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3 PUBLIC UTILITIES COMMISSION OF OHIO

4 PUBLIC HEARING

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6 CASE NUMBER: 13-2385-EL-SSO

7 AND

8 CASE NUMBER: 13-2386-EL-AAM

9

10 ~ ~ ~ ~

11 Wednesday, May 14, 2014

12 ~ ~ ~ ~

13 In the Matter of the Application of Ohio

14 Power Company for Authority to Establish a

15 standard service Offer Pursuant to R.C. 4923.143

16 in the Form of an Electric Security Plan, case

17 No. 13-2385-EL-SSO

18

19 In the Matter of the Application of Ohio

20 Power Company for Approval of Certain Accounting

21 Authority, Case No. 13-2386-EL-AAM.

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2014 MAY 27 AM 9:03

1 APPEARANCES

2 Greta See, Hearing Officer.

3 Steve Lesser, Commissioner

4 Edmund "Tad" Berger, OCC

5 Matthew j. Satterwhite

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1 MS. SEE: Good evening. If we  
2 could get started. My name is Greta See  
3 and I'm an attorney examiner with the  
4 Commission's legal department. Setting  
5 to my left is Commissioner Steve  
6 Lesser. Commissioner Lesser and I are  
7 going to be presiding over the hearing  
8 this evening.

9 Scheduled for hearing at this time  
10 and place is Case Number 13-2385-EL-SSO,  
11 which is entitled, In the Matter of the  
12 Application of the Ohio Power Company  
13 for authority to establish a standard  
14 service offer pursuant to Revised Code  
15 Section 4928.143 in the form of an  
16 Electric Security Plan, as well as Case  
17 Number 13-2386-EL-AAM, entitled, In the  
18 Matter of the Application of the Ohio  
19 Power Company for approval of certain  
20 accounting authority.

21 In addition to myself and  
22 Commissioner Lesser, there are three  
23 members of the Commission here, and if  
24 have you a question about the  
25 Commission's process -- about the

1 process for this case, you can address  
2 it to either Lee Gary who is at the back  
3 of the room, Jill Coker or Zach Primer.

4 At the time I would like to take  
5 appearances of the parties.

6 On behalf of the company?

7 MR. SATTERWHITE: Thank you, Your  
8 Honor. On behalf of Ohio Power Company,  
9 Matthew Satterwhite, One Riverside  
10 Plaza, Columbus, Ohio 43215.

11 I would also like to add that  
12 there's representatives from AEP here  
13 tonight. If there's questions about the  
14 case or something beyond the case, we're  
15 more than willing to answer those.

16 MS. SEE: Could you introduce those  
17 individuals that are here?

18 MR. SATTERWHITE: I'll let them.

19 MS. JEUNELLOT: Michelle Juenelot,  
20 J-E-U-N-E-L-O-T, from Gahanna, Ohio.

21 MS. SEE: Next?

22 MS. FLOOR: Terry Flora. I'm with  
23 Communications in Gahanna, Ohio.

24 MR. WHEELER: I'm Dave Wheeler,  
25 General Manager of Community Affairs for

1 AEP based in Canton, Ohio.

2 MS. SEE: Okay.

3 MR. PARRISH: Dwight Parrish,  
4 Customer Service Rep here in Canton,  
5 Ohio.

6 MS. SEE: Next?

7 MR. ARMSTRONG: Jim Armstrong,  
8 Customer Services Supervisor based in  
9 Canton, Ohio.

10 MR. PLOTKIN: Bryan Plotkin,  
11 Customer Service Representative,  
12 Wooster, Ohio.

13 MS. SEE: Okay. Thank you.

14 Also here on behalf of the Ohio  
15 Consumers' Counsel?

16 MR. BERGER: Good evening, Your  
17 Honor. Tad Berger for the Consumers'  
18 Counsel's office, 10 West Broad Street,  
19 Columbus, Ohio, 43215.

20 MS. SEE: Thank you.

21 I would like to note that there are  
22 a number of parties who have filed a  
23 motion to intervene in this case. There  
24 are approximately 30 entities that have  
25 filed so far with one application

1 pending. They represent industrial  
2 concerns, commercial customers,  
3 environmental advocates and low income  
4 residential customers. Each of these  
5 parties will represent their various  
6 constituents in this proceeding, as well  
7 as the Commission staff.

