 essentially, I would say, grandfathered; and then
6 there were tiers, there were certain percentages that
7 went up each year for three years for residential,
8 commercial, and industrial customers; and then there
9 was a carve-out for government aggregation, basically
10 government aggregations got RPM.

11 Q. Okay. Is this discussion on page 10
12 mainly geared toward commercial customers?

13 A. It is.

14 Q. And so is it your testimony that as part
15 of the December 14th, Opinion and Order in this case,
16 that the Commission permitted commercial customers to
17 obtain access to tier 1 RPM pricing even if they were
18 above the 21 percent set-aside level?

19 A. Not for that year, but then the next
20 year. So if the customer got in in 2012, but was
21 above the 21 percent, but say they were in the, like,
22 21.5 percent, then they would have received it the
23 following year when the percentage increased.

24 Q. Okay. But that's not what you're
25 recommending, right? You want to get RPM for all

1 these customers immediately, correct?

2 A. Yes.

3 Q. Okay. Now, does it matter whether these
4 customers have contracts with CRES providers that
5 have regulatory "out" clauses or provisions in the
6 contract that allow termination in lieu of a rate
7 increase?

8 A. I think depending on how the CRES
9 provider wants to treat that provision with their
10 customer.

11 Q. Well, if they get RPM pricing, that's not
12 an issue that has to be grappled with, is it?

13 A. Yes. Right. Correct.

14 Q. So it doesn't matter to you that some of
15 the contracts may have those provisions?

16 A. Yes.

17 Q. Is that correct?

18 A. Correct.

19 Q. Okay. Does it matter to you whether
20 there's financial harm to AEP Ohio of, quote/unquote,
21 holding these customers harmless, unquote?

22 A. I think we've said -- I've said
23 throughout my testimony that I don't think there
24 should be confiscatory rates and that it should flow
25 through the RSR.

1 Q. Okay. I'll ask you to turn to page 11,
2 answer 16. On line 7, you refer to "the customer."
3 Do you see that?

4 A. Where it says "...because applying the
5 credit does not bring the customer to an RPM..."?

6 Q. Yeah. Okay. So are you referring to the
7 retail customer here, the shopping retail customer,
8 or does this refer to the CRES provider?

9 A. The shopping retail customer.

10 Q. Now, in line 11, you say the credit is
11 needed because the capacity cost will prohibit
12 shopping. Do you see that?

13 A. Yes.

14 Q. Now, first of all, when you say "prohibit
15 shopping," you're using that as your opinion of an
16 economic impact rather than a literal restriction,
17 correct?

18 A. Yes.

19 Q. Okay. And do you believe uneconomic
20 shopping should be required or permitted?

21 A. No.

22 Q. Do you believe that the customer, the
23 retail customer you're talking about in answer 16,
24 would be guaranteed to get the savings through lower
25 RPM pricing?

1 A. Would be guaranteed savings by their CRES
2 provider?

3 Q. Uh-huh.

4 A. I think depending on what the total
5 contract is, so they could be guaranteed savings, but
6 they may not necessarily be.

7 Q. Okay. One outcome could be, depending on
8 the contract, as you say, that the CRES can simply
9 increase their margin associated with that contract,
10 correct?

11 A. That's possible.

12 Q. Now, in question and answer 17, I believe
13 you're shifting topics here into the GRR, correct?

14 A. Yes.

15 Q. Now, do you agree, to your understanding
16 of Senate Bill 221, that a nonbypassable charge is
17 permitted for new generation resources, subject to
18 the conditions in the statute?

19 A. Yes.

20 Q. Okay. Now, you don't agree with that as
21 a policy matter; is that accurate? You never agree
22 that any GRR charge would be appropriate, correct?

23 A. Correct.

24 Q. Okay. Now, is it your understanding,
25 with respect to the Turning Point project you're

1 talking about in answer 17, that the need issue and
2 the rider rate issues will being determined in
3 separate cases?

