

1 Q. If we're talking about what a cost-based
2 rate is, you would agree that you take the net book
3 value and you provide a return on that investment.

4 A. Well, OVEC's a little unique in that
5 there's no, I think there's probably 99.9 percent
6 debt. There's no real equity costs associated with
7 that contract.

8 Q. Okay. But it's a --

9 A. But if you, it has a capital cost
10 component, it's just the weighting of equity would be
11 very low in that particular situation.

12 Q. Okay. And we stumbled on this a little
13 earlier, OVEC is approximately, what, 2.2 gigawatts
14 of capacity?

15 A. I haven't looked at it in a while but
16 that sounds about right.

17 Q. But to determine AEP's right to coal and
18 that power there's something called a power
19 participation ratio, right?

20 A. Yes.

21 Q. And Columbus Southern Power company has
22 the right to take and the obligation to buy
23 4.4 percent of the power produced by OVEC, right?

24 A. That sounds about right. Now, obviously,
25 we're talking '10-'11 at this point when CSP was a

1 separate company. Since that time, of course, the
2 company's been merged and Ohio Power assumed all
3 rights and obligations under that contract.

4 Q. Of course, that's what -- if we were
5 doing this for a 2013 or 2012 FAC, but in 2010 and
6 '11 --

7 A. That sounds about right.

8 Q. CSP, okay.

9 And Ohio Power Company had the right to
10 take and the obligation to purchase approximately
11 15.5 percent of the output from OVEC.

12 A. Again, I haven't checked, but those
13 numbers certainly sound in the ballpark as I recall.

14 MR. OLIKER: At this time I'd like to
15 mark an exhibit just for clarity of the record. I'd
16 like to mark as IEU-Ohio Exhibit No. 14 the Prefiling
17 of Amended and Restated Intercompany Power Agreement
18 and Amended Restated OVEC-IKEC Power Agreement.

19 EXAMINER PARROT: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. Mr. Nelson, do you see the document that
22 has been marked as IEU-Ohio Exhibit 14?

23 A. Yes.

24 Q. Now, does this document appear to be the
25 intercompany power agreement that controls purchases

1 from OVEC, the sponsoring company, as filed at the
2 Federal Energy Regulatory Commission?

3 A. Well, it's captioned Refiling of Amended
4 and Restated Intercompany Power Agreement and Amended
5 and Restated OVEC-IKEC Power Agreement.

6 Q. Is it true -- but what I just classified
7 as the document that controls purchase from OVEC, do
8 you agree with that characterization?

9 A. It's quite a thick document, I don't --
10 I'm not that familiar with the document to say that.

11 Q. Okay.

12 A. I would assume it does, but I'm not an
13 attorney and I haven't reviewed the document in its
14 entirety.

15 Q. But you have no reason to believe that
16 this document is inaccurate.

17 A. No. As I read, I assume it's what the
18 caption says it is.

19 Q. Okay. And earlier we talked about power
20 participation ratios. Can you turn to what is page
21 41 of 115.

22 MR. OLIKER: And I would note that that's
23 a number that AEP Ohio has inserted I believe in its
24 response to discovery. Actually, I could be wrong.

25 Q. Let me know when you get there.

1 A. Yes, I'm on page 41.

2 Q. Okay. And do these appear to be the
3 power participation ratios that we were discussing?
4 You see Columbus says 4.44 and Ohio Power says 15.49?

5 A. Yes.

6 Q. So just to clear that up, you agree that
7 the power participation ratio for Columbus Southern
8 Power is 4.44 percent of the output of OVEC.

9 A. Yes.

10 Q. And you agree that Ohio Power Company's
11 power participation ratio is 15.49 percent.

12 A. Yes.

13 Q. Okay. Thank you.

14 MR. OLIKER: And either I can put an
15 exhibit or would counsel like to stipulate that this
16 contract has actually been indeed approved by FERC?
17 I have the entry, but --

18 MR. SATTERWHITE: Yes, this is the one we
19 provided to you --

20 MR. OLIKER: Yes.

21 MR. SATTERWHITE: Yes.

22 MR. OLIKER: Great.

23 Q. (By Mr. Oliker) Okay, Mr. Nelson, I
24 believe earlier you were in the room when we were
25 going over AEP's responses to IEU's interrogatories.

1 A. Yes.

2 Q. Is there still a copy of those
3 interrogatories at the Bench?

4 A. I don't see one. I have a copy that I
5 brought with me.

6 Q. Of what has been marked as IEU Exhibit
7 13.

8 A. I guess I'd prefer to see what's been
9 marked, make sure that I don't have a different
10 version.

11 MR. OLIKER: May I approach, your Honor?

12 EXAMINER PARROT: You may.

13 Q. Now I'd like to focus on OVEC and what is
14 marked as IEU Exhibit 13. Could you please turn to
15 interrogatory No. 8, and let me know when you're
16 there.

17 A. I'm there.

18 Q. Okay.

19 A. Oh, did you say "8"?

20 Q. Eight, yes, I did.

21 A. I'm sorry, I was on 9.

22 Q. Now, if we wanted to determine the amount
23 of megawatt-hours that Columbus Southern Power
24 Company had a right to call from the other generating
25 units, we would multiply the power participation

1 ratio of Columbus Southern by the total number
2 contained in interrogatory No. 8, right?

3 A. I'm not sure that's -- that may or may
4 not produce the right result in the sense that I
5 think the people who take the power have a right to
6 dispatch it according to their needs, so, you know,
7 and a unit can produce 8760 hours times their
8 theoretical capacity, you said it was 2200. This is
9 just how this unit dispatched in that particular
10 year.

11 Q. Right.

12 A. It may or may not be total output and it
13 may be some members taking power may not have wanted
14 it dispatched, et cetera. So there's a lot of
15 variables to say that we could take this number times
16 the participation ratio and get what AEP Ohio -- I'm
17 a little leery about that. I might be right but
18 there's too many variables there to say that.

19 Q. But it would be very close, right?

20 A. Well, depends. OVEC in the market in
21 2012, for example, where gas prices were 2 bucks may
22 have produced a fraction of these kilowatt-hours
23 because it dispatches on an economic basis. And I
24 think we'll have to clear up some of the discussions
25 about dispatch and so forth but we'll get to that

1 later.

2 Q. Okay. I'd like to follow up on that.
3 But based on the power participation ratio, that
4 dictates the amount of power, the total output that
5 you have an obligation to buy, right?

6 A. With the caveat that we have a choice of
7 whether we want to take that power. I think it's
8 whether we want to have it dispatched for our needs.
9 I think there may be that caveat but maybe we can
10 develop your line of questioning, let's see if that
11 presents a problem.

12 Q. Okay. Well, as we just discussed, CSP
13 has a power -- you know when I refer to "CSP" I'm
14 talking about Columbus Southern, right?

15 A. Yes.

16 Q. CSP has a power participation ratio of
17 4.44 percent. Would you agree, subject to check,
18 that 4.44 percent of 14,634,079,000 kilowatt-hours is
19 649,753,000 kilowatt-hours?

20 A. Do you want me to do the math for you?

21 Q. Sure.

22 A. You had 643 million?

23 Q. I said "649." That's close enough.

24 A. Did you take 4.4? Maybe I used the wrong
25 percent.

1 Q. I divided 4.44.

2 A. Oh, 4.44. That might be the difference.
3 I'll accept that.

4 Q. Subject to check you'll accept that,
5 okay, thank you.

6 And if we look at the next interrogatory,
7 Columbus Southern Power Company allocated 455 million
8 kilowatt-hours, approximately, so that means
9 70 percent of the output of OVEC was actually
10 allocated to CSP customers.

