

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application of Ohio Power :
Company for Authority to :
Establish a Standard Service :Case No. 13-2385-EL-SSO
Offer Pursuant to §4928.143, :
Revised Code, in the Form of :
an Electric Security Plan. :

In the Matter of the :
Application of Ohio Power :Case No. 13-2386-EL-AAM
Company for Approval of :
Certain Accounting Authority.:

- - -

PROCEEDINGS

before Ms. Greta M. See and Ms. Sarah J. Parrot,
Hearing Examiners, at the Public Utilities Commission
of Ohio, 180 East Broad Street, Room 11-A, Columbus,
Ohio, called at 9:00 a.m. on Thursday, June 5, 2014.

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VOLUME III

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Thursday Morning Session,
June 5, 2014.

- - -

EXAMINER PARROT: Let's go back on the record. Let's begin with brief appearances, names only, and on whose behalf you're here today.

We'll start with Mr. Nourse.

MR. NOURSE: Thank you, your Honor. On behalf of Ohio Power Company, Steven T. Nourse, Matthew J. Satterwhite, Daniel R. Conway.

MS. GRADY: Thank you, your Honor. On behalf of the Office of Consumers' Counsel, Maureen R. Grady and Joseph P. Serio.

MR. DARR: On behalf of IEU-Ohio Frank Darr and Matt Pritchard.

MR. PARRAM: Good morning. On behalf of staff of the PUCO, Devin Parram, Vern Margard, and Katie Johnson.

MR. KURTZ: For OEG, Mike Kurtz.

MS. BOJKO: Thank you, your Honor. Kim Bojko and Rebecca Hussey for OMA.

MR. McDERMOTT: For FirstEnergy Solutions Corp., Jacob McDermott, Scott, Casto and Mark Hayden.

MS. PETRUCCI: For retail Energy Supply Association, Constellation NewEnergy, and Exelon

1 Generation, Gretchen Petrucci and Howard Petricoff
2 and Steve Howard.

3 MR. McDANIEL: For the Environmental Law
4 and Policy Center, Nick McDaniel.

5 MR. SMALZ: Your Honor, for the
6 Appalachian Peace and Justice Network, Michael Smalz.

7 MR. WILLIAMS: Good morning, your Honors.
8 On behalf of IGS, Mark Whitt, Andrew Campbell, and
9 Gregory Williams.

10 EXAMINER PARROT: Anyone not seated at
11 counsel table?

12 Mr. O'Brien.

13 MR. O'BRIEN: On behalf of the Ohio
14 Hospital Association, Richard L. Sites, Thomas J.
15 O'Brien, and Dylan Borchers.

16 EXAMINER PARROT: Anyone else?

17 MR. CLARK: On behalf of Direct Energy,
18 Joe Clark.

19 EXAMINER PARROT: Anyone else?

20 (No response.)

21 EXAMINER PARROT: Okay, very good.

22 Mr. Nourse.

23 MR. NOURSE: Thank you, your Honor. As
24 directed yesterday, we filed the proofs of
25 publication in the docket, did give the reporter the

1 original copies, don't know if you'd like to mark
2 those as an exhibit or if the reporter should hang on
3 to them or not.

4 EXAMINER PARROT: I don't think it's
5 necessary to mark them.

6 MR. NOURSE: We'll just give them to
7 Docketing then.

8 EXAMINER PARROT: I saw they have been
9 filed in the docket.

10 MR. NOURSE: Thank you.

11 EXAMINER PARROT: Thank you for doing
12 that.

13 All right. Mr. Allen, I would remind you
14 you are still under oath.

15 THE WITNESS: I understand that.

16 EXAMINER PARROT: And let's start with
17 FES this morning.

18 MR. CASTO: Nothing from FES.

19 EXAMINER PARROT: Ms. Petrucci.

20 - - -

21 CROSS-EXAMINATION

22 By Ms. Petrucci:

23 Q. Good morning, Mr. Allen.

24 A. Good morning.

25 Q. I'd like to start with a hypothetical.

1 Let's assume that rider PPA is approved for the OVEC
2 generation and let's assume that there happens to be
3 a zero cost for the OVEC generation. In that
4 scenario is the maximum credit that would be given
5 under the rider just 5 percent of the energy and
6 capacity costs for the OVEC entitlement?

7 A. If the -- your hypothetical is if the
8 OVEC cost is zero, is the maximum credit under the
9 rider equal to the OVEC cost? Was that the
10 hypothetical you gave?

11 Q. Would it be 5 percent of the energy and
12 capacity costs for the customers.

13 A. No. It would be related to the energy
14 and capacity revenues achieved from the sale of the
15 OVEC entitlement.

16 Q. Would it be 5 percent of the revenues?

17 A. No.

18 Q. Now, my hypothetical had assumed that
19 there were no costs to Ohio Power for the OVEC
20 generation, and you would agree with me that that's
21 extremely unlikely to occur during the ESP period;
22 isn't that correct?

23 A. Yes.

24 Q. And, as we discussed a great deal
25 yesterday, the PPA rider is intended to be the

1 differential between the costs and the price, the
2 market price of generation, correct?

3 A. The market revenues, correct.

4 Q. I'm sorry. Thank you.

5 And based on the conversations yesterday
6 as well the differential that would be put into the
7 PPA rider is -- well, let me start again.

8 The estimates that Ohio Power Company had
9 prepared initially had assumed normal weather for
10 purposes of estimating whether there would be a
11 credit or a debit under rider PPA, correct?

12 A. Correct.

13 Q. And I think you also stated yesterday
14 with the new calculation that you presented that it
15 also assumed normal weather.

16 A. Yes, that's correct.

17 Q. And I believe you stated yesterday that
18 weather is never normal. Do you recall stating that?

19 A. I generally recall that, yes.

20 Q. So as a result isn't it correct that the
21 predictions or forecasts that have been presented are
22 guesstimates and that during this ESP period the
23 rider PPA's likely to be different?

24 A. The analysis we provided is an estimate
25 and actual results will vary from those estimates.

1 Q. And a factor in changing those estimates
2 is the volatility of weather.

3 A. That's correct. And, as I indicated
4 yesterday, the impact of volatile weather would tend
5 to make the PPA rider more valuable to customers.

6 Q. Is Ohio Power offering this as a weather
7 normalization program?

8 A. No.

9 Q. Are you aware if the Public Utilities
10 Commission has ever approved a weather normalization
11 program as a pilot program?

12 A. The Commission has approved for AEP Ohio
13 a revenue decoupling mechanism for residential and
14 GS-1 customers, nondemand meter customers.

15 Q. Are you aware of any other type of
16 weather normalization program that the Public
17 Utilities Commission may have approved?

18 A. I don't know if they have or have not.

19 Q. Now, customers that might be interested
20 in avoiding the volatility have the option to enter
21 into fixed-price contracts with competitive retail
22 electric service providers, correct?

23 A. Customers have the ability to sign
24 contracts with competitive retail electric suppliers.
25 Whether it reduces volatility for those customers or

1 not depends upon the terms of that contract and the
2 duration.

3 Q. Would you agree, though, that a
4 fixed-price contract would avoid volatility in
5 pricing?

6 A. Only if the fixed-price contract extended
7 for a very long period of time.

8 Q. So even during the contract term you
9 don't think a fixed-price contract would avoid
10 volatile market prices?

11 A. As we've seen recently, fixed-price
12 contracts aren't always fixed price, and suppliers do
13 try to pass through certain costs that resulted from
14 volatile market prices to customers.

15 Q. Would the -- would such a contract
16 typically apply to all of that generation that's
17 purchased for the contract rather than just 5 percent
18 of the generation?

19 A. A fixed-price contract would provide
20 stability for a customer for the term of that
21 contract. The company's PPA rider provides an
22 element of stability for a longer period of time. So
23 the stability rider provides -- the PPA rider
24 provides stability for roughly 5 percent, as we've
25 indicated, whereas a fixed price -- for a longer

1 period of time, whereas a fixed-price contract would
2 typically provide stability over a shorter period of
3 time for 100 percent of the energy purchased for that
4 customer.

5 Q. In that answer you're making an
6 assumption as to what the length of the contract is
7 versus the proposed length of the rider PPA, correct?

8 A. Correct.

9 Q. Besides Ohio Power Company has any other
10 OVEC-sponsoring company requested to transfer its
11 OVEC entitlement so that that particular company's
12 relieved of its ongoing liabilities in OVEC?

13 A. My understanding is that several years
14 ago FirstEnergy or its subsidiaries transferred some
15 of their OVEC entitlement to another entity, would
16 have been a sale of that entitlement.

17 Q. Can you think of any others?

18 A. That's the only one I'm aware of.

19 Q. Do you have a copy of IEU Exhibit 6 which
20 is the 2012 annual report for OVEC there with you?

21 A. I have that.

22 Q. Thank you.

23 Can we turn to page 1.

24 A. I'm there.

25 Q. And if we look at the right-hand column,

1 there are two different lists, one appears to be a
2 list of the equity percentages and then the second is
3 the participation -- percentages of participation.

4 A. Yes, I see that.

5 Q. Okay. If you look at the entities that
6 are listed under each of those categories, they're
7 not exactly the same, are they?

8 MS. GRADY: Your Honor, I'm sorry. Could
9 I have a page reference? I missed that.

10 MS. PETRUCCI: Page 1.

11 MS. GRADY: Thank you.

12 A. They're not the same.

13 Q. And, in fact, there are some entities
14 that have an obligation to purchase OVEC power that
15 do not have equity ownership in OVEC, correct?

16 A. Do you have a specific one you're
17 referring to or would you like me to do the
18 cross-check myself?

19 Q. Well, how about the FirstEnergy
20 Generation, LLC, they're listed in the second
21 category of power participation but that entity is
22 not listed as an equity owner. Am I correct?

23 A. The equity owners are Ohio Edison Company
24 and Toledo Edison Company, both subsidiaries of
25 FirstEnergy. FirstEnergy Generation, LLC, also an

1 affiliate of FirstEnergy, if you sum the two, you
2 have 4.85 percent for FirstEnergy Generation, LLC,
3 and 4.85 percent for the combination of Ohio Edison
4 and Toledo Edison Company.

5 Q. But they're separate legal entities; am I
6 right?

7 A. That's my understanding.

8 Q. Okay. I wasn't comparing the
9 percentages, I was looking at the separate entities.
10 And I recognize --

11 A. They're affiliates of the same parent
12 company.

13 Q. They're all in the same family, correct?

14 A. That's correct.

15 Q. Okay. And then -- now, also looking at
16 the list with regard to the power participation,
17 isn't it true that there is an obligation to take and
18 sell OVEC power that is held by companies that are
19 not public utilities? And I'm just pointing you to
20 the second part of that column.

21 A. What is your definition of a public
22 utility as we're discussing it here?

23 Q. Well, as you understand what a public
24 utility is in Ohio, why don't you try and answer it
25 to the best of your ability.

1 A. Many of these entities aren't Ohio
2 entities, so the definition of a public utility would
3 be different. I think all of the entities would be
4 FERC-regulated entities to the extent that they make
5 wholesale power transactions.

6 Q. Are there any that are not traditional
7 rate of return regulated entities?

8 A. To the best of my knowledge, Allegheny
9 Energy Supply Company is not a traditional rate
10 regulated utility, at least not at a state level, as
11 well as FirstEnergy Generation, LLC. Buckeye Power
12 Generating, LLC serves co-op customers so I view them
13 more in line with a traditional utility. So the rest
14 of the entities, with the exception of Allegheny
15 Energy Supply and FirstEnergy Generation, LLC, would
16 be what I would think of as typical regulated
17 utilities from a state perspective.

18 Q. Has Ohio Power informed the Public
19 Utilities Commission as to what objection or
20 objections were raised in response -- raised by the
21 other sponsoring companies in response to its
22 proposal to transfer the OVEC entitlement?

23 A. In the company's response -- or, in the
24 company's filing in the corporate separation
25 amendment the company described the actions that we

1 took to transfer the OVEC entitlement and that
2 that -- those actions weren't sufficient for the
3 other sponsoring members to approve that transfer.

4 Q. Did Ohio Power Company provide any other
5 information to the Public Utilities Commission as to
6 what objections were raised, separate and apart from
7 the publicly filed documents that you just referred
8 to?