4 A. Yes.

5 Q. If you could turn to page 14. By the
6 way, I've got about 15 minutes left, probably. If
7 you need a break, let us know at any time; otherwise,
8 we can power through, okay?

9 A. I'm good.

10 Q. All right. So page 14, you state on line
11 8, that "...we are only just starting to see
12 increased competition in AEP Ohio territory." Do you
13 see that?

14 A. Yes.

15 Q. Do you know what the current level of
16 shopping is in AEP Ohio's territory?

17 A. I don't. I think it's somewhere between
18 40 and 50 percent.

19 Q. Okay.

20 A. Overall.

21 Q. When did the increased level of shopping
22 occur in AEP Ohio's territory?

23 A. It would have occurred over the past
24 year. So through 2011, the end of 2010 through 2011,
25 we've seen an uptick.

1 Q. So the last 18 months or so?

2 A. Yes.

3 Q. Okay. If you could look at Section VI
4 that starts on page 15. In this section you're
5 talking about a purchase of receivables
6 recommendation, correct?

7 A. Yes.

8 Q. Now, would you agree that AEP Ohio is not
9 required, to your understanding, by any statute or
10 regulation of the Commission, to purchase receivables
11 from CRES providers?

12 A. Yes.

13 Q. Do you believe that -- well, let me ask
14 you, I mean, you included this in your testimony. Is
15 it your understanding or your approach to your
16 testimony here to raise any issue that relates to
17 competition in AEP Ohio's service territory that you
18 have? Is that the approach you took?

19 A. The approach we took was to ensure if
20 there's barriers that exist today, to discuss those
21 barriers and try to find a resolution to them in this
22 case.

23 Q. Okay. So do you believe the Commission's
24 current orders and rules embody barriers to
25 competition?

1 A. Yes.

2 Q. So is it fair to say you would take any
3 opportunity to address those issues that come along?

4 A. Yes.

5 Q. And you viewed this case as being such an
6 opportunity.

7 A. Yes.

8 Q. Okay. Now, are you familiar with the
9 payment priority system under the Commission's rule?

10 A. Yes.

11 Q. What is the payment priority?

12 A. It's a supplier past due, utility past
13 due, utility current, supplier current.

14 Q. Okay. So meaning that in those four
15 categories, if, depending on the level of the payment
16 that the customer made, how many dollars that the
17 customer's payment constitutes, the first category
18 needs to be fulfilled before going on to the second,
19 right?

20 A. That's correct.

21 Q. So CRES arrears are paid first before
22 anything else.

23 A. Yes.

24 Q. Now, do you know if -- if other firms,
25 besides utilities, engage in the purchase of

1 receivables?

2 A. Collection agencies do.

3 Q. Okay. Collection agencies or other types
4 of financial entities may purchase accounts
5 receivables; is that true?

6 A. Yes.

7 Q. Now, would you agree that if AEP Ohio
8 undertook the purchase of receivables for CRES
9 providers, that that action would likely increase the
10 uncollectible expense that AEP Ohio has?

11 A. No.

12 Q. You don't believe that taking on the
13 receivables of CRES providers would increase or
14 affect the level of AEP Ohio's uncollectible expense?

15 A. No.

16 Q. Okay. In answer 24, you talk about Case
17 No. 11-5544. Do you see that?

18 A. Yes.

19 Q. So that case granted AEP Ohio a waiver?

20 A. Yes.

21 Q. And it allowed payment arrangements to be
22 offered or required as part of that?

23 A. Yes.

24 Q. Okay. So, in your view, is that an
25 improvement?

1 A. It is an improvement.

2 Q. That was an enhancement of the prior
3 practice?

4 A. Yes.

5 Q. Okay. Now, do other EDUs, such as Duke
6 Energy Ohio or FirstEnergy, have purchase of
7 receivable programs?

8 A. Are you asking just for electric or are
9 you asking just general?

10 Q. I am asking for electric.

11 A. Okay. In Ohio, Duke offers a purchase of
12 receivables program. FirstEnergy does not.

13 Q. Okay. Is the Duke offer based on the
14 recent stipulation?

15 A. They had a purchase of receivables
16 program that was revised in the latest stipulation to
17 allow the uncollectible amounts to ride through a
18 separate rider.