8 A little bit of background about  
9 the case: On December 20th, 2013 Ohio  
10 Power Company filed an application with  
11 the Commission to establish a standard  
12 service offer in the form of an electric  
13 security plan, or what you may hear  
14 referred to as an ESP, to be in effect  
15 from June 2015 through May 2018. There  
16 have been scheduled five local public  
17 hearings. This is the fourth. There is  
18 one more scheduled to take place in  
19 Marietta, as well as an evidentiary  
20 hearing, which is scheduled to commence  
21 in Columbus at the Commission's offices  
22 on June 3rd.

23 The purpose of this evening's  
24 public hearing is to receive comments  
25 from the public regarding Ohio Power's

1 application. It's not a question-and-  
2 answer session, but it's your  
3 opportunity to let the Commission know  
4 what you think about Ohio Power  
5 Company's application.

6 Tonight's hearing is being  
7 transcribed by a court reporter. If you  
8 plan to offer testimony, please speak  
9 clearly so that the court reporter can  
10 accurately reflect your comments on the  
11 record. And if you have prepared a  
12 written statement, it would be helpful  
13 if you would provide a copy to the court  
14 reporter when you finish your  
15 statement.

16 When you arrived, you were offered  
17 an opportunity to sign in to offer  
18 testimony tonight. And after I finish  
19 the introduction, I will begin calling  
20 the witnesses forward that have signed  
21 in. I'll ask each witness to come to  
22 the table, face the court reporter and  
23 raise your right hand to affirm that the  
24 information you're about to give is true  
25 and state and spell your name for the

1 record, as well as provide us your  
2 address.

3 Your testimony will be considered  
4 part of the official record in this case  
5 and will be reviewed by the Commission  
6 before a final decision is made on the  
7 application.

8 As well as counsel -- counsel for  
9 the various parties that are present  
10 tonight will have an opportunity to  
11 cross-examine each witness, as well as  
12 the bench, Commissioner Lesser and  
13 myself.

14 Should you decide not to offer  
15 testimony, when I call your name, you  
16 can pass. Once you finish your  
17 testimony or if you're just here to  
18 observe, you can leave at any time.

19 The Commission appreciates your  
20 participation in tonight's hearing, and  
21 we want to give everyone that elected to  
22 do so an opportunity to offer testimony,  
23 so after I have called forth the one  
24 witness that has signed up, if anyone  
25 else chooses to offer testimony, you'll



1           have an opportunity to do so.

2           With that, the first witness that  
3           signed up tonight is Susan Misconish.

4           MS. MISCONISH: Misconish.

5           MS. SEE: Thank you.

6           - - - - -

7           SUSAN MISCONISH,

8           After having been first duly affirmed, as  
9           hereinafter certified, was examined and testified  
10          as follows:

11          MS. SEE: State and spell your name  
12          for the record and give us your  
13          address.

14          MS. MISCONISH: My name is Susan  
15          Misconish, S-U-S-A-N,  
16          M-I-S-C-O-N-I-S-H. I work for the  
17          Timken Company at 1835 Dueber Avenue  
18          Southwest, D-U-E-B-E-R, Canton, Ohio,  
19          44706.

20          MS. SEE: Go ahead with your  
21          statement.

22          MS. MISCONISH: I did bring  
23          copies.

24          Good evening. My name is Susan  
25          Misconish and I am a commodity manager

1 at the Timkin Company. I am responsible  
2 for purchasing commodities that include  
3 energy, transportation, rail, industrial  
4 gas, oxygen, nitrogen and argon and  
5 electrodes.

6 Timken is a member of the Ohio  
7 Energy Group and Industrial Energy Users  
8 Ohio, among other organizations. Those  
9 groups will likely submit testimony in  
10 this proceeding; however, I am here  
11 today solely to address Timken's  
12 interest in AEP'S proposed ESP.

13 I would first like to provide a  
14 little background on the Timken  
15 Company. Timken has been manufacturing  
16 products in Ohio since 1901 when it  
17 opened the bearing and axle plant in  
18 Canton, Ohio, now its Worldwide  
19 headquarters.

20 Today, the Canton manufacturing  
21 complex makes friction-reducing bearing  
22 components and specialty alloy steel  
23 products, which competes in a worldwide  
24 market.

25 The Canton facility is critical to

1 the economic vitality of the State of  
2 Ohio. We are the second largest  
3 employer in Stark County, directly  
4 employing over 3,500 full-time  
5 associates, and indirectly support the  
6 employment of tens of thousands of  
7 Ohioans who work for the scores of Ohio  
8 companies who supply the goods and  
9 services used at the Canton facility.