9 A. I don't know.

10 Q. If the Public Utilities Commission
11 accepts rider PPA as -- in this proceeding, Ohio
12 Power Company is not going to pursue efforts to
13 transfer its OVEC entitlement; is that correct?

14 A. That's my understanding, yes.

15 Q. And if I understand also from what you
16 stated yesterday, that the proposal for rider PPA is
17 for the three-year or for the ESP 3 term but -- well,
18 let me step back.

19 Did you also state that it's hopeful that
20 rider PPA would be -- continue beyond the ESP 3 term?

21 A. Yes. I think that would provide
22 additional customer benefits so, yes, that would be
23 the company's intention.

24 Q. So if I understand you correctly, if the
25 PUCO accepts rider PPA in this proceeding, the

1 intention is to not pursue any further efforts to
2 transfer the OVEC entitlement for as long as there is
3 the rider PPA.

4 A. That would be my expectation.

5 Q. And Ohio Power is not presenting rider
6 PPA to ensure any savings or credits to customers; is
7 that correct?

8 A. The description of the PPA rider is to
9 provide price stability to customers.

10 Q. But that's not my question. My question
11 was whether you were presenting it to ensure savings
12 or credits to your -- Ohio Power Company's customers.

13 A. The company is not presenting it to
14 ensure credits to customers.

15 Q. And isn't it correct that rider PPA --
16 I'm sorry. Let me strike that.

17 Isn't it correct that the customers will
18 pay much more than for -- let me start again. I'm
19 sorry.

20 Each month isn't it true that customers
21 pay much more than the energy and capacity that's
22 reflected on their bills? There are other components
23 to the customer bill each month; isn't that correct?

24 A. Yes, there are other elements to the
25 customer's bill besides just generation costs.

1 Q. And rider PPA, if approved, would apply
2 to just 5 percent of the energy and capacity costs,
3 roughly, from what you've stated, correct?

4 A. No. The energy output of the OVEC units
5 approximate 5 to 6 percent of the connected load of
6 AEP Ohio.

7 Q. And then, therefore, as a result rider
8 PPA will be a much smaller percentage than 5 percent
9 of the energy and capacity costs for Ohio Power's
10 customers, correct? Because it's the differential.

11 A. It would depend on what the market prices
12 were. There could be situations where I think it
13 could exceed that.

14 Q. In answering that are you thinking of a
15 very extreme situation?

16 A. Yes.

17 Q. Okay. Has OVEC's 2013 annual report come
18 out yet?

19 A. No. Not to my knowledge. It wasn't out
20 yesterday.

21 MS. PETRUCCI: I have no further
22 questions. Thank you.

23 EXAMINER PARROT: Mr. McDaniel?

24 MR. MCDANIEL: Thank you, your Honor.

25 - - -

CROSS-EXAMINATION

1
2 By Mr. McDaniel:

3 Q. Good morning, Mr. Allen.

4 A. Good morning.

5 Q. I'm Nick McDaniel. I'm with the
6 Environmental Law and Policy Center.

7 Could you please turn to page 13 of your
8 testimony.

9 A. I'm there.

10 Q. On lines 4 through 5 you say as of the
11 end of October 2013, approximately 42 percent of
12 AEP Ohio's retail load was taking service under the
13 SSO and 58 percent was taking service from a CRES
14 provider. Do you see that?

15 A. I do.

16 Q. That statement refers to the percentage
17 of customer load which is different than the
18 percentage of customers; is that correct?

19 A. That's correct.

20 Q. So the percentage of customers that are
21 taking generation service under the SSO and the
22 percentage of customers who are taking service from a
23 CRES provider could be different.

24 A. Yes.

25 Q. The table that's below that statement on

1 page 13, does that -- do those numbers also refer to
2 the percentage of customer load?

3 A. Yes.

4 Q. Do you know what those percentages would
5 be if they were in reference to the percentage of
6 customers rather than the percentage of load?

7 A. For the residential class those numbers
8 would be essentially the same because residential
9 customers are fairly homogenous. For commercial and
10 industrial customers the largest -- there are some
11 large customers in the customer class that are not
12 currently shopping so the percentage of industrial
13 customers shopping would probably be larger than the
14 percentage of load indicated here.

15 We have data for the commercial class, I
16 just don't know it off the top of my head.

17 Q. And just so I understood what you said
18 there, you said the residential customer class, the
19 percentages, if this table referred to percentages of
20 customers rather than load, would be essentially the
21 same.

22 A. It would be comparable, yes.

23 Q. They'd be comparable.

24 And for the industrial class you'd expect
25 the percentage of shopping customers to be

1 potentially larger than that on the table?

2 A. That would be my estimate based upon the
3 customers I know that aren't shopping.

4 Q. Do you recall a discussion you had
5 yesterday with Mr. Darr about PUCO reports on
6 switched or shopping rates for customers?

7 A. I do.

8 Q. And I think you said a couple things
9 about those reports. I think you said they use a
10 little different methodology than you use internally,
11 but they show comparable trends and are generally
12 within a few percentage points of your internal data;
13 is that correct?

14 A. When I've looked at them historically,
15 that's been the case, yes.

16 Q. And I think you also said that you were
17 not familiar or hadn't reviewed those reports, am I
18 correctly remembering that?

19 A. Yes.

20 Q. Do you recall a discovery request from
21 ELPC that asked for what percentage of AEP Ohio's
22 customers are nonshopping SSO customers versus
23 shopping customers?

24 A. I think I recall that question, yes.

25 Q. Do you have your discovery in front of

1 you?

2 A. No.

3 MR. McDANIEL: May I approach?

4 EXAMINER PARROT: You may.

5 MR. McDANIEL: Your Honors, I don't
6 intend to mark this as an exhibit, but I'll give that
7 to you.

8 Q. Mr. Allen, do you have in front of you
9 the discovery request marked ELPC 1.6?

10 A. Yes.

11 Q. And that discovery request asked for the
12 percentage of AEP Ohio total customers that are
13 nonshopping, SSO customers receiving generation
14 service from AEP Ohio, and the response there I think
15 referred to these Commission reports; is that
16 correct?

17 A. It does, yes.

18 Q. And are these the -- does this refer to
19 the same reports that we were just discussing that
20 you discussed with Mr. Darr yesterday?

21 A. Yes.

22 MR. DANIEL: Your Honors, may I approach
23 again?

24 EXAMINER PARROT: You may.

25 MR. McDANIEL: May I have marked as ELPC

1 Exhibit 1 the PUCO report on customer switch or
2 shopping rates.

3 EXAMINER PARROT: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Allen, is that one of the reports
6 that is referenced in the discovery request?

7 A. Yes.

8 Q. Could you read the heading of that
9 document for me, please?

10 A. "Summary of Switch Rates from EDUs to
11 CRES Providers in Terms of Customers for the Month
12 Ending March 31, 2014."

13 Q. And so this report, the distinction you
14 made earlier between percentage of customer load
15 versus the percentage of customers, this report
16 refers to the percentage of customers; is that
17 correct?

18 A. It does.

19 Q. Now, under the section dealing with
20 AEP Ohio this report states that 28.4 percent of
21 residential customers have switched or shopped. Do
22 you see that?

23 A. I do.

24 Q. And it states that 46.75 percent of
25 commercial customers have shopped and 49.01 percent

1 of industrial customers have shopped.

2 A. That's correct. And so what that would
3 indicate is that on the commercial side a large
4 number of small commercial customers have not
5 switched, and on the industrial side it would
6 indicate as well that small industrial customers have
7 not switched.

8 Q. And the final column deals with total
9 customers and shows that 30.79 percent of AEP Ohio's
10 total customers have shopped, correct?

11 A. That's correct.

12 Q. And so just to bring it back and make
13 sure that I'm understanding this completely, this
14 report shows that approximately 31 percent of AEP's
15 customers have shopped but those customers represent
16 58 percent -- or, approximately 58 percent of the
17 load according to your testimony on page 13, correct?

18 A. They're different dates, but the general
19 concept is true.

20 Q. Assuming there's not a ton of variability
21 between October and March, correct?

22 A. Yeah. That general trend would be
23 consistent.

24 MR. DANIEL: Thank you, Mr. Allen. I
25 have no further questions.

1 EXAMINER PARROT: Mr. Smalz?

2 MR. SMALZ: Thank you, your Honor.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Smalz:

6 Q. Good morning, Mr. Allen. I just have
7 maybe just two or three questions. Turning to page 4
8 of your testimony beginning on line 16 where you
9 discuss the extension of the residential distribution
10 credit rider as part of the proposed ESP, is that
11 distribution credit rider being proposed for
12 extension exactly as it is now?

13 A. Yeah, the company's not proposing a
14 change to that rider other than the extension of the
15 date.

16 Q. Thank you.

17 Now, my understanding is that the
18 existing residential distribution credit rider
19 includes a commitment of \$1 million per year to fund
20 the Neighbor to Neighbor bill payment assistance
21 program for low income payment troubled customers.
22 Would that continue as part of the residential
23 distribution credit rider?

24 A. The two are separate issues and the
25 company has not proposed to continue the \$1 million

1 funding that you referred to.

2 Q. Okay. Even though it is part of the
3 existing distribution credit rider.

4 A. As I indicated in my previous answer,
5 they're not related. They're separate items.

6 Q. I see.

7 Turning to page 7 of your testimony --

8 A. I'm there.

9 Q. -- beginning on line 12, the sentence
10 beginning on line 12 which states "In this case,
11 Company witness Dr. Avera recommends an ROE of
12 10.65 percent which would result in a SEET threshold
13 of 15.98 percent after applying a 50 percent adder."
14 Do you see that?

15 A. I do.

16 Q. And do you also see references to a
17 15 percent figure on line 18 on that same page and on
18 line 3 on the following page?

19 A. I do.

20 Q. Could you explain the difference between
21 those two numbers, between 15.98 percent and
22 15 percent.

23 A. The 15 percent shown on line 18 and on
24 line 3 on page 8 refers to a value that I think
25 indicates a reasonable level below which

1 significantly excessive earnings would not exist
2 based upon the data that I've discussed throughout
3 the remainder of that section of my testimony
4 starting on page 5.

5 The 15.89 percent is just one element of
6 that evaluation that I performed.

7 MR. SMALZ: Thank you, Mr. Allen. I have
8 no further questions.

9 EXAMINER PARROT: Mr. Williams?

10 MR. WILLIAMS: Thank you, your Honor, no
11 questions.

12 EXAMINER PARROT: Mr. O'Brien?

13 MR. O'BRIEN: No questions, your Honor,
14 thank you.

15 EXAMINER PARROT: Mr. Clark?

16 MR. CLARK: No questions, your Honor,
17 thank you.

18 EXAMINER PARROT: Is there anyone else
19 who joined us?

20 (No response.)

21 EXAMINER PARROT: All right, very good.
22 Staff.

23 MR. PARRAM: Thank you, your Honor.

24 - - -

25

CROSS-EXAMINATION

1
2 By Mr. Parram:

3 Q. Good morning, Mr. Allen. My name's Devin
4 Parram, counsel on behalf of staff.

5 A. Good morning.

6 Q. I just had some clarifying questions
7 regarding a document that was handed out yesterday by
8 your counsel.

9 MR. PARRAM: And I guess, your Honors, I
10 didn't know how you wanted to handle this
11 procedurally. I just wanted to get some
12 clarification about how you populated this document.
13 I don't know if you prefer to do it now or --

14 EXAMINER PARROT: I'm guessing maybe do
15 it in the confidential portion.

16 MR. NOURSE: Well, for the record, your
17 Honor, I did indicate that I would be marking this
18 during redirect. We do have a confidential and a
19 public version, and I believe Mr. Allen indicated
20 that the values on the first six lines are
21 confidential, so depending on what you want to ask.

22 MR. PARRAM: Let me just try --

23 MR. NOURSE: If that's helpful.

24 MR. PARRAM: Let me try to ask generally
25 based upon the questions I heard yesterday.

1 MR. DARR: I'm going to ask if we could
2 please do this, could we have a record reference
3 because otherwise the record would be a train wreck.