11 A. Yeah, that's what that tells me is that
12 if the first number was correct -- let's do a
13 hypothetical. If the first number is correct in
14 theory, is some of OVEC allocated to off-system
15 sales? Is that your basic question?

16 Q. Yes, about 30 percent.

17 A. In this instance if your number is
18 correct, that would be about 30 percent, let's accept
19 that but let's move on to the allocation. And this
20 goes back to the ESP 1 case. If you have my
21 testimony there, I describe how a dispatch is done
22 and, remember, all units and so forth are dispatched
23 on variable cost of production, so what we do is
24 assign the least-cost generating resources to
25 internal load customers. The higher cost resources

1 get assigned to off-system.

2 So with this we'd say for OVEC in a
3 particular year, if these numbers are correct, that
4 OVEC at some point was assigned to off-system because
5 it was higher than some other resources available to
6 internal load. But remember, dispatch is always on
7 your variable cost of production; it has nothing to
8 do with fixed cost of production.

9 And so, yes, and that's what we -- when I
10 designed the fuel clause, we designed it along the
11 lines of a typical fuel clause, that's how a dispatch
12 is done, that's how cost reassignment is done, units
13 are done on variable cost of production.

14 So each unit is stacked, as I think you
15 mentioned in some other cross-examination of
16 witnesses, and the least-cost units are assigned to
17 internal load customers.

18 By the way, I use internal load customers
19 because internal load is both your retail customers
20 and your firm wholesale customers. CSP has no firm
21 wholesale customers at this time. It did in '10 and
22 '11. Ohio Power had one firm wholesale customer. So
23 that's how the dispatch works.

24 Fixed costs of units and so forth are not
25 included in dispatch and they're not included in the

1 cost of reconstruction and so that's -- so I think I
2 wanted to clear that up because I think you seem to
3 be headed down the path of perhaps why isn't -- why
4 is the fixed cost of these contracts assigned a
5 hundred percent to internal load customers.

6 And, of course, that was -- in my
7 testimony in the ESP case I described that. At the
8 bottom, if you've still got my testimony around I can
9 point you to where I describe specifically how fixed
10 costs in these contracts are going to be assigned to
11 the internal load customer. It starts at the bottom
12 of page 11 of that testimony and at the top of 12.
13 And, of course, that was the methodology, the FAC was
14 approved by this Commission in the ESP 1 cases.

15 MR. OLIKER: Your Honor, at this time I
16 would move to strike everything starting with "when I
17 designed the fuel clause" which was completely
18 unresponsive to my question. I merely asked him
19 whether a portion was allocated to off-system sales.
20 We may get to those questions later but they had
21 nothing to do with what I asked him.

22 MR. SATTERWHITE: Your Honor, they have
23 everything to do with what he asked him. He asked
24 him about what's off-system sales, what's allocated
25 which way, and I think Mr. Nelson gave a very good

1 answer for the record to kind of put everything into
2 context.

3 We talked about dispatch today, we've
4 talked about other issues, and it all dealt with how
5 the allocations are figured and he expressed exactly
6 how that was and made it perfectly clear for the
7 record.

8 EXAMINER PARROT: I'm going to allow the
9 answer to stand.

10 Q. (By Mr. Olikier) Mr. Nelson, now, if we go
11 back to interrogatory 8 and we apply Ohio Power
12 Company's power participation ratio of 15.5 percent
13 to the number on interrogatory No. 8, could you tell
14 me what their right to the kilowatt-hour output is
15 for OVEC?

16 A. On page 41 was the percentage?

17 Q. Yes, it is. The 15.49 --

18 A. Four-nine.

19 Q. -- percent if you want to be exact,
20 Mr. Nelson.

21 A. This doesn't show the comments. Let's
22 see. It shows 226 million.

23 Q. Billion?

24 A. Yeah, maybe I left off some decimals,
25 2.26, not the greatest calculator.

1 Q. Subject to check would you agree that
2 there coal and the power is 2.26?

3 A. We can agree that you take the
4 participation ratio times the numbers shown on 14
5 if -- for illustrative purposes I guess.

6 Q. Okay. So subject to check 2.266 billion
7 kilowatt-hours --

8 A. Yes.

9 Q. -- is the amount, okay.

10 And based on the total output, would you
11 also accept, subject to check, that -- sorry, turning
12 to interrogatory No. 9, the 2.266 billion
13 kilowatt-hours is, compared to the 1.729 billion
14 kilowatt-hours, is 76 percent was allocated to SSO
15 customers?

16 A. Yes, again, that would be based on the
17 reconstruction we talked about, the highest cost,
18 variable cost of production is assigned to off-system
19 sales, lower cost would be assigned to SSO customers
20 and that would be on an hour-by-hour basis. So some
21 of this generation did get assigned to off-system
22 sales.

23 Q. And let's move on to interrogatory No.
24 10. No, sorry, wrong one. Interrogatory No. 11. We
25 have a similar kilowatt-hour output for the OVEC

1 units in 2011, about 14-1/2 billion approximately,
2 kilowatt hours.

3 A. Yes.

4 Q. Would you agree that 4.44 percent of the
5 14.468 billion kilowatt-hours is 642,386,000
6 kilowatt-hours, approximately?

7 A. That sounds about right.

8 Q. And then if we compare that number, what
9 was allocated to CSP customers in interrogatory 12,
10 CSP only allocated 245,771,000 kilowatt-hours to SSO
11 customers which is approximately 38 percent of the
12 output.

13 A. That's correct. And, by the way, if you
14 went through all our generating units, our whole
15 fleet, you would get a similar result. Almost all
16 our units are, at some point are allocated to
17 off-system sales.

18 We have a lot more generation in Ohio
19 Power than we need to serve our SSO customers so all
20 our units would typically be assigned a portion of
21 their -- to off-system sales. So it's not unique to
22 these unit power type arrangements.

23 MR. OLKER: Your Honor, I'd move to
24 strike the remainder of his answer which was not
25 responsive to my question.

1 MR. SATTERWHITE: Your Honor, he's making
2 a statement about what's happening here and showing
3 that that's not unique, that it's nothing special.

4 EXAMINER PARROT: I think it completes
5 the answer.

6 MR. OLIKER: Okay.

7 Q. Going back to interrogatory 11, if we
8 apply the power participation ratio of Ohio Power of
9 15.49 percent to the 14.468 billion kilowatt-hours
10 from 2011, Ohio Power is required to purchase
11 2.241 billion kilowatt-hours in 2011?

12 A. That sounds about right.

13 Q. If you look at interrogatory 12, Ohio
14 Power only allocated 980 million kilowatt-hours in
15 2011, correct?

16 A. Yes, that's what -- 980 million did you
17 say?

18 Q. Yes.

19 A. Yes, that sounds correct. Per the
20 discovery response.

21 Q. And that means that only 44 percent of
22 the output from OVEC in 2011 was allocated SSO
23 customers.

24 A. That sounds correct.

25 Q. And, just to be clear, while all these

1 off-system sales are occurring, there's no sharing of
2 margins with SSO customers.

3 A. Yeah, that's addressed -- I happen to
4 have a copy of the order in the SSO proceeding, and
5 the Commission ruled on that issue which was
6 raised --

7 Q. Mr. Nelson, I asked you about your
8 understanding. I didn't ask you about an order.

9 MR. SATTERWHITE: Can the witness finish
10 his answer?

11 A. Well, I want to show, yeah, that is
12 correct, because the Commission ruled on that issue
13 which was well litigated in ESP 1. I can give you
14 the page number, if you'd like, to that order. I
15 don't know we need to debate a topic the Commission
16 has ruled on time and again.