19 Q. So they established a rider for the bad
20 debt rider as part of that?

21 A. Yes.

22 Q. Why do you think that was linked?

23 A. It was actually linking things up with
24 how things are done on the gas side.

25 Q. Okay. But you stated earlier you don't

1 think there's an impact on collectibles of doing a
2 POR program, didn't you?

3 A. That's right.

4 Q. Does AEP Ohio have a rider for
5 uncollectibles?

6 A. No. Not that -- well, actually, I don't
7 know.

8 Q. Okay. Would you agree that at some point
9 in AEP Ohio's base rate case there would have been a
10 test-year level of uncollectible expenses reflected
11 in the rates?

12 A. Yes.

13 Q. So any impact that would increase the
14 uncollectible expense above that level would be
15 something that's not recovered in rates, absent a bad
16 debt rider, correct?

17 A. Yes. But if you're purchasing the CRES
18 receivables, you could discount what you buy to
19 account for that.

20 Q. Okay. And is that what a collection
21 agency does, is discount the account?

22 A. Yes.

23 Q. So if a customer owes a hundred dollars,
24 the collection agency may purchase that for \$95?

25 A. Yes.

1 Q. So there's compensation associated with
2 that arrangement.

3 A. Yes.

4 Q. And that compensation is payment for
5 undertaking the risk of never getting paid; is that
6 fair?

7 A. Yes.

8 MR. NOURSE: Okay. Thank you,
9 Ms. Ringenbach. That's all the questions I have.

10 EXAMINER SEE: Mr. Margard?

11 MR. MARGARD: No. Thank you, your Honor.

12 EXAMINER SEE: Mr. Petricoff, redirect?

13 MR. PETRICOFF: Your Honor, could we have
14 a moment or two before we redirect?

15 EXAMINER SEE: Certainly.

16 (Recess taken.)

17 EXAMINER SEE: Let's go back on the
18 record.

19 Mr. Petricoff?

20 MR. PETRICOFF: Thank you, your Honor.

21 - - -

22 REDIRECT EXAMINATION

23 By Mr. Petricoff:

24 Q. Ms. Ringenbach, Mr. Nourse asked you
25 questions on page 10 of your testimony, and we had

1 some objection here, where he was talking about
2 "those people."

3 So if you would turn to page 10 of your
4 testimony and let's talk about, would you describe
5 for me who "those people" were or those who are
6 affected by your testimony in answer 14?

7 A. "Those people" meaning any customer that
8 was switched and shopping before the March order.

9 Q. Okay. And would that include the
10 commercial class customers who had signed up by
11 September the 7th?

12 A. Yes.

13 Q. And this -- the December 14th, order --
14 let me -- one other question. What percentage of the
15 commercial class was shopping under the stipulation,
16 the approved stipulation?

17 A. I believe it was about 30 percent.

18 Q. And that 30 percent that was entitled to
19 tier 1 under the December 14th order, to the best of
20 your knowledge?

21 A. Under the December -- yes.

22 Q. And was that changed by the Commission?

23 A. Yes. They reduced it in their March
24 order.

25 Q. And did RESA seek rehearing as to that

1 change?

2 A. Yes.

3 Q. To the best of your knowledge, has
4 rehearing been granted?

5 A. No.

6 Q. When I say "rehearing," a decision.

7 A. No.

8 Q. Also, Mr. Nourse asked you a question
9 about transparency for commercial price -- I'm sorry,
10 for capacity price for both shopping and nonshopping
11 customers. Do you remember those questions?