4 MR. NOURSE: Would you like me to just
5 mark the exhibit and hand it out now?

6 EXAMINER PARROT: Yes.

7 MR. NOURSE: Okay.

8 Okay, your Honor, I'd mark this as AEP
9 Exhibit 8 -- 8A would be the confidential version and
10 8B would be the public version.

11 EXAMINER PARROT: So marked.

12 (EXHIBITS MARKED FOR IDENTIFICATION.)

13 MR. DARR: I'm sorry, A is confidential?

14 MR. NOURSE: 8A is confidential, 8B would
15 be the public.

16 Q. (By Mr. Parram) Mr. Allen, do you have a
17 copy of AEP Exhibit 8B in front of you?

18 A. I do.

19 Q. And do you also have a copy of OMA
20 Exhibit 3 in front of you? OMA Exhibit 3 is IEU
21 Interrogatory 2-001.

22 A. Which attachment?

23 Q. I'm starting generally. My question was
24 which one of the attachments did you use to populate
25 8B.

1 MS. BOJKO: I'm sorry. I couldn't hear
2 the question.

3 MR. PARRAM: I'm sorry.

4 Q. Which one of the attachments did you use,
5 1, 2, or 3, to populate 8B?

6 A. The starting point was Attachment 2 as
7 well as interrogatory -- OEG Interrogatory 2-004,
8 Attachment 1.

9 Q. I'm sorry. What was the OEG
10 interrogatory?

11 A. 2-004, Attachment 1, which is the OVEC
12 operating budget that's defined as the Intercompany
13 Power Agreement Billable Cost Summary dated
14 11/22/2013.

15 Q. Were there any other documents that were
16 used to populate AEP Exhibit 8B?

17 A. For year 3 of the analysis the company
18 replaced its estimated value for the BRA auction
19 results with the actual results of \$120 a
20 megawatt-day that was recently announced.

21 Q. Is there any other information that you
22 used to create Exhibit 8B?

23 A. No.

24 MR. PARRAM: I believe that's all I have,
25 Mr. Allen. Thank you.

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EXAMINER PARROT: All right. At this point let's go off the record.

(Discussion off the record.)

EXAMINER PARROT: Let's go back on the record. At this time we are entering the confidential portion of the cross-examination of Mr. Allen.

(CONFIDENTIALITY PORTION EXCERPTED.)

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(OPEN RECORD.)

EXAMINER PARROT: Okay. Mr. Nourse.

MR. NOURSE: Thank you. Your Honor, I'd like to mark as an exhibit AEP Ohio Exhibit 9.

(EXHIBIT MARKED FOR IDENTIFICATION.)

- - -

REDIRECT EXAMINATION

By Mr. Nourse:

Q. Mr. Allen, earlier you had some questions, I believe it was from OCC, Mr. Berger, in

1 one of your responses you talked about the weather
2 variation and the effect of extreme weather on energy
3 prices. Do you recall that exchange?

4 A. Yes, I do.

5 Q. And so what I have -- do you have what I
6 just marked Exhibit 9?

7 A. I do.

8 Q. Okay. And this is the supplemental
9 discovery response that was distributed to the
10 parties through the discovery process from the
11 company, correct?

12 A. That's correct.

13 Q. And this is the analysis that you had
14 overseen and relied upon in making your statements
15 earlier; is that correct?

16 A. That's correct.

17 Q. Okay. And do you want to make any other
18 observations based on the information in Exhibit 9
19 here?

20 MR. DARR: Objection as to form of the
21 question.

22 MR. NOURSE: Well, I'll try to rephrase,
23 your Honor.

24 Q. Mr. Allen, based on this discovery
25 request and the data in the table that's here what is

1 your description or summary of what's reflected in
2 the table?

3 A. One of the points of discussion we had
4 earlier in the proceeding was that the impact on
5 market prices of weather volatility generally had a
6 much more significant impact on increasing prices as
7 opposed to the impact milder weather had on
8 decreasing prices. And what this table indicates is
9 that when weather is between normal and one standard
10 deviation, that the price impacts are relatively
11 similar between extreme weather and mild weather as
12 indicated by the value of \$2.94 per megawatt-hour for
13 an increase between zero in one standard deviation
14 severe and a \$3.83 per megawatt-hour reduction when
15 weather is between zero and one standard deviation on
16 the mild side.

17 What we see when weather moves between
18 one and two standard deviations to the extreme side,
19 which in this case for the first five -- for the five
20 winter months of 2013 and '14 showed that the prices
21 increased by \$31.17 per megawatt-hour, and when
22 weather was mild to a comparable degree, that the
23 reduction in prices was only \$3.62 per megawatt-hour.

24 And the effect becomes even more extreme
25 when you look at whether it's one standard deviation

1 greater than normal or more severe than normal all
2 the way to the most extreme weather, and in that case
3 it indicated a deviation of \$45.15 per megawatt-hour.

4 Q. Thank you, Mr. Allen.

5 And there's been a lot of discussion of
6 AEP Ohio Exhibit 8A and B already, and I circulated
7 this earlier indicating I would cover it through
8 redirect. And in light of all the prior discussion
9 I'll just ask you one question on this. Does
10 AEP Ohio Exhibit 8A reflect your most current and
11 most accurate, in your opinion, projection of the PPA
12 rider during the term of the ESP?

13 MR. DARR: Objection. Leading.

14 MR. NOURSE: Well, it is redirect, your
15 Honor.

16 MR. DARR: Has no difference, your Honor.

17 EXAMINER PARROT: Overruled.

18 MR. DARR: A party may not lead. It
19 applies to direct or redirect.

20 A. Yes, it does.

21 Q. Thank you.

22 Next, Mr. Allen, I would like to cover a
23 subject you discussed briefly with Mr. Yurick
24 yesterday, and as part of an example I believe that
25 he was putting to you, I think you made a statement

1 that the PPA rider did not involve a generation of
2 service as part of that exchange. Do you recall
3 that?

4 A. I do.

5 Q. And what did you mean by saying it was
6 not a generation service?

7 A. What I meant was that power was not being
8 delivered to end-use customers as a result of the PPA
9 rider.

10 Q. Okay. So you were not speaking to any
11 legal or regulatory terminology of whether the PPA
12 rider involves provision of a generation service or a
13 generation-related service; is that accurate?

14 A. That's correct.

15 Q. Okay. Next I'd like to ask you about IEU
16 Exhibit 8, I believe Mr. Darr had some questions in
17 connection with that, that exhibit, and there was a
18 discussion about some of the transmission-related
19 charges that were included in the top half of the
20 page in the demand charge and a question about
21 reconciling or explaining the relationship to, in the
22 middle of the page, where the transmission charge is
23 backed out. Do you recall that exchange?

24 A. I do.

25 Q. And have you had an opportunity to

1 examine that issue and are you prepared to explain it
2 now?

3 A. Yes.

4 Q. Please go ahead.

5 A. The value that I discussed that was the
6 projected transmission and dispatch costs of
7 \$6.9 million for 2015 relates only to the O&M
8 component of transmission. The capital components
9 and other components such as ROE, debt cost would be
10 reflected in other elements of the demand charge.

11 Q. Thank you, Mr. Allen.

12 MR. NOURSE: Your Honor, I'd like to mark
13 a discovery response as AEP Ohio Exhibit 10.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 MR. NOURSE: And I'll note this is
17 confidential, I'm not going to disclose confidential
18 information in my questions, and I don't believe
19 Mr. Allen will need to do so in his answers, but it
20 will be distributed to authorized parties
21 accordingly.

22 Q. Mr. Allen, do you have what's been marked
23 AEP Ohio Exhibit 10?

24 A. Yes, I do.

25 Q. And this is what parties have referred to

1 as Attachment 2 to the IEU Interrogatory 2-001; is
2 that correct?

3 A. Yes, that's correct.

4 Q. And this is the PDF version that was
5 distributed to the parties in discovery?

6 A. Yes, it is.

7 Q. And this Attachment 2, if I might shorten
8 the reference, is the basis for your update that's
9 reflected in AEP Ohio Exhibit 8A, correct? To the
10 extent you explained?

11 A. To the extent I used it, that is the
12 document, yes.

13 Q. And this doesn't change your explanation
14 of what 8A is, I just wanted to get this in the
15 record as a clean copy of Attachment 2 in PDF form.

16 A. That's correct.

17 Q. Thank you.

18 Mr. Allen, I think Mr. Darr also asked
19 you, made an observation about the example where OVEC
20 costs were being reduced and he asked you whether
21 that would increase net income, and I believe your
22 answer was more along the lines that it would reduce
23 the demand charge passed through to the owners. Do
24 you recall that?

25 A. I do.

1 Q. And can you explain why that example
2 would not necessarily reduce net income?

3 A. Sure. If you refer to IEU Exhibit 6,
4 which is the OVEC Annual Report for 2012, and refer
5 to page 6 of that document, what you can see is that
6 the total operating expenses from 2011 to 2012 were
7 reduced from \$654 million to \$600 million. At the
8 same time the operating revenues were -- shown above
9 for 2011 were reduced from 717 million to 671 million
10 dollars.

11 There's some additional changes in other
12 line items that occur as you move down the page, but
13 when you get to the "Net Income" line, you can see
14 that the net income for 2011 was \$2.7 million and the
15 net income for 2012 was \$2.3 million even though
16 operating expenses were reduced by \$54 million. So
17 that supports the discussion I had that savings in
18 operating expenses for OVEC do not have an impact on
19 the operating income or the net income of OVEC.

20 MR. NOURSE: Thank you, Mr. Allen.

21 Thank you, your Honor, that's all the
22 redirect.

23 EXAMINER PARROT: Mr. Kurtz, did you have
24 anything?

25 MR. KURTZ: Yes. Yes, thank you, your

1 Honor, very quickly.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Kurtz:

5 Q. Just following up on what your counsel
6 just asked you about, the net income and effect and
7 so forth, what was the reason, what is the reason
8 that OVEC is going to have a 60 to 70 million dollar
9 reduction in their cost structure?

10 MR. DARR: Objection.

11 MS. GRADY: Objection.

12 EXAMINER PARROT: Mr. Darr?

13 MR. DARR: Outside the scope of the
14 redirect, your Honor.

15 EXAMINER PARROT: Ms. Grady?

16 MS. GRADY: Friendly cross.

17 EXAMINER PARROT: Response?

18 MR. KURTZ: It's responsive to what
19 counsel was just asking him about about changes in
20 the income and the expense structure of OVEC.

21 Your Honor, I don't need to ask the
22 question.

23 EXAMINER PARROT: I was going to say
24 maybe make it more -- I think it was too broadly put
25 to the witness maybe, maybe you can try to narrow it

1 and tie it in to the redirect.

2 MR. KURTZ: Okay.

3 Q (By Mr. Kurtz) The reductions in OVEC's
4 cost structure lead to lower prices to the sponsoring
5 companies, but it will have no change, essentially,
6 on OVEC's net income. Is that what you just went
7 through?

8 A. Yes, that's correct.

9 Q. Why is OVEC experiencing such big
10 reductions in its costs?

11 MR. DARR: Objection. Same basis.

12 EXAMINER PARROT: Response?

13 MR. KURTZ: Just a follow-up to that
14 question, that was my only question.

15 MR. DARR: Doesn't matter if it's his
16 only question or 76th question. It's still outside
17 redirect.

18 EXAMINER PARROT: All right, Mr. Darr.

19 I'm going to sustain the objection.

20 Again, if you want to try --

21 MR. KURTZ: No, that's it, thank you,
22 your Honor.

23 EXAMINER PARROT: All right. OCC?

24 MS. GRADY: Thank you, your Honor.

25 RE-CROSS-EXAMINATION

1 By Ms. Grady:

2 Q. Mr. Allen, let's go for a moment to
3 Exhibit 9, AEP Exhibit 9.

4 A. I'm there.

5 Q. You mentioned that this was a
6 supplemental response. Do you know when this was
7 distributed to parties in this case?