17 Q. I didn't ask about --

18 EXAMINER PARROT: I think he's answering
19 the question in his way, Mr. Olikier.

20 Q. Go ahead, Mr. Nelson.

21 A. I'll get you that. Okay. It's on page
22 17 of the Commission's order in 08-917-EL-SSO, and I
23 can read you what the Commission said. It says "The
24 Commission is not persuaded by the intervenors'
25 arguments. We do not believe that the testimony

1 presented offered adequate justification for
2 modifying the company's proposed ESP to offset OSS
3 margins from the FAC costs." And I think that was
4 confirmed on rehearing.

5 Q. Mr. Nelson, you're not an attorney, are
6 you?

7 A. No. But I can read a Commission's order.

8 Q. Now, isn't it true that Lawrenceburg
9 generating unit, that contract was entered in 2007?

10 A. That's correct.

11 Q. Okay. And isn't it true -- are you
12 familiar with the 2009 FAC case, Mr. Nelson?

13 A. Yes.

14 Q. In that case didn't the Commission
15 determine that any costs flowed through the FAC must
16 be net of any related benefit? If you know.

17 A. I think they were referring to perhaps a
18 contract, coal contract, however, the FAC is a
19 defined set of costs and so forth and I can guarantee
20 you we followed every Commission order in the
21 calculation of the FAC and we followed every
22 Commission order in the calculation of the deferred
23 balance in the application of carrying costs on
24 deferred balances.

25 So that's a very broad statement and,

1 yes, certainly, within the FAC and within the defined
2 FAC the Commission's statement, I don't have any
3 issue with that. It certainly doesn't encompass
4 benefits associated with off-system sales margins
5 that they've already ruled is not a part of the FAC.

6 MR. OLIKER: Your Honor, I would move to
7 strike everything starting with "We followed
8 everything the Commission required of us." It was
9 not responsive to my question.

10 MR. SATTERWHITE: Your Honor, he's asking
11 him a broad statement about an offset for a benefit
12 and Mr. Nelson gives his understanding of why -- how
13 that fits into the question.

14 EXAMINER PARROT: And I'll agree with
15 Mr. Satterwhite. I'm allowing the witness to
16 complete his answers, in case you haven't picked up
17 on that yet.

18 Q. Okay, so let's follow that one step
19 further. When you're making decisions regarding the
20 fuel of FAC, if you have a benefit related to
21 anything that is not pertaining to a coal contract
22 and a cost, you will keep the benefit to yourself and
23 flow the costs to the FAC.

24 A. I didn't say that at all. I can give you
25 an example of a benefit. We volunteered the sale of

1 emission allowance gains and losses on -- the sales
2 of emission allowances tend to be gains, we flowed
3 through that benefit. We're not trying to redefine
4 the FAC here.

5 The FAC was established in the ESP
6 proceeding and we're following everything that was in
7 the FAC. And there are benefits and costs in effect.

8 By the way, one of the benefits of what
9 we did in the FAC, we proposed the FAC, we said we're
10 going to continue with the traditional allocation of
11 least cost generation to the SSO customer, which
12 we've done, and that's a benefit.

13 And this is an instance here where what
14 we're doing with OVEC is assigning, if it's higher
15 cost than other generation, then we're showing some
16 of that flows to off-system sales and not the SSO
17 customers. So, in fact, we are flowing through those
18 benefits. That's a perfect example of how we are
19 recognizing some of these benefits and providing them
20 through the FAC to the SSO customer.

21 So, yeah, it was meant to, you know, it
22 defined, as I said, a set of costs and benefits
23 including the, you know, gains on allowances. We are
24 stacking the units. We are assigning the least-cost
25 units to the internal load customer. So, yeah, there

1 are benefits there in the way we're handling things.

2 Q. So are there any other benefits related
3 to costs besides emissions allowance --

4 A. Well, I would say a big benefit over the
5 years has been, you know, we've had very low-cost
6 generation, a good coal fleet, and we continue to
7 supply the customer with that low-cost fleet. Are we
8 going to give it to them for free? No. They are
9 paying for our lowest-cost generation out of the
10 AEP Ohio units on a variable cost basis. So that's a
11 great benefit, in my opinion.

12 Q. I think you cleared this up for me in one
13 of your --

14 A. Long-winded answers?

15 Q. I don't know if I would have said it that
16 way, Mr. Nelson, but --

17 A. I saved you the trouble.

18 Q. The OVEC demand allocation of 92 percent
19 for Ohio Power Company, the reason why the 2 percent
20 of that is allocated to SSO customers is because
21 8 percent of it is allocated to Wheeling Power,
22 right?

23 A. That's correct. In this particular
24 instance, yes.

25 Q. Okay. And that existed in 2010 and 2011?

1 A. Wheeling was a firm wholesale customer in
2 both those years. The percentage is going to change
3 based on that ratio as, say, Wheeling Power grew
4 faster than the retail customers, the percentage gets
5 assigned to Wheeling would increase obviously. So
6 it's not a static percentage is my point.

7 Q. I'm sorry to jump around here, but as you
8 sit here today can you quantify the off-system sales
9 margins from the Lawrenceburg generating unit in 2010
10 or 2011?

11 A. No.

12 Q. And what about for OVEC, do you know?

13 A. No.

14 Q. Okay. Mr. Nelson, you're very involved
15 in all of AEP's regulatory filings that pertain to
16 the generation aspect of the business, right?

17 A. I get involved in some manner, or folks
18 in my department do.

19 Q. You review testimony in various
20 proceedings --

21 A. Yes.

22 Q. -- before it's filed?

23 A. I can't say I review it all.

24 Q. Do you have to approve it?

25 A. No. Unless I'm the witness I don't

1 really have approval authority. I can comment on it
2 if I like.

3 Q. But most of the big cases like ESP 1
4 case, ESP 2 case, capacity case, you would be heavily
5 involved in the testimony.

6 A. I was a witness in those cases. I might
7 have been in a different role at the time. I wasn't
8 necessarily in Regulatory Services so, I don't
9 believe, in ESP 1.

10 Q. So let's talk about ESP 1. You would
11 agree that Columbus Southern Power Company and Ohio
12 Power Company's base generation rates produced
13 revenue in ESP 1 equivalent to \$355 a megawatt-day.

14 A. I never did that calculation. I can't
15 say that's -- I haven't done that calculation, I
16 don't know.

17 Q. Have you reviewed that calculation,
18 Mr. Nelson?

19 A. I'm not sure we did that calculation. I
20 didn't.

21 MR. OLIKER: Your Honor, I'd like to mark
22 an exhibit. I apologize, your Honor.

23 Q. Mr. Nelson, I'd like to show you two
24 documents.

25 MR. OLIKER: May I approach, your Honor?

1 EXAMINER PARROT: You may.

2 MR. SATTERWHITE: Can I see them first?

3 MR. OLIKER: Matt, it's been previously
4 proffered as Exhibit 11 and 12. I'm sorry, we're
5 running short on copies.

6 Q. In the capacity case you reviewed
7 Jonathan Lesser's testimony?

8 MR. SATTERWHITE: Objection, your Honor.
9 He's trying to circumvent your earlier ruling about
10 asking questions about cases that happened after the
11 '10-'11 audit. Clearly he's trying to back-door your
12 Honor's ruling before about asking this witness
13 questions about questions and figures, obviously
14 indicated from his previous example from the number
15 that he gave that don't apply to this case and were
16 not in existence in this case.

17 MR. OLIKER: Your Honor, I'm asking about
18 ESP 1 generation rates -- ESP 1 base generation rates
19 from 2010 and 2011. That is all that I'm asking
20 about.