10 By way of explanation, we purchase  
11 in excess of over one billion dollars in  
12 goods and services from over 1,600 Ohio-  
13 based suppliers. This is what is  
14 referred to as the multiplier effect.

15 As we are a large energy-intensive  
16 manufacturer, electricity costs  
17 represent a significant portion of  
18 Timken's total operating costs. Energy  
19 is our third largest cost after scrap  
20 and labor, consuming in excess of one  
21 billion kilowatt hours per year. That  
22 is the equivalent of a community with  
23 90,000 homes, a city that is slightly  
24 smaller than Akron, Ohio.

25 Our annual spend for electricity

1           for our steel operation here in the  
2           Canton area is nearly \$60 million per  
3           year. Because our operations are very  
4           sensitive to any shifts in electricity  
5           prices, a mere change of one-tenth of a  
6           cent per kilowatt hour impacts our  
7           invoice to the tune of one million  
8           dollars. We pay careful attention to  
9           the Public Utilities Commission of Ohio  
10          cases, like the pending AEP's ESP case.  
11          The outcome of these proceedings can  
12          substantially impact Timken's  
13          competitiveness and the global economy.

14               Timken has a long-standing  
15          relationship with AEP. We hope to  
16          continue this relationship into the  
17          future. We currently take service from  
18          AEP under a reasonable arrangement that  
19          has worked well for us over the past few  
20          years. However, our current reasonable  
21          arrangement is expected to expire around  
22          the end of this year. This makes the  
23          outcome of the current AEP ESP case all  
24          the more critical to Timken. We have  
25          reviewed AEP's ESP application and see

1           some merits in a number of the company's  
2           proposals. For instance, we are  
3           generally supportive of AEP's request to  
4           use its share of the Ohio Valley  
5           Electric Corporation Generation as a  
6           cost of service hedge for customers  
7           against future market volatility.

8           I would note that through OEG, we  
9           will recommend some modifications to  
10          AEP's proposal; for example, extending  
11          the length of the OVEC purchase power  
12          agreement over a term longer than three  
13          years and to front end load the savings.  
14          But as a general matter, we agree that  
15          maintaining a cost-based generation  
16          hedge could benefit both customers and  
17          the utility by protecting against wide  
18          fluctuations and future market prices.

19          Before swearing in the new PUCO  
20          Chairman Thomas Johnson, Governor Kasich  
21          recently expressed concerns about Ohio  
22          Utilities moving to full divestiture of  
23          their generation assets and relying 100  
24          percent on spot market pricing. We  
25          share those concerns. Governor Kasich

1       stated that while he's not sure that  
2       deregulation was the smartest thing Ohio  
3       has ever done, we can't go back and  
4       we've got to figure it out moving  
5       forward.

6               We think that allowing for some  
7       cost-based generation assets to serve as  
8       hedges against future market volatility  
9       could be a reasonable way to move  
10      forward within the context of Ohio's  
11      current regulatory environment.

12             One AEP proposal that Timken does  
13      not support is the proposal to eliminate  
14      the current interruptible credit at the  
15      end of AEP's current ESP.

16             As the Commission itself noted in  
17      AEP's last ESP case, the interruptible  
18      credit provides flexible options for  
19      energy-intensive customers to choose  
20      their quality of service, further Ohio's  
21      effectiveness in the global economy and  
22      can be used as an additional resource to  
23      meet AEP's capacity obligation. The  
24      interruptible customers also help  
25      maintain reliability on AEP's system by

1 shedding load or some of the electricity  
2 that they are consuming when the  
3 electric system is under stress.

4 As the recent polar vortex  
5 demonstrated, additional reliability  
6 resources, like Timken's interruptible  
7 resource, can provide significant  
8 value. Such resources will also become  
9 increasingly important as more  
10 generation units are retired in response  
11 to environmental regulations. AEP Ohio  
12 announced retirements of 1,635 megawatts  
13 in 2015. That's a total of 23  
14 generating units at seven plant  
15 locations in Ohio, while the entire PJM  
16 retirement will be in excess of 22,000  
17 megawatts by 2020. Moreover,  
18 eliminating the interruptible credit for  
19 customers in AEP's territory will place  
20 those customers at a disadvantage  
21 relative to similar large industrial  
22 customers in the First Energy and Duke  
23 territories, since both of those  
24 utilities continue to offer  
25 interruptible programs.