8 A. I don't know the specific date but in the
9 last couple of weeks.

10 Q. Do you know if it was within the last
11 week?

12 A. I don't recall the exact date that it was
13 distributed.

14 Q. Can you tell me when the analysis was
15 undertaken that you refer to here?

16 A. The analysis has been undertaken over a
17 period of weeks. Due to the extreme volatility we
18 saw in the first quarter I asked myself the question
19 about whether or not utilization of a weather-normal
20 forecast was most appropriate, and my belief was that
21 it was not and that an evaluation of what temperature
22 variations do to market prices would be a helpful
23 analysis to undertake to provide additional evidence
24 to the record and other parties supporting that price
25 volatility when the OVEC units are dispatched

1 completely into the market would have the impact of
2 increasing their value.

3 MS. GRADY: Your Honor, may I have that
4 answer reread, please? And the question, please.

5 (Record read.)

6 MS. GRADY: Your Honor, I would move to
7 strike Mr. Allen's response after the first sentence.
8 My question was very direct asking him when the
9 analysis was undertaken and he went on to explain why
10 the analysis was undertaken which was not responsive
11 to my question.

12 MR. NOURSE: Your Honor, I believe the
13 answer is actually recorded as a single sentence.

14 MS. GRADY: Well, then I would move to
15 strike just the -- after he answered it. We can go
16 to the words if you want.

17 MR. NOURSE: But, your Honor, you know,
18 Ms. Grady asked when the discovery response was
19 supplemented and when the analysis was done, so I
20 believe Mr. Allen was simply explaining that, and
21 why, which is a natural part of the implied question
22 of why we did it now or why we did it before -- the
23 week before the hearing.

24 EXAMINER PARROT: Motion to strike is
25 denied.

1 Q (By Ms. Grady) When you said the analysis
2 was undertaken over a period of weeks, can you tell
3 me what weeks it was undertaken during?

4 A. My best recollection is that these --
5 this question came to mind probably in March of this
6 year.

7 Q. Okay. And so your understanding would be
8 that your analysis began in March of this year, March
9 of 2014, and not before then?

10 A. That's my best memory, it may have
11 occurred starting in February, I just don't recall
12 the exact date that the question came to mind.

13 Q. And when you said a period of weeks, can
14 you be more specific, how long? Two weeks? One
15 week? Three weeks?

16 A. Several weeks.

17 Q. Two to three, then?

18 A. It feels like it took longer than that as
19 I worked with individuals in our company to identify
20 what data was available and what techniques could be
21 used to both quantitatively and ultimately
22 quantitatively evaluate what those price -- what
23 price variations occur as a result of weather
24 deviation, so it took a period of time and
25 discussions with individuals about what data was

1 available and what would most accurately present this
2 data to the parties.

3 Q. And that analysis, that several-week
4 analysis, would you agree with me it would have been
5 completed in March of 2014? If we add several weeks
6 on to February, we're into March.

7 A. The analysis was completed within a day
8 of when the discovery was provided to the other
9 parties.

10 Q. When you mean completed, how do you
11 define "completed"?

12 A. I completed the analysis and when I
13 completed the analysis, I provided that analysis the
14 next day to my counsel so it could be served to the
15 other parties. It was requested that it be provided
16 during my deposition. We discussed in my deposition
17 that I had with Mr. Darr, as I recall, that the
18 company was doing that evaluation and Mr. Darr
19 requested that we provide that as a supplement to
20 Interrogatory 2-001, and I indicated at that
21 deposition that I would do so at the time that it was
22 completed and the company followed through with that
23 commitment.

24 Q. Were you deposed in February of 2014?

25 A. No. I was deposed after that, and in my

1 deposition there was a discussion that the company
2 was doing such an evaluation.

3 Q. And the evaluation began in February,
4 took several weeks, and you were deposed in -- when
5 were you deposed? In May?

6 MR. NOURSE: Your Honor, I object. I
7 don't think that Mr. Allen's indicated that the
8 analysis began February, I believe all he said was
9 that he -- the question occurred to him and possibly
10 as early as then.

11 MS. GRADY: Certainly he can clarify if
12 that's the case.

13 EXAMINER PARROT: I agree. Overruled.

14 THE WITNESS: I'm sorry, can you repeat
15 the question, please?

16 (Record read.)

17 A. The -- I'll define it as a thought
18 exercise, began sometime in the February/March time
19 frame. I don't recall the exact date that I started
20 thinking about this concept. From that time forward
21 I had discussions with individuals within the
22 company, as I previously indicated, and we worked to
23 develop an analysis that I've presented here today or
24 that I've discussed here today and was given in
25 discovery previously to the parties and that was

1 ongoing at the time of my deposition.

2 Q. Did you direct an analysis to be made,
3 Mr. Allen? Was it under your direction that this
4 analysis was conducted, or was it under someone
5 else's direction?

6 A. The analysis was done under my direction
7 and portions of the analysis were done directly by
8 myself.

9 Q. And the analysis that was done under your
10 direction, when did you become aware that that was
11 done, that what you had asked to be done had been
12 completed?

13 A. The analysis was completed the day before
14 the discovery response was served on the parties.

15 Q. And what day was that, Mr. Allen, if you
16 know?

17 A. I don't know the date that the discovery
18 response was served on the parties.

19 Q. And when you say the analysis was
20 completed, are you talking about the analysis that
21 you undertook or that you were directed to be
22 undertaken?

23 A. So to be clear, I directed that the
24 analysis be undertaken. I sought data from
25 individuals. The data was summarized by individuals

1 for me and I did the final analysis of the data that
2 was presented in the discovery.

3 Q. Okay. So maybe if we break this down a
4 bit, it might help. You say you directed the
5 analysis to be done and then a document was produced,
6 correct?

7 A. Data was produced to me.

8 Q. Data was produced. And do you know what
9 time -- what date the data was produced by
10 individuals working at your direction?

11 A. I don't know the date that the data was
12 produced.

13 Q. Generally, was it produced in the month
14 of May? Was it produced earlier?

15 A. I'd have to go back to my records to see
16 when that was presented to me, but it took me a
17 period of time to evaluate the data and determine
18 what the meaning of the data was and how it supported
19 the thought concept I had about how weather
20 variations impact market prices.

21 Q. And how long would you estimate the
22 period of time it took you to undertake that
23 analysis? How many weeks?

24 A. I don't have a recollection of how long
25 it took me to do that analysis. I've got quite a few

1 different analyses that I do, cases that I manage
2 across many states. This was one of the items I was
3 looking into. I don't know how long it took from the
4 date that the data was provided to me until I was
5 able to complete the analysis.

6 Q. So you don't know the date that the data
7 was provided to you, nor do you know how long it took
8 you to analyze the data and put your input into the
9 data; is that your testimony?

10 A. With the exception of the final statement
11 about my input. My analysis of the data. I don't
12 know how long it took for each one of those steps.

13 MS. GRADY: That's all the questions I
14 have, Mr. Allen, thank you.

15 EXAMINER PARROT: Mr. Yurick?

16 MR. YURICK: Nothing, thank you, your
17 Honor.

18 EXAMINER PARROT: Mr. Darr?

19 MR. DARR: Just want to follow up on one
20 area from the redirect.

21 - - -

22 RE-CROSS-EXAMINATION

23 By Mr. Darr:

24 Q. Mr. Allen, you provided some additional
25 testimony based on IEU Exhibit No. 6. Do you recall

1 that?

2 A. I do.

3 Q. And the point of that was to show that as
4 expenses go down the sponsoring company's
5 responsibility in terms of -- which is recognized in
6 IEU Exhibit 6 on page 6 as operating revenues also
7 goes down, correct?

8 A. That's correct.

9 Q. Now, if we look at operating -- total
10 operating expenses on IEU Exhibit No. 6, year over
11 year we see the amount going down from 2011 to 2012
12 by \$54 million, correct?

13 A. Yes, that's correct.

14 Q. And year over year 2011 to 2012 revenues
15 from sponsoring companies goes down from 705 million
16 to 661 million dollars, or a change of about
17 \$44 million, correct?

18 A. Yes.

19 Q. So it's fair to say that there's no
20 direct correspondence between the changes in total
21 operating expenses and the operating revenues
22 realized by OVEC; is that correct?

23 A. There is a direct relationship. One
24 element that you failed to consider is the Department
25 of Energy revenues that are in the line above, those

1 revenues also align to the costs in the "Operating
2 Expense" category.

3 Q. Well, how does that relate to the charges
4 that are being made to an IEU sponsoring party if at
5 all?

6 A. The Department of Energy also gets a
7 share of the OVEC output. What's remaining after the
8 Department of Energy takes energy from OVEC is
9 available for the sponsoring companies.

10 Q. So would the better comparison be between
11 total operating revenues --

12 A. Yes.

13 Q. -- and total operating expenses?

14 A. That would be a better comparison but it
15 would be a partial comparison still.

16 Q. And that's -- and the reason you say that
17 is that if we look at total operating revenues, the
18 difference between 2011 and 2012 is \$46 million,
19 correct?

20 A. It's \$46 million, that's correct.

21 Q. Which, again, indicates that there's not
22 a direct one dollar to dollar difference between
23 operating expenses and total operating revenues,
24 correct?

25 A. What you're failing to factor in are the

1 interest charges that are also an element of the
2 charges to the sponsoring companies because, as we
3 discussed earlier, OVEC is nearly entirely financed
4 with debt.

5 Q. Right. And as -- and if we look at the
6 items of interest charges, we note a significant
7 increase in amortization of debt expense and interest
8 expense year over year from 2011 to 2012, correct?

9 A. We do, and that would be associated with
10 the additional environmental equipment being
11 installed on the OVEC units.

12 MR. DARR: I'd like to have marked as IEU
13 Exhibit No. 9 the Ohio Valley Electric Corporation
14 and subsidiary company annual report for 2013.

15 EXAMINER PARROT: So marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. Do you have in front of you what's been
18 marked as IEU Exhibit No. 9?

19 A. I do, but I would like to clarify that
20 it's not the OVEC annual report as you indicated.
21 It's just a consolidating financial statement.

22 Q. Thank you for that correction. The
23 annual report isn't available yet, correct?

24 A. That's correct.

25 Q. And do you know when -- well, first of

1 all, can you identify this document as the OVEC
2 financial statements that you referred to yesterday?

3 A. Yes, it appears to be.

4 Q. And this, again, is available on the OVEC
5 website, correct?

6 A. It is.

7 Q. And do you know when this became
8 available on the OVEC website as in like yesterday or
9 the day before?

10 A. I don't know when it was available.

11 Q. Now, if we look at page 5 of IEU Exhibit
12 9 --

13 A. I'm there.

14 Q. -- this, again, contains the consolidated
15 statements of income and retained earnings, correct?

16 A. Yes, it does.

17 Q. And this also contains a comparison of
18 2013 to 2012, correct?

19 A. Yes, it does.

20 Q. And if we look at the total operating
21 revenues, which is the number that you want us to
22 look at, we see that total operating revenues
23 increase from 2012 to 2013 by approximately
24 \$5 million, correct?

25 A. They do.

1 Q. And if we look at total operating
2 expenses, those moved from \$599 million to
3 \$594 million, or approximately a \$5 million decrease,
4 correct?

5 A. They do.

6 Q. And so changes in operating expenses
7 apparently have absolutely no relationship to the
8 overall income in terms of directional movement one
9 way or the other; is that a fair characterization
10 for --

11 A. No, it's not.

12 Q. -- the period 2012 to 2013?

13 A. No, it's not.

14 Q. And in terms of the statement that you
15 made a few minutes ago on my initial
16 cross-examination, did you indicate to us that there
17 was a direct relationship between the movement of the
18 operating revenue and the operating expense?

19 A. No. Operating expenses have a direct
20 impact on operating revenues. To evaluate what the
21 total operating revenues are going to be, you have to
22 consider the other elements that are included to come
23 up with the operating revenues, items such as other
24 income and expenses, interest charges, and the like.

25 Q. So changes affecting operating expenses

1 such as reductions in maintenance, reductions in, for
2 example, cost of coal on a unit basis, those may be
3 offset by other expenses such as income -- or, excuse
4 me, interest expense and amortization of debt,
5 correct?

6 A. They're one element. Other elements may
7 go in opposite directions, yes.

8 MR. DARR: That's all I have. Thank you.

9 EXAMINER PARROT: Ms. Bojko?

10 MS. BOJKO: Yes, just a couple quick
11 ones. Thank you.

12 - - -

13 RE-CROSS-EXAMINATION

14 By Ms. Bojko:

15 Q. Mr. Allen, you were handed what has now
16 been marked AEP Exhibit No. 10, and just so I
17 understand this exhibit, this is Attachment 2 that is
18 duplicative except for form, PDF versus Excel, that
19 is contained in OMA Exhibit 3; is that correct?