21 MR. SATTERWHITE: Didn't you just ask
22 about Dr. Lesser's testimony in 10-2929?

23 MR. OLIKER: Who is talking about ESP 1
24 base generation rates.

25 EXAMINER PARROT: I think I'll see where

1 this is headed before we -- please proceed.

2 MR. OLIKER: Okay.

3 Q. (By Mr. Oliker) Mr. Nelson, if you would
4 please turn to page 20 of Dr. Jonathan Lesser's
5 testimony.

6 MR. SATTERWHITE: Objection, your Honor.
7 He can ask these questions about what happened at
8 that time period without referring to a witness in a
9 case that happened after this that's not even part of
10 this proceedings. Using Dr. Lesser as the basis to
11 ask these questions is inappropriate.

12 He can ask Mr. Nelson if he knows about
13 this information from that time period but he's
14 clearly just trying to put stuff in the record that
15 was proffered because it was improper before.

16 MR. OLIKER: Your Honor, he said he
17 testified in that case, he reviewed testimony, he's
18 responsible for filings in that case, and this refers
19 to this time period to the base generation rates in
20 effect in ESP 1 and I haven't even asked him a
21 question about it.

22 MR. SATTERWHITE: That's the point, your
23 Honor, he asked general questions about what you're
24 involved with with AEP, now he's trying to introduce
25 documents and ask questions based upon it from that

1 time period. If you have a question about ESP 1, ask
2 the question about ESP 1, don't ask about what Dr.
3 Lesser said in a later case about ESP 1.

4 EXAMINER PARROT: I still want to hear
5 the question first. I think that may be our next
6 step.

7 MR. SATTERWHITE: I'm just worried that
8 we're going to try to now I want this document in the
9 record because I asked a question about it.

10 EXAMINER PARROT: And I'm very aware of
11 that concern.

12 MR. SATTERWHITE: Thank you, your Honor.

13 MR. OLIKER: And maybe another one will
14 help us too.

15 First, I'm just trying to make a
16 foundation for what Mr. Allen later responds to,
17 that's what I'm trying to lay a response to with
18 AEP's witnesses.

19 Q. (By Mr. Oliker) Can you look at page 20?
20 Can you please look at that testimony, Mr. Nelson?

21 A. Yeah, I'm on the page.

22 Q. Are you familiar with the claim that
23 AEP's base generation rates didn't recover \$355 a
24 megawatt-day?

25 MR. SATTERWHITE: Objection, your Honor,

1 now we're asking about arguments in a later case that
2 don't apply to the 2010 and 2011 audit. He admitted
3 himself he's trying to tie it to another piece of
4 testimony to another case after this clearly beyond
5 the scope.

6 MR. OLIKER: ESP 1, your Honor.

7 EXAMINER PARROT: How is that filing in,
8 I'm failing to see it in.

9 MR. OLIKER: Because counsel won't let me
10 ask the questions to tie it in.

11 EXAMINER PARROT: What does the 355
12 capacity rate have to do with the ESP 1 rates?

13 MR. OLIKER: Because that's what they
14 recovered in ESP 1, that is what AEP claimed.

15 EXAMINER PARROT: You're using
16 Dr. Lesser's testimony to --

17 MR. OLIKER: Because Mr. Allen has
18 responded to Dr. Lesser, and as you will see in a
19 moment, Dr. Lesser submitted direct testimony,
20 Mr. Allen responded to it.

21 EXAMINER PARROT: Rebutted, yes. I was
22 there.

23 MR. OLIKER: I know.

24 MR. SATTERWHITE: We all were, your
25 Honor.

1 EXAMINER PARROT: I'm just failing to see
2 how this is tying together.

3 MR. OLIKER: It will. It will.

4 MR. SATTERWHITE: Mr. Allen's not on the
5 stand, Mr. Nelson is.

6 EXAMINER PARROT: That's why I --
7 (Interruption.)

8 MR. OLIKER: Any statements made by
9 Mr. Allen are admissible against AEP. He is a
10 representative of the party who testifies on their
11 behalf, and if Mr. Allen says base generation rates
12 from ESP 1 recovers 355 a megawatt-day, I ask
13 Mr. Nelson about that.

14 MR. SATTERWHITE: Your Honor, I'm not
15 sure where to start by objecting to that statement.
16 I mean, he's basically saying that anything said in
17 any case without the context of the pain we went
18 through in that long case I could take a sentence out
19 and apply it. We are dealing with the 2010 and '11
20 FAC audit and this is a poor attempt to try to bring
21 in the proffered testimony.

22 Mr. Nelson can answer questions about the
23 2010, about the ESP 1, he shouldn't be asked to
24 answer for Dr. Lesser or Mr. Allen.

25 EXAMINER PARROT: I think I'm going to

1 agree at this point and sustain the objection. I
2 think if you want to try to go about this in a more
3 direct fashion, I think maybe we can get there more
4 directly.

5 MR. OLIKER: I can ask it very directly,
6 your Honor. We'll use a different document.

7 Q. (By Mr. Olikier) Mr. Nelson, at the time
8 of the capacity case your ESP 1 rates were in effect,
9 correct?

10 MR. SATTERWHITE: Objection. Relevance.

11 EXAMINER PARROT: I'll overrule this one.
12 We'll see how we're headed this time.

13 Q. Correct?

14 A. Was the ESP 1 rates in effect? I believe
15 so.

16 Q. So although you had a pending ESP 2
17 application, the ESP 2 rates weren't in effect
18 either, right?

19 A. That's what I recall. Though I'm a
20 little fuzzy on the time, I'd rather have a timeline
21 in front of me.

22 Q. So in 2012 to 2011 your base generation
23 rates didn't change, did they?

24 A. Could you repeat that?

25 Q. From 2012 to 2011 your base generation

1 rates did not increase.

2 A. You're going backwards, '12 to 2011.

3 Q. Correct, '11 was the same level as '12.

4 A. I can't remember that. I mean, we had
5 certain escalators and so forth, I'm not sure what,
6 you know, might have changed during that time without
7 looking at the rates. I can't give you a direct
8 answer.

9 Q. Okay. Well, prior to having your ESP-2
10 rates in effect, so if the ESP 1 rates were still in
11 effect, and when you were pursuing a cost-based
12 capacity rate AEP Ohio was claiming its base
13 generation rates produced 355 a megawatt-day under
14 ESP 1.

15 MR. SATTERWHITE: Objection, your Honor.
16 Now we're trying to take a debate from the capacity
17 case and apply it retroactively to the '10-'11 audit.

18 MR. OLIKER: The problem is we've got the
19 company trying to take the upside of having
20 cost-based rates in one case and trying not to get
21 you to look at them in another case but really
22 they're talking about the same exact period.

23 MR. SATTERWHITE: I'll object to the
24 characterization there. We're trying to deal with
25 the 2010-'11 audit right now. It's counsel for IEU

1 that's to trying to blow this case into every
2 possible case out there.

3 We have separate cases. The Commission
4 manages its docket. In a capacity case we're looking
5 forward to what we're going to do going forward from
6 there in the Commission's new day. We're trying to
7 pull out of that or just pieces of that into this
8 case and it's improper. We need to stick within the
9 confines of what this case is about.