12 A. Yes.

13 Q. Does RESA have a position as to whether a
14 capacity price set by embedded cost of service from
15 the utility is a correct method?

16 A. RESA supports a market-based capacity
17 price.

18 Q. So if the company set a capacity price
19 for both shopping and nonshopping customers at the
20 same amount, would RESA object?

21 A. Yes.

22 Q. Does RESA object?

23 A. Yes.

24 MR. PETRICOFF: No further questions.

25 Thank you, your Honor.

1 EXAMINER SEE: Mr. Barnowski?
2 MR. BARNOWSKI: No questions, your Honor.
3 EXAMINER SEE: Ms. McAlister?
4 MS. McALISTER: No. Thank you, your
5 Honor.
6 EXAMINER TAUBER:
7 EXAMINER SEE: Ms. Kyler?
8 MS. KYLER: No questions, your Honor.
9 EXAMINER SEE: Mr. Sineneng?
10 MR. SINENENG: No questions, your Honor.
11 EXAMINER SEE: Mr. Darr?
12 MR. DARR: No questions.
13 EXAMINER SEE: Mr. Lang?
14 MR. LANG: No. Thank you, your Honor.
15 MR. WHITE: Sorry.
16 EXAMINER SEE: Let's go off the record.
17 (Discussion off the record.)
18 EXAMINER SEE: Let's go back on the
19 record.
20 Mr. White?
21 MR. WHITE: No questions.
22 EXAMINER SEE: Mr. Etter?
23 MR. ETTER: No questions, your Honor.
24 EXAMINER SEE: Mr. Nourse?
25 MR. NOURSE: No. Thank you.

1 EXAMINER SEE: Mr. Margard?

2 MR. MARGARD: No. Thank you, your Honor.

3 - - -

4 EXAMINATION

5 By Examiner See:

6 Q. First off, Ms. Ringenbach, in response to
7 your counsel's question, you made reference to the
8 Commission reducing the 30 percent -- from 30 percent
9 commercial customers that were entitled to, I
10 believe, tier 1 price capacity pricing, and you
11 referred to an order. What order were you referring
12 to again?

13 A. The March 7th order reduced the agreed-to
14 amounts down to 21 percent for commercial customers.

15 Q. One other thing I want to make sure I'm
16 clear on. The RSR that you refer to is modifying the
17 company's proposal for what we've also referred to as
18 an "RSR"?

19 A. No. It's not modifying it. It's a
20 completely different version.

21 Q. It's a completely different animal, so to
22 speak.

23 A. Yes.

24 EXAMINER SEE: Okay. All right. Thank
25 you.

1 THE WITNESS: Thank you.

2 EXAMINER SEE: And the Bench appreciates
3 you coming in at the last minute and being willing to
4 be on call.

5 THE WITNESS: No problem.

6 EXAMINER SEE: Mr. Petricoff.

7 MR. PETRICOFF: Yes, your Honor. At this
8 point we would move for admission of RESA Exhibits
9 102 and 103.

10 EXAMINER SEE: Are there any objections?

11 MR. NOURSE: No.

12 EXAMINER SEE: RESA Exhibits 102 and 103
13 are admitted into the record.

14 (EXHIBITS ADMITTED INTO EVIDENCE.)

15 EXAMINER SEE: And if there's nothing
16 further, we're adjourned until tomorrow morning at
17 8:30. At that time, we'll begin with the -- well,
18 the schedule for tomorrow, we have four Ormet
19 witnesses, Swanson and Mason. Let's go off the
20 record.

21 (Thereupon, the hearing was adjourned at
22 5:21 p.m.)

23

24

25

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Tuesday, June 5, 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, 2016.

(MDJ-4024)

- - -

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Summary: Transcript of the Application of Columbus Southern Power Company and Ohio Power Company hearing held on 06/05/12 - Volume XIII electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.