20 A. The same data also exists within the OMA
21 exhibit that you referenced.

22 Q. Okay. But OMA Exhibit 3, just so we're
23 clear, contains the additional attachments of 1 and
24 3; is that correct?

25 A. It does. And for what's been referred to

1 as Attachment 2 it also includes a total OVEC value
2 as opposed to just the AEP Ohio share.

3 Q. And so you're telling me that AEP Exhibit
4 10 is actually different, then, because it doesn't
5 include a total value.

6 A. It's a subset of the information
7 presented in the OMA exhibit.

8 Q. Okay. So you are saying they're
9 different. AEP Exhibit 10, Attachment 2, is
10 different because it contains less information than
11 OMA Exhibit 3, Attachment 2.

12 A. Yes, it provides only the AEP Ohio share
13 of the data.

14 Q. Okay. And, similarly, if we were to do a
15 complete attachment to IEU Interrogatory 2-001, you
16 would find Attachment 1 and an Attachment 3 that
17 appears in the same form and that has less
18 information than OMA Exhibit 3?

19 A. No. I think Attachment 1 to the
20 interrogatory is the exact same set of data that's
21 included in Exhibit OMA 3?

22 Q. Yes.

23 A. For Attachment 3 from the interrogatory
24 the only difference in data would be that the
25 interrogatory response includes the data for the

1 AEP Ohio share and OMA 3 also includes total OVEC
2 data.

3 Q. For Attachment 3.

4 A. Yes.

5 Q. But AEP Exhibit 10 is only Attachment 2.
6 You don't have that comparable data or Attachment 3
7 in AEP Exhibit 10; is that right?

8 A. AEP Exhibit 10 is only intended to show
9 the data provided in response to the interrogatory
10 which was Attachment 2 which is the most recent
11 forecast the company had for OVEC.

12 Q. Okay. Thank you for that clarification.

13 And then I just wanted to ask you a
14 couple of questions about Miss Grady was talking to
15 you about a timeline with regard to AEP Exhibit 9.
16 Do you know when the initial discovery response was
17 submitted to the parties?

18 A. I do not.

19 Q. Was it before or after the vision you had
20 in February to study this issue further?

21 A. It was responded to much before that. It
22 was actually -- if you read the discovery response,
23 it was one of the first responses the company
24 provided because it was in response to discussions we
25 had during the technical conference.

1 Q. Okay. So that's the other date I wanted
2 to point out, the interrogatory actually says during
3 the technical conference held at the Commission on
4 January 8th, 2014. So there was a technical
5 conference on January 8th, 2014, where this
6 information was requested and then IEU put it in a
7 formal discovery request as well and then you
8 provided it to IEU subsequent to that; is that the
9 timeline as you recall it?

10 A. We provided it to all the parties, yes.

11 Q. And then after you provided a response to
12 the formal discovery request, then that's when you
13 started revisiting the issue and studying a different
14 aspect of the issue; is that right?

15 A. The -- I started thinking about the issue
16 after the discovery response was provided here. The
17 company included it as a supplemental response to IEU
18 Interrogatory 2-001 at the request of IEU in my
19 deposition. So that's really the only linkage
20 between the two is that that was the request.

21 Q. So had IEU not requested it in your
22 deposition, you wouldn't have submitted it? Is that
23 what you just said?

24 A. I don't know, but that's why we included
25 it within that discovery response is it was asked for

1 and that's where they asked us to give it to them in.

2 Q. Okay. But it does modify data that was
3 previously provided in response to Interrogatory
4 2-001; is that correct?

5 A. No. I think what it does is informs the
6 interpretation of the data presented in that
7 interrogatory. It doesn't change the data.

8 Q. Okay. The underlining assumptions it
9 changes; is that correct?

10 A. No, it doesn't change the underlying
11 assumptions, those still remain the same.

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

14 EXAMINER PARROT: Mr. McDermott?

15 MR. McDERMOTT: No questions for FES,
16 your Honor.

17 EXAMINER PARROT: Ms. Petrucci?

18 MS. PETRUCCI: No questions.

19 EXAMINER PARROT: Mr. McDaniel?

20 MR. McDANIEL: No questions.

21 EXAMINER PARROT: Mr. Smalz?

22 MR. SMALZ: No questions, your Honor.

23 EXAMINER PARROT: Mr. Williams?

24 MR. WILLIAMS: No questions, your Honor.

25 EXAMINER PARROT: Mr. Parram?

1 MR. PARRAM: No questions, your Honor.

2 EXAMINER PARROT: Thank you, Mr. Allen.

3 THE WITNESS: Thank you.

4 MR. NOURSE: Your Honor, if I could move
5 for the admission of AEP Ohio Exhibit No. 7, direct
6 testimony of Mr. Allen; AEP Exhibit 8A, confidential
7 version, and 8B, public version of Mr. Allen's OVEC
8 table; AEP Ohio Exhibit 9 which is the supplemental
9 response to IEU Interrogatory 2-001; and AEP Ohio
10 Exhibit 10 which is the so-called Attachment 2 PDF
11 version.

12 EXAMINER PARROT: Are there any
13 objections to the admission of AEP Ohio Exhibits 7,
14 8A, 8B, 9, or 10?

15 (No response.)

16 EXAMINER PARROT: Hearing none, they are
17 admitted.

18 (EXHIBITS ADMITTED INTO EVIDENCE.)

19 MR. NOURSE: Your Honor, can I just
20 clarify, I didn't say this earlier, but 8A and 10 are
21 confidential.

22 EXAMINER PARROT: Yes.

23 MR. NOURSE: Thank you.

24 EXAMINER PARROT: That's correct.

25 MR. NOURSE: Thank you.

1 EXAMINER PARROT: OCC?

2 MS. GRADY: Yes, your Honor, we'd move
3 for the admission of OCC Exhibits 4 and 5.

4 EXAMINER PARROT: Are there any
5 objections?

6 MS. GRADY: And, I'm sorry, No. 3 as
7 well.

8 EXAMINER PARROT: Are there any
9 objections to the admission of OCC Exhibits 3, 4, or
10 5?

11 MR. NOURSE: No, your Honor.

12 EXAMINER PARROT: They are admitted.

13 (EXHIBITS ADMITTED INTO EVIDENCE.)

14 EXAMINER PARROT: Mr. Darr?

15 MR. DARR: Move for the admission of IEU
16 Exhibits 7, 8, and 9, your Honor.

17 MR. NOURSE: No objection.

18 EXAMINER PARROT: All right. Are there
19 any objections to the admission from anyone else of
20 7, 8, or 9?

21 (No response.)

22 EXAMINER PARROT: All right, they are
23 also admitted.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 MR. NOURSE: I'm sorry, did OMA --

1 EXAMINER PARROT: I haven't gotten to
2 them yet.

3 MR. NOURSE: I apologize.

4 EXAMINER PARROT: OMA.

5 MS. BOJKO: I move the admission of OMA
6 Exhibits 3 and 4, your Honor.

7 EXAMINER PARROT: Any objections?

8 MR. NOURSE: Your Honor, I would just ask
9 on OMA 3, I believe some of the pages are not highly
10 legible, if we could work with OMA to provide a fully
11 legible copy of that. We can substitute it if that's
12 acceptable.

13 MS. BOJKO: Sure.

14 MR. NOURSE: Thank you.

15 EXAMINER PARROT: Any objections?

16 MR. NOURSE: No.

17 EXAMINER PARROT: OMA Exhibits 3 and 4
18 are admitted.

19 (EXHIBITS ADMITTED INTO EVIDENCE.)

20 EXAMINER PARROT: Mr. McDaniel?

21 MR. McDANIEL: I move for the admission
22 of ELPC Exhibit 1.

23 EXAMINER PARROT: Any objections?

24 MR. NOURSE: No.

25 EXAMINER PARROT: ELPC Exhibit 1 is

1 admitted.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 EXAMINER PARROT: All right. Let's go
4 off the record.

5 (Discussion off the record.)

6 EXAMINER PARROT: Let's go back on the
7 record.

8 At this point we'll take a lunch break
9 and reconvene at 1:15 with our next witness, thank
10 you.

11 MR. DARR: Thank you, your Honor.

12 (Thereupon, at 12:36 p.m., a lunch recess
13 was taken.)

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1 Thursday Afternoon Session,
2 June 5, 2014.

3 - - -

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

6 MR. SATTERWHITE: Thank you, your Honor.
7 The company would call Stacey D. Gabbard to the
8 stand.

9 EXAMINER SEE: Since Mr. Satterwhite
10 butchered it, can you please tell me your last name.

11 MR. GABBARD: Gabbard, g-a-b-b-a-r-d.

12 EXAMINER SEE: Mr. Gabbard, please raise
13 your right hand.

14 (Witness sworn.)

15 EXAMINER SEE: Thank you. Have a seat.
16 Mr. Satterwhite.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 - - -

19 STACEY D. GABBARD
20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Satterwhite:

24 Q. Mr. Gabbard, can you please state your
25 full name and business address for the record.

1 A. My name is Stacey D. Gabbard. My
2 business address is 1 Riverside Plaza, Columbus, Ohio
3 43215.

4 Q. And by whom are you employed and in what
5 capacity?

6 A. I am employed by AEP Service Company and
7 I'm the Manager of Customer Choice Processes and
8 Systems.

9 Q. And did you have testimony filed under
10 your name in the docket of the case we're in on
11 December 20th, 2013?

12 A. I did.

13 Q. And do you have in front of you what I
14 previously marked and provided to the reporter as
15 AEP Ohio Exhibit No. 11?

16 A. I do.

17 Q. Could you please identify this document
18 for me?

19 A. This is my direct testimony in support of
20 what I am sponsoring here today.

21 Q. And attached to your testimony are a few
22 exhibits; is that correct?

23 A. That is correct.

24 Q. And was this testimony and the exhibits
25 attached prepared by you or under your direction?

1 A. Yes, it was prepared by me or under my
2 direction.

3 Q. And do you have any changes or
4 corrections to anything in this testimony?

5 A. I do not.

6 Q. Do you accept this testimony as your
7 sworn testimony for purposes of this hearing today?

8 A. I do.

9 MR. SATTERWHITE: Your Honor, at this
10 point I would move AEP Ohio Exhibit No. 11 into the
11 record pending cross-examination and tender the
12 witness.

13 EXAMINER SEE: Mr. Smalz?

14 MR. SMALZ: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Smalz:

18 Q. Good afternoon, Mr. Gabbard. My name is
19 Michael Smalz, and I represent the Appalachian Peace
20 and Justice Network. I just have very few questions
21 for you.

22 Turning to page 9 of your prefiled
23 testimony, with the sentence beginning on line 10 you
24 refer to the forecasted residential class
25 late-payment fees proposed by Witness Spitznogle. I

1 realize that Mr. Spitznogle was the company's
2 principal witness on the late-payment fees. Have you
3 looked at Mr. Spitznogle's testimony?

4 A. I have reviewed it in the past, yes.

5 Q. Okay. And are you aware that in his
6 prefiled testimony he stated that customers enrolled
7 in PIPP would not be subject to the late-payment
8 fees?

9 A. That is my understanding.

10 Q. And do you know if that exemption would
11 also extend to so-called graduate PIPP customers?

12 A. I do not know that.

13 Q. Okay. Are there any company witnesses
14 other than Mr. Spitznogle who might know the answer
15 to that question?

16 A. I believe Witness Spitznogle was
17 sponsoring that testimony. I'm not aware of other
18 witnesses coming up that would be aware of that.

19 Q. Okay. Thank you.

20 Turning to page 12, line 19, where you
21 state "Therefore, the Company commits to purchase, as
22 part of its POR program, other receivables the
23 nonpayment of which would allow the Company to
24 disconnect the customers' distribution service." I
25 assume by "other receivables" you were referring to

1 the transfer of the CRES providers' receivables to
2 AEP Ohio; is that correct?