10 MR. OLIKER: It is related to ESP 1, your
11 Honor, and it's --

12 EXAMINER PARROT: How does that tie into
13 the audit?

14 MR. OLIKER: It ties into the audit
15 because we're looking at the purchased power costs --
16 purchased power costs for demand. They said that
17 they need to recover these through the fuel clause,
18 but at the same time they came up with the 355 rate
19 based on their 2010 numbers and that equaled 355 and
20 included the purchased power, but if the base
21 generation rates already give you that much
22 compensation in --

23 EXAMINER PARROT: So we're back to our
24 double-recovery argument, right? Is that where all
25 of this is headed?

1 MR. OLIKER: Yes, your Honor.

2 EXAMINER PARROT: I think you're
3 confirming, all right. So the objection is
4 sustained.

5 MR. OLIKER: Could I have one moment,
6 please, your Honor.

7 Q. (By Mr. Oliker) Mr. Nelson, can you tell
8 me what a FERC Form 1 is?

9 A. A report filed with FERC of various
10 financial information.

11 Q. What is the purpose of it?

12 A. The purpose of it is to supply the
13 Federal Energy Regulatory Commission with certain
14 financial information on utilities that they
15 regulate.

16 Q. Would you agree that -- this may be my
17 last question -- that the Commission determined based
18 upon your 2010 FERC Form 1 you were fully compensated
19 for your cost of capacity at \$188 a megawatt-day?

20 MR. SATTERWHITE: Objection, your Honor.

21 EXAMINER PARROT: Sustained.

22 Q. Mr. Nelson, one last question: Is it
23 your testimony today that you do not know the amount
24 of revenue per megawatt-day your 2010 and 2011 base
25 generation rates produce?

1 A. I'm not sure what you mean by do I know
2 what they produced. We had made a filing in the
3 capacity case based on the 2010 test year and
4 proposed a certain rate and that rate wasn't accepted
5 by the Commission.

6 Q. Put differently, as you sit here today
7 are you aware of the amount of compensation your base
8 generation rates provided you in the 2010 and 2011
9 converted to megawatt-day calculation?

10 A. I didn't do any calculation of that.

11 Q. You haven't reviewed any calculation or
12 have been -- anywhere.

13 MR. SATTERWHITE: Objection, form.

14 MR. OLIKER: I'll restate it.

15 Q. So at no time have you reviewed any
16 filings of AEP Ohio to calculate the amount of
17 revenue that base generation rates produced under
18 ESP 1 converted to a megawatt-day calculation.

19 MR. SATTERWHITE: Objection, again. I
20 think we're trying to get into the -- you didn't give
21 a time period there, are you talking 2010 and 2011?

22 MR. OLIKER: Absolutely.

23 EXAMINER PARROT: Absolutely, all right.
24 With that clarification, you may answer if you know.

25 A. I don't know. I don't recall the facts

1 of the case. I don't know how to put it in the right
2 context did someone do a '10 or '11. I didn't do,
3 it, that's all I can tell you. I didn't do any
4 calculation to verify a particular number. As we
5 discussed in that case, it was prego what was in base
6 rates.

7 Q. I'm sorry, when you refer to "that case,"
8 what case are you referring to, Mr. Nelson?

9 A. It's the capacity case I guess is where
10 you're going.

11 Q. I'm just trying to make sure we're on the
12 same page.

13 I have a last question, then. Would you
14 agree that base generation rates under ESP 1 provide
15 more than enough compensation for AEP Ohio, for all
16 of its capacity costs, including your demand charges
17 under OVEC and Lawrenceburg?

18 A. I can refer you to Case 08-917-EL-SSO,
19 page 52 the Commission addressed that. As you recall
20 when we originally requested a return if the
21 Commission didn't grant authority to transfer certain
22 assets that we acquired in more recent years and also
23 contracts. In the original order they granted a
24 return on Waterford and Darby and they also granted a
25 inclusion of the capacity costs to recover the

1 capacity costs for OVEC and Lawrenceburg.

2 On rehearing I think they eliminated
3 Darby and Waterford but they granted us recovery of
4 the capacity costs for Lawrenceburg and OVEC in the
5 FAC. So we are in compliance with Commission's ESP
6 order in 1 and it was litigated in that case, and the
7 Commission's answer to that issue is on page 52 of
8 the order.

9 MR. OLIKER: Your Honor, I would move to
10 strike that because it's not responsive to my
11 question. I asked him about the revenue produced by
12 base generation rates, not what the Commission said
13 about Lawrenceburg or OVEC. I'm talking about the
14 revenue.

15 MR. SATTERWHITE: Your Honor, he asked
16 him if he agreed with him. And he said no and cited
17 an order that said there were elements of base
18 generation.

19 MR. OLIKER: Didn't answer my question.

20 EXAMINER PARROT: The motion to strike is
21 denied. If you need to follow up, if you feel you
22 need to maybe clarify your question.

23 Q. Mr. Nelson, I can state it differently.
24 If we look at the returns of the company in 2010 and
25 2011 and we completely -- say we completely wiped the

1 demand charges for OVEC and Lawrenceburg out of the
2 FAC, and AEP Ohio just collected its base generation
3 rates, you would agree with me that there would be
4 sufficient compensation produced by the base
5 generation rates to fully compensate AEP Ohio for all
6 of its capacity including its purchased power
7 contracts.

8 MR. SATTERWHITE: Your Honor, I'm going
9 to object now. I don't know what this has to do with
10 trying to do an audit of a fuel adjustment clause.
11 It seems like we're trying to litigate other
12 cases again and see what AEP's happy with or not
13 happy with. Other cases occurred, filings were made
14 on these type of issues, this is not the case to be
15 arguing this again.

16 MR. OLIKER: Your Honor, we're talking
17 about what's in the fuel clause, whether it should be
18 there.

19 MR. SATTERWHITE: No, your Honor, he's
20 asking --

21 EXAMINER PARROT: I don't think that's
22 what that question was about either.

23 MR. OLIKER: Absolutely. If they're
24 receiving sufficient compensation someplace else, you
25 don't need to recover it in the fuel adjustment

1 clause.

2 EXAMINER PARROT: And, again, how does
3 that tie into the audit?

4 MR. OLIKER: Because we're auditing the
5 demand charges, your Honor. We're auditing
6 everything that's flown through. It's a question of
7 whether or not it's -- it should be there. Whether
8 it's been too much money for a charge or whether the
9 charge should be reflected.

10 MR. SATTERWHITE: Your Honor, we're back
11 to the double recovery argument. There's been
12 testimony showing --

13 EXAMINER PARROT: Based on my prior
14 ruling I'm going to sustain the objection.

15 MR. OLIKER: Your Honor, my understanding
16 about the prior ruling was I couldn't ask questions
17 about a capacity case that happened afterwards, now
18 I'm being excluded --

19 EXAMINER PARROT: I'm just saying, again,
20 I need you to limit your questions to the scope of
21 the proceeding. As I found before, your answers were
22 outside the scope at that time and I'm similarly
23 finding so now.

24 MR. OLIKER: So I understand, the ruling
25 is that I am not allowed to ask questions now about

1 base generation rates that were in effect during
2 ESP 1 during the time period that we're discussing.

3 EXAMINER PARROT: I need you to tie your
4 questions in to the FAC audit.

5 MR. OLIKER: Can I please have that
6 clarification, your Honor, of whether or not I am not
7 allowed to ask questions about the time period of the
8 audit.

9 EXAMINER PARROT: If you can tie your
10 questions into the audit of the fuel adjustment
11 clause mechanism, that's what we're here to do. I'm
12 failing to see how your questions about the base
13 generation rates are doing that.

14 MR. OLIKER: Okay.

15 Q. (By Mr. Olikier) So, Mr. Nelson, when you
16 testified in ESP 1 regarding inclusion of
17 Lawrenceburg and OVEC in the fuel adjustment clause,
18 you did not testify that AEP Ohio would fail to
19 recover those costs if the Commission disallowed
20 recovery of the demand charges in the FAC.