1           Additionally, given current carbon  
2           reduction regulations that the US EPA is  
3           promulgating, the adequacy of generation  
4           supply is certainly questionable, not  
5           only on peak demand days, like in  
6           January with the polar vortex, but on an  
7           ongoing basis as well. As the  
8           generation portfolio transforms, market  
9           volatility will become more pronounced  
10          as seen in the January Day Ahead and  
11          Real Time pricing, moving from an  
12          average of \$32.90 per megawatt to \$83.80  
13          per megawatt, for Day Ahead, an increase  
14          of 152 percent, and \$32.05 per megawatt  
15          to \$88.90 for Real Time pricing, at 178  
16          percent increase. That would more than  
17          double the rate for electricity for that  
18          month, not only for large electric  
19          consumers like Timken, but for every  
20          household. Few homeowners' budgets can  
21          be withstand the doubling of their  
22          utility bills for an essential service.

23          The proposed ESP provides AEP Ohio  
24          customers with relatively stable  
25          declining rates during the 2015 to 2018



1           time frame. Residential customers using  
2           1,000 kilowatt hours of electricity per  
3           month would see an estimated monthly  
4           rate decrease of \$6.10 for the Ohio  
5           Power Company rate zones in this area  
6           and a decrease of \$10.80 for Columbus  
7           Southern Power rate zone customers  
8           beginning in June 2015.

9           Thank you for allowing me to speak  
10          today. I greatly appreciate your time  
11          and sincerely hope that the Commission  
12          will give careful scrutiny to AEP's  
13          proposal and their potential impact on  
14          large energy-consuming customers like  
15          Timken.

16          MS. SEE: Any cross-examination for  
17          this witness?

18          COMMISSIONER LESSER: I would just  
19          like -- quick question.

20          Timken is split into two different  
21          companies?

22          MS. MISCONISH: We are in the  
23          process of separating the companies  
24          into --

25          COMMISSIONER LESSER: Are you

1 speaking for the combined companies or  
2 separate companies?

3 MS. MISCONISH: The separation  
4 isn't official until June 1st. Mostly  
5 we are speaking on behalf of Timken  
6 Steel Corporation.

7 COMMISSIONER LESSER: Okay. Thank  
8 you.

9 MS. SEE: Any cross-examination for  
10 this witness?

11 MR. SATTERWHITE: Thank you, Your  
12 Honor. No questions.

13 MR. BERGER: No questions, Your  
14 Honor.

15 MS. SEE: Thank you very much.

16 Thank you for your time. That was  
17 the only witness that had signed up to  
18 offer testimony this evening. Is there  
19 anyone else present that wishes to offer  
20 testimony?

21 Okay. With that, the hearing is  
22 adjourned. Thank you all for coming out  
23 this evening.

24 - - - - -

25 (Hearing concluded at 6:20 p.m.)

1 The State of Ohio,     )  
                                      ) SS:               CERTIFICATE  
2 County of Cuyahoga.    )

3       I, Katrina L. Dearborn, Notary Public within  
and for the State of Ohio, duly commissioned and  
4 qualified, do hereby certify that the within-  
named witnesses were first duly sworn to testify  
5 the truth, the whole truth, and nothing but the  
truth in the cause aforesaid; that the testimony  
6 then given by him/her was by me reduced to  
stenotypy in the presence of said witnesses,  
7 afterwards transcribed on a computer, and that  
the foregoing is a true and correct transcript of  
8 the testimony so given by him/her as aforesaid.

9       I do further certify that this arbitration  
was taken at the time and place in the foregoing  
10 caption specified and was completed without  
adjournment.

11  
      I do further certify that I am not a  
12 relative, employee of, or attorney for any of the  
parties in the above-captioned action; I am not a  
13 relative or employee of an attorney for any of  
the parties in the above-captioned action; I am  
14 not financially interested in the action; I am  
not, nor is the court reporting firm with which I  
15 am affiliated, under a contract as defined in  
Civil Rule 28(D); nor am I otherwise interested  
16 in the event of this action.

17       IN WITNESS WHEREOF I have hereunto set my  
hand and affixed my seal of office at Cleveland,  
18 Ohio on this 23rd day of May, 2014.

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23

Katrina L. Dearborn, Notary Public  
In and for the State of Ohio.  
my commission expires 11-02-15.

24

25