3 A. They would include the receivables that
4 we would purchase at time of billing. When we
5 implement the program, we would not purchase or
6 transfer existing receivables on the books. This
7 would only include those that would go forward when
8 we implement on the first billing cycle afterwards.

9 Q. Okay. And after those receivables are
10 transferred -- are purchased by AEP Ohio, AEP Ohio
11 would be able to disconnect service for nonpayment
12 for those customers who failed to timely pay their
13 CRES providers' charges?

14 A. That's correct. We would include only,
15 in the POR program, receivables that were approved by
16 the Commission as disconnectable as a waiver in this
17 proceeding or any future waiver. At the time of
18 purchase they would be bucketed with the wires
19 receivables and treated the same and so when the
20 customer becomes delinquent on those receivables
21 under the same timeline, if the customer fails to
22 pay, then disconnection could be one of the outcomes.

23 Q. And under current law and practice can
24 either AEP Ohio or the CRES providers disconnect
25 service to residential customers for nonpayment of

1 the CRES provider charges?

2 A. Under the current rules, and I'm not an
3 attorney, but I do not believe that they can request
4 disconnect for their receivables which is one of the
5 reasons purchase of receivables programs have become
6 a cornerstone for many of the northeast and midwest
7 markets where it simplifies the process, not only for
8 the customer in terms of understanding their bill
9 amounts and making arrangements on those amounts via
10 our AMP and Budget programs that I've put forth in my
11 testimony but it also simplifies the process with the
12 suppliers and it makes the market much easier for
13 them to work with customers in.

14 Q. Now, Mr. Gabbard, has AEP Ohio done any
15 studies or analyses as to the quantitative impact of
16 this change on disconnections of service on the
17 number of disconnections of service?

18 A. So I've looked at the, you know, the
19 collection timeline, and as it stands today, we
20 follow payment posting logic where when a customer
21 becomes delinquent, those receivables that are owed
22 to the CRES are paid first.

23 So, as an example, if a customer
24 disconnect order is initiated, the wires charge is
25 what initiates that disconnect and the customer, any

1 dollars that they pay, actually goes to the CRES
2 charges first.

3 Q. Okay. Well, Mr. Spitznogle -- maybe I
4 should clarify my question. Has the company done any
5 forecast of to what extent customer disconnections
6 would go up or down as a result of this change?

7 A. As I was saying, because of the way the
8 payment posting logic works today, the disconnect
9 order is created at the same time it would be if the
10 CRES's receivables were delinquent at the same time,
11 and so we do not see any increase in the number of
12 disconnect customers. On the contrary, we may expect
13 to see fewer because we would be able to offer AMP
14 and budget for those customers for their entire bill
15 amounts which I think today we have almost 200,000
16 customers across AEP Ohio service territory that
17 utilize AMP and Budget, they find it very valuable.
18 Today the way the process works CRESs have to manage
19 those receivables and offer AMP and budget on their
20 own which is very confusing for the customer.

21 Q. Okay. But, Mr. Gabbard, has the company
22 done any numerical projections as to the amount of
23 increase or decrease in customer disconnections?

24 A. We have not, but we do not expect it to
25 increase.

1 Q. Thank you.

2 A. All things being held in terms of weather
3 and economic conditions, all things being held equal,
4 we would not expect it to increase.

5 EXAMINER SEE: Mr. Gabbard, you used the
6 term AMP. Can you Define that, please?

7 THE WITNESS: Yes, AMP is average monthly
8 payment program.

9 EXAMINER SEE: Thank you.

10 Q. Turning to page 13 of your testimony, the
11 sentence beginning on line 5 -- no, excuse me, it's
12 the sentence beginning on line 6, "If
13 non-disconnectable charges are allowed, they can be
14 disputed by the customer and halt the collection
15 process, which ultimately would increase costs to all
16 customers." Well, even under the current system
17 without any purchase of receivables by AEP Ohio can
18 customers dispute their bills through the PUCO, their
19 CRES provider charges?

20 A. They can.

21 Q. Okay. And if those receivables are
22 purchased by AEP Ohio, wouldn't customers still have
23 the right to dispute the amount of those charges?

24 A. I believe that they could, yes.

25 MR. SMALZ: Okay. Thank you,

1 Mr. Gabbard, that's actually all I have.

2 EXAMINER SEE: Mr. Williams?

3 MR. WILLIAMS: Thank you, your Honor.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Williams:

7 Q. Good afternoon, Mr. Gabbard. My name is
8 Greg Williams, I'll be asking you some questions on
9 behalf of IGS.

10 Referring to page 14, line 12 of your
11 testimony, you testify to a fair and equitable
12 administrative fee charged yearly to CRES providers
13 utilizing consolidated billing, correct?

14 A. That's correct.

15 Q. Okay. By "consolidated billing" I assume
16 you're talking about a practice whereby CRES provider
17 charges are included on distribution customer bills;
18 is that correct?

19 A. That's correct.

20 Q. And that's a practice that AEP currently
21 employs today; is that right?

22 A. We offer both bill-ready and rate-ready
23 consolidated billing.

24 Q. And CRES providers are not currently
25 charged an annual fee for that consolidated billing;

1 isn't that correct?

2 A. That's correct. And we are not promoting
3 a fee for the billing services here. What we are
4 doing is recovering administrative costs for the
5 purchase of receivable ongoing costs as well as
6 initial implementation costs.

7 Q. Okay. Speaking of which, moving down to
8 lines 15 and 16 of your testimony on the same page,
9 you testify that this fee will initially have two
10 components, one is the recovery of initial capital
11 investment over five years and the second is an
12 ongoing administrative fee; is that right?

13 A. That's correct.

14 Q. So I want to focus on the first component
15 first, the one that talks about the capital
16 investment. What type of capital investment does AEP
17 have in mind?

18 A. We'll need to make changes to our systems
19 to be able to support the functionality. Those
20 systems include our customer information system as
21 well as changes to our EDI functionality because when
22 we purchase the receivables, the suppliers have to be
23 given information on the purchase amount when we
24 purchased it. So they're largely changes to our CIS
25 system, though, because currently our CIS system

1 tracks two receivable streams, one for our wires
2 charges and one for the consolidated bill charges,
3 and to be able to purchase those we have to make
4 changes in our system so that we can offer AMP and
5 Budget as well for those customers' receivables. So
6 they're largely IT investment costs.

7 Q. Are there any other capital investment
8 costs?

9 A. It's wholly IT system investment costs.

10 Q. Have those investment costs been
11 quantified?

12 A. Yes. They are -- the estimates of those
13 costs are in one of the exhibits and I think we
14 estimated \$1.5 million total cost for implementation.

15 Q. Okay. And recovery of those costs would
16 end after five years; is that correct?

17 A. That is correct.

18 Q. Okay.

19 A. We amortize that over a five-year
20 program.

21 Q. Moving on to the second component, the
22 ongoing administrative costs. What are ongoing
23 administrative costs? To what costs are you
24 referring?

25 A. I believe that was also included in part

1 in Exhibit SDG-03 of my testimony. Those include
2 yearly process controls because we are managing those
3 receivables and paying the CRESs for them, so there
4 are controls necessary to manage those on a daily and
5 monthly basis. There's IT maintenance and system
6 support costs that are necessary to maintain the
7 system over time. And as I mentioned earlier,
8 there's also -- revenue reporting is another area
9 that's included in that. Those are incremental costs
10 that we have projected to support the program
11 ongoing.

12 Q. Are there any costs that are not included
13 on that exhibit?

14 A. No. Not in support of the program.

15 Q. Okay. To your knowledge, is the fee that
16 AEP proposes to levy on CRES providers included in
17 AEP Ohio's financial forecasts filed as a part of
18 this proceeding?

19 A. I am not aware. I do not know that.

20 MR. WILLIAMS: Nothing further. Thank
21 you.

22 EXAMINER SEE: Mr. Clark?

23 MR. CLARK: Thank you, your Honor.

24 - - -

25

CROSS-EXAMINATION

1
2 By Mr. Clark:

3 Q. Mr. Gabbard, my name is Joe Clark with
4 Direct Energy. I have just a couple questions.

5 Specifically I want to talk about page 8,
6 lines 5 to 7 of your testimony.

7 A. I'm there.

8 Q. As it stands today, AEP will bill and
9 collect for a supplier's early termination fee,
10 correct?

11 A. That's correct.

12 Q. And I wanted to clarify that based upon
13 lines 5 to 7. If a supplier is using consolidated
14 billing and it's a POR customer, then AEP would not
15 bill at all for an early termination fee; is that
16 correct?

17 A. That's the -- that's the program that I
18 am testifying to and the way we structured it. We
19 structured it very similar to the program that Duke
20 has implemented in Ohio. Duke does not support those
21 costs either. When we did research in other markets,
22 we noted that early termination fees, as the markets
23 begin to grow and the potential for slamming
24 increases, if there are not strong controls in place,
25 then -- from a regulatory perspective, then those

1 early termination fees can become a point of debate
2 with customers where we may be out on the doorstep
3 trying to collect them and possibly disconnect the
4 customer for a portion of that charge as well as
5 other charges and they may say, well, I didn't even
6 know I had switched and they're billing this early
7 termination fee.

8 So in terms of customer protection we
9 felt it appropriate that we not include these in our
10 purchase of receivables program.

11 Q. And the same limitation would apply for
12 any other sort of fee or charge that AEP would bill
13 for that's not includable in POR, correct? So if
14 there were any other types of charges that AEP might
15 bill for like services or anything connected to your
16 energy bill like let's say AC tune-up or other types
17 of service, you wouldn't bill for that either because
18 it's not includable in POR, correct?

19 A. I think we would consult with Commission
20 staff in terms of new developments in the market. If
21 you look at other markets surrounding Ohio where some
22 of the services have, let me say, grown more because
23 there are purchase of receivable programs, there are
24 bundled type of services that the bill is actually
25 for a per kWh type of fee but bundled within that may

1 include, you know, like rental programs, as you say,
2 checkups on water heaters, you know, controlled
3 thermostats.

4 We expect, after this is implemented and
5 as the Ohio market continues to grow, that those type
6 of -- those type of offerings may be introduced into
7 the Ohio market; however, in terms of what we would
8 include in our purchase of receivable program, we
9 would seek Commission approval and waiver for
10 anything that we would include in the program.

11 Q. And then to be clear, a supplier, though,
12 wouldn't be prohibited from billing and collecting an
13 early termination fee separate and apart from the AEP
14 bill, though, if you were to collect the energy
15 charges through the POR, correct?

16 A. No. That's what we would expect.

17 MR. CLARK: Okay. That's all I have,
18 your Honor. Thank you.

19 EXAMINER SEE: Miss Petrucci?

20 MS. PETRUCCI: Just very briefly.

21 - - -

22 CROSS-EXAMINATION

23 By Ms. Petrucci:

24 Q. With respect to your reference to seeking
25 a waiver from the Commission, I'm not sure I totally

1 understood what you meant. Can you maybe give me a
2 better understanding of what type of situation you're
3 envisioning would require a waiver?

4 A. It's my understanding that in order for
5 us to purchase the receivables of suppliers that are
6 unregulated and to be able to disconnect those
7 charges, the Commission has to approve that in the
8 form of a waiver. It's my understanding that that
9 was required in implementing the Duke purchase of
10 receivable program.

11 Q. So it's specifically with respect to a
12 situation where a customer does not pay a charge that
13 is specifically related to a nonelectric service that
14 is being provided by -- as part of the CRES offering?

15 A. It's my understanding it's a waiver of
16 the Administrative Code that prohibits a disconnect
17 of supplier receivables. So we would be purchasing
18 the generation and transmission charges and aging
19 those the same way we age our distribution
20 receivables, and if a customer does not pay those,
21 they may become disconnectable and we may disconnect
22 for them.

23 It's my understanding that we would have
24 to have a waiver from the Commission to allow us to
25 do that. So any type of receivables that we would

1 purchase, we would have to have that waiver and be
2 able to disconnect them.

3 MS. PETRUCCI: Thank you. That's it.
4 That's all. Thank you.

5 EXAMINER SEE: Mr. McDermott?

6 MR. McDERMOTT: Yes.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. McDermott:

10 Q. Mr. Gabbard, I'm Jacob McDermott. I
11 represent FirstEnergy Solutions Corp. I have a few
12 questions for you today.