21 A. I requested, or designed the fuel clause
22 and requested that we be allowed to recover all
23 purchased power costs including capacity costs which
24 the statute allowed automatically. And Mr. Baker I
25 think addressed the issues around Lawrenceburg, OVEC,

1 Waterford, and Darby, and the Commission ruled --
2 ultimately decided that -- I'm assuming that they
3 said that they weren't in the base rates because they
4 ruled that we could recover those costs in the FAC.

5 So, again, our FAC calculations are
6 consistent with the FAC as it was designed, the FAC
7 as the Commission approved it, and it was clear in my
8 testimony in that case that I was assigning
9 100 percent of the capacity charges to internal load
10 customers.

11 Again, I can give you the page reference,
12 starts at the bottom of 11, top of page 12. It's
13 very clear how those costs were going to be assigned
14 in the FAC and I, you know, believe the auditor when
15 they went through the '9 audit, I heard them talk
16 today that they reviewed the FAC in the context of
17 the Commission's orders in the ESP 1 case and in the
18 context of what I proposed in that case. So it's
19 consistent with that and that's -- I think it's
20 appropriate the Commission decided that we were
21 entitled to recover those costs.

22 Q. So the answer to my question is no.

23 A. I thought I answered the question, but if
24 you won't mind reading the question back to me and
25 the answer, perhaps.

1 (Record read.)

2 Q. So the answer to my question is no, you
3 didn't submit testimony saying --

4 A. I think I said that Mr. Baker did.

5 Q. So what was the return of Columbus
6 Southern Power Company in 2010?

7 MR. SATTERWHITE: Objection. Relevance.

8 EXAMINER PARROT: Response?

9 MR. OLIKER: Trying to figure out whether
10 or not AEP was sufficiently compensated for these
11 contracts and it's a pretty simple calculation based
12 upon the total return for a company.

13 MR. SATTERWHITE: Your Honor, we have
14 other proceedings that deal with the return, again,
15 now we're adding another one to the stack of
16 proceedings we're going to infringe upon.

17 MR. OLIKER: That's a different test. A
18 completely different test. It deals with
19 significantly excessive earnings, not overrecoveries.

20 MR. SATTERWHITE: Your Honor, I'm not
21 sure of the relevance to the '10-'11 FAC.

22 EXAMINER PARROT: Sustained.

23 MR. OLIKER: I have no more questions,
24 your Honor.

25 EXAMINER PARROT: OMA?

1 MS. MOHLER: No questions, your Honor.

2 EXAMINER PARROT: Staff.

3 MR. McNAMEE: Thank you, yes, I do.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. McNamee:

7 Q. Good afternoon, Mr. Nelson.

8 A. Good afternoon.

9 Q. I remember the transportation division
10 has a contract with Ohio Power Company, doesn't it?

11 A. It has an agreement with Ohio Power as
12 well as other AEP companies.

13 Q. Okay. Tell me, if you can, the case
14 number of a case in which the FERC has approved or
15 passed on that contract.

16 A. I can give you the SEC docket number.

17 Q. SEC.

18 A. Yeah. Which once the Public Utilities
19 Act, in 2005 I think it was, extinguished the
20 jurisdiction of the SEC at some point, I don't know
21 that this is a proper term, kind of ceded to the FERC
22 so that contract continued to be in the FERC
23 jurisdiction at that point so that would have been
24 around, I think around 2005. I think it was part of
25 the Energy Policy Act of 2005.

1 Q. So the answer to my question is there is
2 no FERC proceeding that has passed on this contract.

3 A. And that is typical. You have a
4 contract, unless someone raises a complaint at FERC
5 or the company were to initiate a change in the
6 contract, then it wouldn't necessarily be reviewed
7 periodically. So the process was it was initially
8 filed with the SEC and then transferred to the FERC
9 authority in 2005 but we didn't change it in the
10 contract. The contract wording, it was a formula
11 rate contract kind of a standard contract in my
12 opinion so, yeah, it was kind of the history of it.

13 MR. McNAMEE: That's all I need. Thank
14 you.

15 EXAMINER PARROT: Mr. Satterwhite.

16 MR. SATTERWHITE: If I can have five
17 minutes, your Honor, I think we can commit quickly
18 and get Dr. Duann on and off per his schedule.

19 EXAMINER PARROT: Let's take a
20 five-minute break.

21 (Recess taken.)

22 EXAMINER PARROT: Let's go back on the
23 record.

24 Mr. Satterwhite.

25 MR. SATTERWHITE: Your Honor, two very

1 narrow questions.

2 - - -

3 REDIRECT EXAMINATION

4 By Mr. Satterwhite:

5 Q. Mr. Nelson, you were talking with staff
6 counsel about an SEC docket. Do you remember that?

7 A. Yes.

8 Q. Do you have -- let's do it this way: Can
9 you turn to the 2010 report, page 7100?

10 A. Did you say "7100."

11 Q. Yes. -100.

12 A. Okay.

13 Q. About after the first long quoted
14 paragraph there's a SEC release number and date. Is
15 that what you were referring to?

16 A. Yes, it is.

17 Q. Second, you had a lot of conversation
18 with Mr. Olikier from IEU about allocation factors and
19 different matters dealing with the ESP 1 and the FAC.
20 Do you remember those questions?

21 A. I do.

22 Q. And you referred to your testimony from
23 the ESP 1 in 08-917, correct?

24 A. Correct.

25 Q. Do you have what's been marked as AEP

1 Exhibit No. 4 up there in front of you?

2 A. I don't have that.

3 MR. SATTERWHITE: Your Honor, can we
4 approach and provide him a copy?

5 EXAMINER PARROT: You may.

6 Q. Is this the document you were referring
7 to in response to a number of questions?

8 A. I'm sorry, this is the -- this is today's
9 testimony.

10 MR. SATTERWHITE: And I misspoke, your
11 Honor, that's AEP Exhibit No. 1.

12 A. This is No. 1.

13 Q. Yes. Is that the testimony you were
14 referring to when you talked to Mr. Olier earlier?

15 A. It is.

16 Q. And you referred, I believe, to page 11
17 and some other pages in there beyond the summary
18 discussion that we had with the financial auditor,
19 correct?

20 A. That's correct.

21 Q. And did the testimony go on to explain
22 further what was in the summary explanation of what
23 goes into the FAC?

24 A. Yes.

25 MR. SATTERWHITE: Your Honor, at this

1 time I would move for the full admission of the
2 document AEP Exhibit No. 1 as it's been discussed.
3 And with that admission I have no more questions.

4 EXAMINER PARROT: Let's hold off on that
5 till we have recross.

6 Duke?

7 MR. D'ASCENZO: No, thank you, your
8 Honor.

9 EXAMINER PARROT: OCC?

10 MR. ETTER: No questions.

11 EXAMINER PARROT: IEU?

12 MR. OLIKER: Your Honor, could I have one
13 minute?

14 EXAMINER PARROT: Okay.

15 - - -

16 RECROSS-EXAMINATION

17 By Mr. Olier:

18 Q. Just to follow up on a question from
19 Mr. Satterwhite, I didn't ask you about any specific
20 pages in your testimony, did I, Mr. Nelson? You
21 volunteered them.

22 A. I did. And, by the way, I may have
23 misspoke. It should be bottom of 12, page 12, and
24 the top of page 13. I think I said 11 and 12.

25 EXAMINER PARROT: So 12 and 13.

1 THE WITNESS: Yes, 12 and 13.

2 EXAMINER PARROT: With that
3 clarification.

4 MR. OLIKER: I have no more questions,
5 your Honor.

6 EXAMINER PARROT: Questions, OMA?

7 MS. MOHLER: No questions, your Honor.

8 EXAMINER PARROT: Staff?

9 MR. McNAMEE: No, thank you.

10 EXAMINER PARROT: Thank you, Mr. Nelson.

11 MR. SATTERWHITE: At this time, your
12 Honor, I'd move for the full admission of AEP Exhibit
13 1.

14 EXAMINER PARROT: All right. We've
15 already moved for the admission of AEP Exhibit 4 as
16 well. Are there any objections to either of those
17 two exhibits? 1 or 4.