13 To start out with can you turn to your
14 testimony, page 5, line 18 through to page 6, line 4.

15 A. I'm there.

16 Q. Okay. In that section of your testimony
17 you list some of the benefits that you see in a POR
18 program and specifically on page 6 at line 1 you note
19 that CRES providers would not have to be involved in
20 the collection of unpaid debt as a benefit of a POR
21 program; is that correct?

22 A. That's correct.

23 Q. Do you know or has AEP Ohio conducted any
24 analysis regarding a specific CRES provider's
25 collection experiences?

1 A. Let me understand your question. In
2 terms of their bad debt rate or in terms of their
3 processes? I'm not clear on what you're asking.

4 Q. Their process and experience in
5 collecting past-due debts from their customers.

6 A. Only what I have been exposed to in our
7 RMI workshops. It's my understanding that it is
8 somewhat of a challenge for them to manage their
9 receivables, particularly if arrangements have been
10 made on that receivable, which is, you know, why some
11 enhancements are being encouraged based upon the RMI
12 workshop order.

13 And ultimately they do not have much
14 leverage because it's not a disconnectable receivable
15 for the suppliers. For that reason they build that
16 risk into the pricing, so they cover that in the
17 terms of higher rates for a customer.

18 Q. When you speak of hearing from specific
19 suppliers in the RMI process, that's not all
20 suppliers, that's some suppliers?

21 A. Yes.

22 Q. And other suppliers may have a very
23 different experience and you've done no specific
24 analysis?

25 A. It's possible there may be other

1 processes or experiences, but this is based upon the
2 conversations I've had with different suppliers in
3 the workshops or in our yearly, we have a yearly
4 workshop, AEP Ohio performs a yearly workshop with
5 our suppliers.

6 Q. Okay. So no specific analysis.

7 A. No, we have not.

8 Q. Okay. Thank you.

9 Then turning to your testimony at page 7,
10 lines 14 through 18.

11 A. Yes, I'm there.

12 Q. Okay. There you discuss what would cause
13 the discount rate to increase from a zero level and
14 the only thing you mention is the future cost to
15 modify the POR program functionality not already
16 recovered in rates as mandated and/or reviewed and
17 approved for recovery through a discount rate by the
18 Commission; is that correct?

19 A. That's correct, that's what I have in my
20 testimony.

21 Q. Okay. And there's -- I would ask, do you
22 have your deposition transcript with you up there?

23 A. I do.

24 Q. Could you turn to page 53 of your
25 deposition.

1 A. Okay, I'm there.

2 Q. Starting at line 14 you describe
3 discussions --

4 MR. SATTERWHITE: Your Honor, at this
5 point I'll object. I don't think -- I don't think
6 this is proper impeachment. He asked him what was in
7 his testimony. Now he's asking him to read the
8 deposition and make an opinion based on what's in his
9 deposition. It's not proper use of a deposition. If
10 he has a question, he can go ahead and ask the
11 question.

12 MR. McDERMOTT: Your Honor, if I may.

13 EXAMINER SEE: Yes.

14 MR. McDERMOTT: What I'm directing the
15 witness to in his deposition is in conflict with his
16 immediate answer prior and I just need to clarify
17 whether one or the other is the witness's testimony.

18 MR. SATTERWHITE: Your Honor, I guess you
19 can finish but his question was: Is that what your
20 testimony says? And the answer was: Yes.

21 EXAMINER SEE: That's true,
22 Mr. McDermott.

23 MR. McDERMOTT: I can ask another
24 question?

25 EXAMINER SEE: Yes, you can ask another

1 question.

2 Q (By Mr. McDermott) Is your testimony
3 accurate that's the only thing that is likely to
4 modify the discount rate in the POR in the future?

5 A. I will note that there have been
6 investments in other markets where the discount rate
7 for POR programs has been considered for -- to
8 recover functionality that benefits the suppliers in
9 the market, I believe in Pennsylvania or Connecticut
10 within the last month I believe I saw, it was
11 actually after my deposition I saw an article where
12 some web functionality that streamlines the overall
13 choice process between the suppliers and the
14 customers was considered as potentially recovered
15 through a discount mechanism.

16 Q. Considered but not granted?

17 A. To my understanding it has not been
18 granted and, ultimately, any changes to the discount
19 rate would be a transparent proceeding and approved
20 by this Commission. It would not be a unilateral
21 change that AEP Ohio would implement and seek
22 recovery afterwards.

23 Q. Are you proposing that the discount rate
24 in the purchase of receivables program proposed in
25 this ESP be utilized for such purposes?

1 A. I am proposing that it may be a tool that
2 this Commission may find valuable in the future as
3 the Ohio market continues to evolve.

4 Q. Okay. In that case can I propose a brief
5 hypothetical here for you? Let's assume that there
6 are 29 CRES providers serving consolidated billing
7 shopping customers in the AEP Ohio territory. Let's
8 also assume that, say, two of those suppliers serve
9 70 percent of the consolidated billing shopping load.
10 Now assume that the remaining 27 CRES providers
11 advocate for a CRES provider enhancement that's
12 opposed by the two CRES providers that serve the
13 majority of the shopping consolidated billing load in
14 AEP Ohio, and that, further, AEP Ohio maybe in
15 consolidation with the Commission decides to
16 implement that enhancement.

17 Recovering the costs for that enhancement
18 through the POR discount rate would have the effect
19 of those two opposing suppliers paying for 70 percent
20 of the enhancement that they did not support; is that
21 correct?

22 MR. SATTERWHITE: Can I have the question
23 reread, it was kind of building and I want to make
24 sure we get everything understood before he answers
25 it.

1 (Record read.)

2 EXAMINER SEE: You can answer the
3 question, Mr. Gabbard.

4 A. In my opinion, that would be based upon
5 the Commission's discretion.

6 Q. If all of the suppliers that participate
7 in consolidated billing under AEP's proposed POR must
8 participate in the POR program, and two of those
9 suppliers serve 70 percent of the load, they will
10 bear 70 percent of any costs recovered through a
11 discount rate?

12 A. The mathematical scenario you've put
13 forth would be 70 percent, yes.

14 Q. Thank you.

15 I just have one more question. Other
16 AEP Ohio witnesses, I believe Witness Vegas in his
17 cross-examination, testified with respect to the bad
18 debt rider that it's appropriate to recover those
19 amounts from all customers in part based on the
20 benefits of the POR program to shopping customers and
21 also to nonshopping customers who have the option to
22 take advantage of those POR benefits by shopping at
23 some point in the future; is that correct?

24 A. That's correct.

25 Q. Would shopping and nonshopping customers

1 benefit from CRES provider enhancements with
2 nonshopping customers benefiting from the option to
3 shop subject to whatever improvements that CRES
4 enhancements bring to the CRES market in Ohio?

5 A. I think that was a two- or three-part
6 question, I want to make sure I understand.

7 Q. Do you want me to read it more slowly?
8 Or we can have it read back.

9 A. Let me read it back to you, make sure I
10 understand.

11 Q. Sure.

12 A. If any enhancements were made, would both
13 the shopping and nonshopping customer classes benefit
14 from those enhancements, if you will. Is that the
15 premise of your question?

16 Q. That is, similar to the benefits that
17 justify the bad debt rider.

18 A. Yes. I think the Ohio market is fluid.
19 Customers move in between shopping and nonshopping on
20 a regular basis. I think you can look at other
21 markets and see that that trend is the same and a
22 customer that may be a default customer this year,
23 next year they may choose to shop and reach the
24 benefits of those investments where this year they
25 may not. So in my opinion it benefits both customer

1 classes which is why we put forth the model program
2 that we have which really marries the bad debt rider
3 and the purchase of receivable program that levelized
4 the playing field in terms of bad debt and does not
5 stick bad debt in one class or the other but removes
6 that in terms of for a customer to decide do I want
7 to shop or not because this CRES is carrying a lot of
8 bad debt so their rates are higher. It really
9 removes that barrier, and for those customers that
10 currently may be dropped every month or when they are
11 late on their bill, those customers still see the
12 benefits of the Choice program because suppliers are
13 more likely to market to those customers and remove
14 any type of socioeconomic discrimination in terms of
15 shopping.

16 Q. Okay. And I understand your answer, that
17 went more to the bad debt rider, and my last question
18 was really about any CRES provider enhancements that
19 may be added to the AEP Ohio supplier services that
20 benefit the CRES market in AEP Ohio and whether those
21 would similarly provide benefits to both shopping and
22 nonshopping customers under the same logic that the
23 bad debt rider provides benefits to both shopping and
24 nonshopping customers because of the option to always
25 shop or not to.

1 A. Yeah. And my answer was the market is
2 fluid, customers may shop -- may not be shopping
3 today but they may choose to shop tomorrow.

4 Q. So is that a "yes," they --

5 A. Yes.

6 Q. -- would have that option to take
7 advantage of any CRES provider enhancements?

8 A. Yes.

9 Q. That bring benefits to the CRES market in
10 AEP Ohio --

11 A. Yes.

12 MR. McDERMOTT: Thank you, no further
13 questions.

14 EXAMINER SEE: Thank you.

15 Ms. Hussey?

16 MS. HUSSEY: Nothing from OMA, your
17 Honor.

18 EXAMINER SEE: Mr. Kurtz?

19 MR. KURTZ: No, your Honor.

20 EXAMINER SEE: Mr. Darr?

21 MR. DARR: I'm going to defer to
22 Mr. Serio for the time being and if we can come back
23 to me.

24 MR. SERIO: We're hoping it might cut it
25 down a little bit.

1 EXAMINER SEE: Mr. Yurick.

2 MR. YURICK: No questions, your Honor,
3 thank you.

4 EXAMINER SEE: Mr. Serio.

5 MR. SERIO: Thank you, your Honor.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Serio:

9 Q. Good afternoon, Mr. Gabbard.

10 A. Good afternoon, Mr. Serio.

11 Q. A couple of questions first to clear up
12 some things and then stuff that I had here. As
13 you've proposed it, the only thing that would be
14 included in the purchase of receivables would be the
15 actual cost of the commodity of electricity that a
16 CRES provider provides to a shopping customer,
17 correct?

18 A. I think my testimony states any commodity
19 related type charges which could include capacity
20 charges, energy, demand charges, and I also believe I
21 have a caveat in there that this Commission may also
22 choose in the future as the market evolves to include
23 other types of services and charges that they deem
24 disconnectable.

25 Q. But that would be what the Commission

1 might do in the future. As far as the proposal right
2 now it's just commodity-related costs.

3 A. That is correct.

4 Q. Okay. Now, in your mind does the company
5 support expansion of the POR at some point to include
6 deregulated costs, things beyond the
7 commodity-related charges?

8 A. The company's position is, as a wires
9 company in a choice state, one of our roles is to
10 support choice and there may be enhancements evolving
11 technology, as an example, if we implement an AMI
12 network as has been done in other choice states,
13 certainly additional services and products are often
14 introduced into the market and our role is to support
15 that as a wires company.

16 And so our position is, you know, we know
17 this is what is being billed today through rate-ready
18 or bill-ready bill, we do not want to define limits
19 on where the Ohio market may go and we recognize that
20 it will continually evolve.

21 Q. But as a wires company, would you support
22 the use of disconnection for nonregulated services?

23 A. We would defer to the Commission's waiver
24 in terms of what would be included on a
25 disconnectable receivable that would be included in a

1 POR program.

2 Q. So that means the company wouldn't file a
3 waiver, you'd wait for the Commission to rule on
4 somebody else's?

5 A. I'm not sure I understand your question.

6 Q. If the company proposes a waiver, does
7 that mean the company would support it?

8 A. As we're proposing, we will -- it will be
9 necessary to have a waiver for those products that
10 are currently being included in the POR program. If
11 any changes to the product offerings occur in the
12 future that the suppliers would request that they be
13 included in a POR program, we would seek approval or
14 they would seek approval to include in the POR
15 program with the Commission. We would not
16 unilaterally decide to purchase something and
17 disconnect it without the Commission's approval.

18 Q. Okay. I think in your answer there you
19 got to what I was getting at. The CRES providers
20 could go to the Commission and ask for a waiver, I
21 understand that. My question is, as a wires company,
22 would you go to the Commission and ask for waivers in
23 order to allow deregulated services and other items
24 to be something that customers could be disconnected
25 for?