18 MR. ETTER: OCC would object, again, to
19 the full admission of Exhibit 1 because it was not
20 presented to all the parties and we have no idea what
21 all is in there.

22 MR. OLIKER: I would as well, your Honor.
23 I did not refer to it, he volunteered it in many of
24 his, as he quoted, long-winded answers that were not
25 responsive to my questions.

1 EXAMINER PARROT: Anyone else?

2 (No response.)

3 EXAMINER PARROT: At this point I'll
4 admit, let's start with AEP Exhibit 4, I don't
5 believe I heard any objections to that, so that will
6 be admitted.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER PARROT: With respect to AEP
9 Exhibit 1, we'll go ahead and add pages 12 and 13 to
10 the pages that we previously admitted.

11 MR. SATTERWHITE: Can I make one pitch
12 for the rest? What we discussed earlier was a
13 summary of what went into the FAC and as he explained
14 in some of his answers, it provided more information
15 to back up the summary, so it might be beneficial to
16 the Commission.

17 EXAMINER PARROT: I think I'm going to
18 adhere to my ruling.

19 MR. SATTERWHITE: Thank you, your Honor.

20 EXAMINER PARROT: We will admit pages 12
21 and 13 in addition to the pages we previously
22 admitted which were 5 through 7 plus the cover page.

23 MR. SATTERWHITE: Thank you, your Honor.

24 EXAMINER PARROT: Thank you, Mr. Nelson.

25 And Mr. Olikier.

1 MR. OLIKER: I believe I already moved
2 for the admission of 13. In case I didn't, I'd move
3 for that, but I think I did, but I would also move
4 for admission of the OVEC Power Agreement, which is
5 IEU-Ohio Exhibit 14.

6 EXAMINER PARROT: 13 was already
7 admitted. Are there any objections to 14?

8 MR. SATTERWHITE: No, your Honor.

9 EXAMINER PARROT: Hearing none, IEU
10 Exhibit 14 is admitted.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER PARROT: Any further witnesses
13 from the company?

14 MR. SATTERWHITE: That is it for direct,
15 your Honor.

16 EXAMINER PARROT: Very good. Let's go
17 off the record.

18 (Discussion off the record.)

19 EXAMINER PARROT: Let's go back on the
20 record.

21 I believe OCC has our next witness.

22 MR. ETTER: Yes, OCC calls Dr. Daniel
23 Duann.

24 EXAMINER PARROT: Please raise your right
25 hand.

1 (Witness sworn.)

2 EXAMINER PARROT: Please be seated.

3 MR. ETTER: May I approach, your Honor?

4 EXAMINER PARROT: You may.

5 MR. ETTER: This is the confidential
6 version, it is opposite of what AEP did. It has
7 yellow for 2010 and green for 2011.

8 EXAMINER PARROT: Thank you.

9 MR. ETTER: I'd like to mark for
10 identification OCC Exhibit 1 the public version of
11 the direct testimony of Dr. Daniel Duann that was
12 filed on November 8th, 2013, and Exhibit 1A the
13 confidential version of Dr. Duann's testimony.

14 EXAMINER PARROT: So marked.

15 (EXHIBITS MARKED FOR IDENTIFICATION.)

16 - - -

17 DANIEL J. DUANN

18 being first duly sworn, as prescribed by law, was
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Etter:

22 Q. Would you state your name, please?

23 A. Daniel J. Duann.

24 Q. And you are an employee of the Ohio
25 Consumers' Counsel?

1 A. Yes.

2 Q. In what capacity are you employed?

3 A. I'm a principal regulatory analyst.

4 Q. And would you give your business address,
5 please.

6 A. Yes. It's 10 West Broad Street, Suite
7 1800, Columbus, Ohio, 43215.

8 Q. Thank you.

9 And do you have a copy of what we have
10 identified as OCC Exhibits 1 and 1A before you?

11 A. Yes.

12 Q. And is this the testimony that you
13 prepared or was prepared at your direction?

14 A. Yes.

15 Q. And this was filed on November 8th,
16 2013, correct?

17 A. Yes.

18 Q. And do you have any changes or
19 corrections to make to this testimony?

20 A. No.

21 Q. And the questions you answered here are
22 truthful to the best of your knowledge?

23 A. Yes.

24 Q. And if you were asked these questions
25 today, would you answer them the same way?

1 A. Yes.

2 Q. Thank you.

3 MR. ETTER: We have nothing further, your
4 Honor. We tender the witness for cross-examination.

5 EXAMINER PARROT: AEP Ohio.

6 MR. ALAMI: Thank you, your Honor, no
7 cross.

8 EXAMINER PARROT: Duke?

9 MR. D'ASCENZO: No questions, your Honor.

10 EXAMINER PARROT: IEU?

11 MR. OLIKER: No questions, your Honor.

12 EXAMINER PARROT: OMA?

13 MS. MOHLER: No questions.

14 EXAMINER PARROT: Staff?

15 MR. BEELER: No questions.

16 EXAMINER PARROT: Thank you, Dr. Duann.

17 MR. ETTER: Your Honor, then I move for
18 the admission of OCC Exhibits 1 and 1A.

19 EXAMINER PARROT: Are there any
20 objections?

21 (No response.)

22 EXAMINER PARROT: Hearing none, OCC
23 Exhibits 1 and Exhibits 1A are admitted.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 EXAMINER PARROT: Any further witnesses

1 from OCC?

2 MR. ETTER: No, your Honor.

3 EXAMINER PARROT: Very good.

4 IEU.

5 MR. OLIKER: Your Honor, could we go off
6 the record. I have a minor housekeeping matter.

7 EXAMINER PARROT: Let's go off the
8 record.

9 (Discussion off the record.)

10 EXAMINER PARROT: Let's go back on the
11 record.

12 MR. OLIKER: Your Honor, IEU-Ohio calls
13 Joseph Bowser as a witness.

14 EXAMINER PARROT: Raise your right hand.

15 (Witness sworn.)

16 EXAMINER PARROT: Please be seated.

17 - - -

18 JOSEPH G. BOWSER

19 being first duly sworn, as prescribed by law, was
20 examined and testified as follows:

21 DIRECT EXAMINATION

22 By Mr. Oliker:

23 Q. Please state your name for the record.

24 A. My name is Joseph G. Bowser.

25 Q. And what is your profession?

1 A. I'm an accountant and financial analyst.

2 Q. And who is your employer?

3 A. McNees, Wallace & Nurick.

4 Q. And what is your address?

5 A. 21 East State Street, Columbus, Ohio.

6 Q. Did you prepare testimony in this
7 proceeding?

8 A. Yes, I did.

9 MR. OLIKER: Your Honor, I'd like to mark
10 the testimony of Joseph Bowser on behalf of
11 Industrial Energy Users-Ohio as IEU-Ohio Exhibit 15.

12 EXAMINER PARROT: So marked.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MR. OLIKER: May I approach, please?

15 EXAMINER PARROT: You may.

16 Q. Mr. Bowser, did you prepare testimony in
17 this proceeding?

18 A. Yes, I did.

19 Q. And is that testimony marked as IEU-Ohio
20 Exhibit 15?

21 A. Correct.

22 Q. Do you have any corrections to make to
23 your testimony?

24 A. No, I do not.

25 Q. So is your testimony true and accurate to

1 the best of your knowledge?

2 A. Yes, it is.

3 Q. And if you were asked those questions
4 again today, would your answers be the same?

5 A. Yes, they would.

6 MR. OLIKER: Your Honor, I would move for
7 admission of the exhibit and tender the witness for
8 cross-examination.

9 EXAMINER PARROT: Thank you.

10 AEP?

11 MR. SATTERWHITE: I assume we're last.

12 EXAMINER PARROT: Oh, that's fine. Let's
13 start here with Duke.

14 MR. D'ASCENZO: No questions, your Honor.

15 EXAMINER PARROT: OCC?

16 MR. ETTER: No questions, your Honor.

17 EXAMINER PARROT: OMA?

18 MS. MOHLER: No questions.

19 EXAMINER PARROT: Staff?

20 MR. BEELER: No questions, thank you.

21 EXAMINER PARROT: No questions from the
22 staff so you truly are last.

23 MR. SATTERWHITE: Thank you, your Honor,
24 I hear that a lot.

25 - - -

CROSS-EXAMINATION

By Mr. Satterwhite:

Q. Mr. Bowser, good afternoon. Good to see you.

A. Good afternoon.

Q. Hopefully we can deal with this rather quickly. I'd like to have you turn in your testimony to page 6.

A. Yes, I'm there.

Q. And on page 6 there's a footnote where you incorporate by reference testimony from an AEP employee Mr. Thomas Mitchell. Do you see that?

A. Yes, I do.

Q. And that testimony that you incorporate is from a case in the West Virginia jurisdiction, correct?

A. That's correct.

Q. And it's dealing with a energy clause down in West Virginia, correct?

A. I believe that's correct, yes.

Q. And the West Virginia utility jurisdiction is a traditional cost of service jurisdiction, correct?

A. If you mean by "traditional" that there's not customer choice, is that what you mean?

1 Q. What's your definition of "traditional
2 cost of service jurisdictions"? I'm asking what you
3 think, when someone says "traditional cost of service
4 jurisdiction," how would you define that?

5 A. I would think of that as rate base based
6 regulation, basically.

7 Q. So West Virginia does not have a statute
8 similar to Ohio that deals with an electric security
9 plan, an SSO, a market rate offer, a SEET, correct?

10 A. I can't say that for sure. I don't know
11 that for sure.

12 Q. So you don't know --

13 A. No, I don't.

14 Q. -- how it's structured?

15 MR. SATTERWHITE: One second, your Honor.

16 Q. But it is fair to say that the fuel
17 adjustment clause that we're discussing today in this
18 case was established under an Ohio statute that has
19 an electric security plan, market rate offer, and
20 SEET as we discussed earlier, correct?

21 A. It was established under a phase-in plan.

22 Q. As part of an electric security approved
23 by the Public Utilities Commission of Ohio, correct?

24 A. That's correct.

25 Q. Do you do any work in the state of

1 West Virginia?

2 A. No, I have not.

3 Q. So you've never appeared as a witness in
4 a regulatory matter in that jurisdiction?

5 A. No.

6 MR. SATTERWHITE: That's all I have, your
7 Honor.

8 Thank you, Mr. Bowser. Sorry you didn't
9 get into your water very much there.

10 EXAMINER PARROT: Any redirect?

11 MR. OLIKER: Your Honor, if I can have
12 maybe one minute to confer with the witness, I
13 believe we may not.

14 EXAMINER PARROT: You may.

15 (Off the record.)

16 EXAMINER PARROT: Let's go back on the
17 record.

18 - - -

19 REDIRECT EXAMINATION

20 By Mr. Oliker:

21 Q. Mr. Bowser, do you remember when counsel
22 for AEP Ohio asked you whether it is important that
23 Mr. Mitchell recommended an ADIT offset in a
24 traditional cost of service jurisdiction?

25 MR. SATTERWHITE: Objection, your Honor,

1 I didn't ask that. I asked a comparison of what the
2 jurisdiction was. I didn't ask anything about what
3 Mr. Mitchell said about it. It was totally just to
4 distinguish between the two jurisdictions.

5 EXAMINER PARROT: Do you want to rephrase
6 your question? Let's try that.

7 Q. Okay, Mr. Bowser, do you remember when
8 counsel for AEP Ohio asked you whether or not the
9 jurisdiction Mr. Mitchell testified in is a
10 traditional cost of service jurisdiction?

11 A. Yes.

12 Q. For purposes of your testimony today do
13 you believe that it matters that Mr. Mitchell
14 testified in a traditional cost of service
15 jurisdiction?

16 A. No, I don't believe it matters.

17 Q. And explain why, please.

18 A. With respect to the ADIT issue which is
19 the main issue in my testimony, ADIT is a source of
20 cost-free capital and I don't believe that it makes a
21 difference as to whether or not that should be
22 deducted in a determination of carrying charges
23 whether it's cost-based regulation or not.

24 And in fact, as the fuel auditors picked
25 up in their 2011 audit findings and I believe their

1 2010 as well, you know, they raised this very same
2 issue saying that the ADIT issue should be addressed
3 in this proceeding and that's in part why I included
4 that in my testimony.

5 MR. OLIKER: I have no more questions,
6 your Honor. Thank you.

7 EXAMINER PARROT: Duke?

8 MR. D'ASCENZO: No, your Honor.

9 EXAMINER PARROT: OCC?

10 MR. ETTER: No, your Honor.

11 EXAMINER PARROT: OMA?

12 MS. MOHLER: No.

13 EXAMINER PARROT: Staff?

14 MR. BEELER: No.

15 EXAMINER PARROT: AEP?

16 MR. SATTERWHITE: Nothing, thank you.

17 EXAMINER PARROT: Thank you very much,
18 Mr. Bowser.

19 I think we already heard a motion for
20 admission of IEU Exhibit 15. Are there any
21 objections?

22 MR. SATTERWHITE: No objection.

23 EXAMINER PARROT: Hearing none, IEU
24 Exhibit 15 is admitted.

25 (EXHIBIT ADMITTED INTO EVIDENCE.)

1 EXAMINER PARROT: Let's go off the
2 record.

3 (Discussion off the record.)

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

6 Mr. Satterwhite.

7 MR. SATTERWHITE: Thank you, your Honor.
8 The company is going to endeavor to look quickly to
9 see if there are rebuttal issues from all the issues
10 that came up today that we need to file. If so,
11 we'll be filing by 5:30, the close of business on
12 Wednesday of this week with the understanding that
13 then we can move forward to hearing on that rebuttal
14 testimony this Friday, based on availability of a
15 hearing room.

16 MR. ETTER: Excuse me, your Honor, you'll
17 give electronic service on --

18 MR. SATTERWHITE: Absolutely.

19 EXAMINER PARROT: Keep the parties
20 apprised of what our plan is for the remainder of the
21 week.

22 MR. SATTERWHITE: Yes.

23 EXAMINER PARROT: Thank you.

24 Also while we were off the record the
25 parties discussed a briefing schedule and the parties

1 have agreed to file their initial briefs in these
2 proceedings on January 7th with reply briefs being
3 filed on January 21st, 2014.

4 Is there anything else to come before us
5 today?

6 (No response.)

7 EXAMINER PARROT: Hearing none, we are
8 adjourned, thank you.

9 (Hearing adjourned at 4:48 p.m.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is a
3 true and correct transcript of the proceedings taken
4 by me in this matter on Monday, November 18, 2013,
5 and carefully compared with my original stenographic
6 notes.

7
8 Maria DiPaolo Jones, Registered
9 Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

10 My commission expires June 19, 2016.

11 (73935mdj)

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