1 A. I don't know that we would personally. I
2 think it would probably be more a function of the
3 market development working group which was an outcome
4 of the RMI order, and it is the -- and it is
5 something that AEP supported, in fact, I think I was
6 one that recommended it in some of the workshops,
7 that that working group would help establish new
8 functionality and new direction that the market may
9 be going, and that is a conduit directly to the
10 Commission. I would suspect it would come more from
11 the working group than directly from AEP.

12 Q. As we stand here today, though, the
13 company would -- the company today does not support
14 non-commodity related charges being included in a
15 POR, correct?

16 A. Well, what we are proposing today are
17 those that I've listed in my testimony which are
18 commodity related.

19 Q. I understand what you're proposing. I
20 asked does the company support the inclusion of
21 anything other than commodity-related charges in the
22 POR.

23 A. As I said, I believe our role as a wires
24 company is to defer to the Commission in terms of
25 where the market may go in terms of what would be

1 included and what could be disconnected.

2 MR. SERIO: Your Honor, I'm not getting
3 an answer to the question. The company can support
4 it and not be proposing it. What I'm asking is does
5 the company support it. I think I should be able to
6 get a "yes" or "no" answer to that.

7 MR. SATTERWHITE: Your Honor, I was about
8 to object to the question as asked and answered.
9 He's here testifying as to what the company is
10 supporting and the fact that he's not using the exact
11 same words Mr. Serio wants him to use does not mean
12 he's not saying here is what the company supports and
13 is proposing in this case, so I think it's asked and
14 answered.

15 MR. SERIO: Maybe I can clarify, your
16 Honor.

17 Q. Mr. Gabbard, if you use the word
18 "propose" and the word "support," do you mean the
19 same thing?

20 A. In what sentence?

21 Q. When you said the company is proposing a
22 plan, if they're proposing the plan, is that the plan
23 the company supports? Are they interchangeable?

24 A. When I said I proposed that, I'm talking
25 about my testimony that is in an exhibit here, it's

1 what we're proposing.

2 Q. You're proposing that it -- that the POR
3 not include non-commodity related charges. Does the
4 company support the inclusion of non-commodity
5 charges even though they're not proposing it in this
6 case?

7 A. We neither support or are against it. As
8 a wires company, we are simply a system that supports
9 the market and we recognize that the, even though
10 CRESSs are not regulated, their actions are under the
11 purview of this Commission and what types of services
12 and offerings that they may wish to put on a purchase
13 of receivable bill in the future is within their
14 purview.

15 Q. Okay. You indicated that in the future
16 changes in functionality, those costs could end up in
17 the bad debt rider, correct?

18 A. No. What I said, that changes in
19 functionality could be recovered, those costs could
20 be recovered through the discount rate which would be
21 paid by the suppliers.

22 Q. And when you talk about functionality
23 changes, you're talking about the changes in your
24 billing system that would allow CRES providers to put
25 different options out there for customers, correct?

1 A. Certainly that's something that could be
2 considered by the Commission.

3 Q. Today a bad debt rider or bad debt is
4 something that comes from a customer not paying their
5 commodity charge, correct? For a CRES provider.

6 A. For a CRES -- CRES's bad debt, if a
7 customer does not pay their commodity charge, we try
8 to collect it and then charge it back to them and
9 they may attempt to collect it. If they cannot
10 collect it, then yes, it does become bad debt.

11 Q. And the bad debt the company has with
12 nonshopping customers, that's only related to
13 customers not paying the commodity portion of their
14 bill, correct?

15 A. The bad debt for nonshopping customers?

16 Q. Yes.

17 A. That would include wires charges as well
18 as generation charges, it's the traditional bundled
19 bill.

20 Q. There's no nonregulated charges that are
21 included in bad debt for the company today, correct?

22 A. I do not believe so. I believe the bad
23 debt rate that's embedded in our discount rate is
24 based upon our experience in our test year in 2010, I
25 believe, which is in my testimony.

1 Q. And you indicated -- I think counsel for
2 IGS asked you questions about the charge that you
3 were going to make direct to CRES providers, and that
4 was for capital costs and O&M costs. So if you have
5 functionality changes, why wouldn't the costs related
6 to functionality be part of that either capital or
7 O&M charge? Why would that go into a bad debt rider?

8 A. It's not going into a bad debt rider.
9 It's going to the place that you are recommending
10 that it go. Any future enhancements to the programs
11 that may benefit the CRESs and the customers, under
12 the Commission's discretion, could become part -- be
13 recovered through the discount rate.

14 The discount rate is a recovery mechanism
15 that recovers those dollars from suppliers in the
16 market.

17 Q. So it isn't the cost of implementing the
18 functionality changes that would go into that. It
19 would be any of the costs for services rendered that
20 customers might not pay that could end up in the bad
21 debt rider.

22 A. The bad debt rider includes any
23 incremental costs for bad debt that AEP Ohio may
24 experience above the \$12.2 million that was in our
25 distribution -- embedded in our distribution charges,

1 incremental meaning that if we implement a purchase
2 of receivables program and we see some increase in
3 bad debt because of that, if the total amount is over
4 \$12 million, then that delta would be part of the
5 rider. If our total bad debt exposure is
6 \$11 million, then that rider could become a credit
7 over time.

8 As an example, the late payment fees that
9 we're requesting could have a positive impact on our
10 debt and it could over time improve our performance.

11 Q. The \$12.2 million in bad debt that you
12 have today, your baseline number, that's the bad debt
13 associated with just SSO customers, correct?

14 A. Yes. In 2010.

15 Q. And roughly do you know how many
16 customers are served by CRES providers in your
17 service territory?

18 A. About four --

19 Q. Rough number is fine.

20 A. I think about 480,000.

21 Q. Okay. So if any of those 480,000
22 customers don't pay their bills, then that becomes
23 bad debt, today that's something that marketers
24 either have to recover through other means or they
25 have to write off, correct?

1 A. Today, yes.

2 Q. And under a POR that additional bad debt
3 would go to the company and then could eventually
4 make its way into the bad debt rider, correct?

5 A. That is correct.

6 Q. And your testimony is that you don't
7 anticipate the bad debt expenses going up even though
8 there's going to be an additional 400,000 customers
9 whose potential bad debt would now be included in the
10 bad debt rider.

11 A. I didn't say whether it was going up or
12 going down, which is why we are implementing it
13 initially in 2015 at zero, and based upon the months
14 of experience after implementation, you know, at
15 which point we'll know how many suppliers decide to
16 dual bill their customers instead or how many
17 suppliers that may decide to dump all their dual
18 billing into consolidated billing now. Those impacts
19 as well as other factors we don't know, so we will
20 establish our forecast and present it to the
21 Commission for review at the end of 2015 for 2016
22 year.

23 Q. The \$12.2 million, do you know roughly
24 how many customers the bad debt covers, the number of
25 actual customers?

1 A. I do not know. In 2010 the switching
2 volume was much lower than it is today.

3 Q. And the \$12.2 million is based on the
4 2010 numbers, correct?

5 A. I believe so.

6 Q. So if the switch rate is higher today,
7 the \$12.2 million is based on a larger base of SSO
8 customers that exist today, correct?

9 A. Could you repeat the question?

10 Q. Sure. The \$12.2 million is based on the
11 number of -- the number of nonshopping customers in
12 2010. There are fewer nonshopping customers today,
13 so proportionally it's a larger number than it would
14 be today if you looked at the bad debt associated
15 with the fewer number of nonshopping customers today,
16 correct?

17 MR. SATTERWHITE: Objection, your Honor,
18 the form. I don't think that holds together. I
19 think that logic is actually backward.

20 MR. SERIO: I can try again, your Honor.
21 I thought the witness understood.

22 Q. In 2010 you had a certain number of
23 nonshopping customers that resulted in \$12.2 million
24 in bad debt. Today there's fewer nonshopping
25 customers. Would you anticipate that if you looked

1 at the bad debt numbers today, because there's fewer
2 nonshopping customers, that that number would be
3 smaller?

4 A. I do not have a projection.

5 Q. I understand you don't have a projection.
6 I'm asking you based on numbers, would you anticipate
7 that the number would be less?

8 A. I do not have a forecast or projection of
9 what the numbers might be which is why we're
10 proposing that after we look at the volumes after we
11 implement it in late-2015, we'll have a better idea
12 of what that rider would be.

13 Q. Do you have any idea how many shopping
14 customers you had in 2010?

15 A. Not off the top of my head. It was much
16 smaller, though.

17 Q. If you say "much smaller," would it be
18 less than a hundred thousand?

19 A. I don't know.

20 Q. For sake of argument, if you had less
21 than a hundred thousand customers in 2010 that caused
22 the \$12.2 million -- I'm sorry, if you had only
23 100,000 shopping customers so that would have left
24 you 2 million, let's say 2 million customers that
25 caused the \$12.2 million, today with 400,000 shopping

1 customers that would leave you with only 1.7 million
2 nonshopping customers, would you anticipate that with
3 that reduction in number of customers having bad debt
4 that the number would go down?

5 A. Well, we have a little less than 1.5,
6 1.5 million customers in Ohio's service territory
7 and, as I said earlier, those customers move in and
8 out between shopping and nonshopping, so it's
9 difficult for me to forecast what that amount would
10 be after we implement it.

11 Q. I'm not asking you to forecast. I'm
12 asking you based on the difference in the numbers
13 would you anticipate that today's bad debt number for
14 nonshopping customers would be less because the
15 numbers are so much smaller?

16 A. I don't know.

17 Q. Your title is Manager of Customer Choice
18 Processing and systems, Correct?

19 A. Customer Choice Processes and Systems.

20 Q. Processes and Systems. And you support
21 business and operational functions?

22 A. Yes.

23 Q. How many people work under you? Rough
24 number.

25 A. About 12 or 13.

1 Q. And --

2 A. One supervisor and several operators that
3 operate our EDI processing and then several analysts.

4 Q. And who do you report to?

5 A. I report to Mark Coleman who is the
6 Director of Customer Systems and Support.

7 Q. And you indicated that you represent AEP
8 in working groups, correct?

9 A. That's correct.

10 Q. And in those working groups are policy
11 matters discussed?

12 A. They often are.

13 Q. On page 11 of your testimony you discuss
14 the company having the unilateral right to withdraw
15 the POR if the ESP 3 was modified or rejected by the
16 Commission. My question to you is: If the
17 Commission would not approve a bad debt rider, would
18 the company withdraw the POR?

19 A. That would be a decision that would be
20 made by our team.

21 Q. Would your recommendation be to withdraw
22 it?

23 A. I would defer to our team on that.

24 Q. Your team isn't testifying today, you
25 are, sir. What would be your position?

1 A. I believe --

2 MR. SATTERWHITE: Objection, your Honor.
3 The witness said what his position would be, he would
4 defer to his team. Mr. Serio can't browbeat a
5 position out of him if he says he's going to rely on
6 his team.

7 MR. SERIO: Well, your Honor, the team
8 isn't here, I can only ask the person who's here.
9 He's got to have a position since he's the leader of
10 the team.

11 MR. SATTERWHITE: Your Honor, it's normal
12 course for business employees to rely on their team,
13 to do discussions. He can't dictate based on a
14 hypothetical what the witness would do if something
15 in the future happened. The witness already
16 responded he would rely on his team and that he can
17 keep asking the question over and over again but --

18 EXAMINER SEE: Thank you,
19 Mr. Satterwhite.

20 Mr. Gabbard, answer the question as best
21 you can.

22 A. I believe the benefits of comparing a bad
23 debt rider in a purchase of receivable program,
24 ultimately that seeks to increase competition
25 benefiting the residential customers, some customers

1 of which who had credit challenges and may not be
2 benefiting from Choice, I believe that the benefits
3 of the two paired together really would lead me to
4 recommend that they need to go hand in hand.

5 Q. In the course of the discussions with
6 your team when it came time to determine whether the
7 company would propose a bad debt rider, would it be
8 your position to support the POR with the bad debt
9 rider?

10 MR. SATTERWHITE: Just for clarification,
11 is this previously or --

12 MR. SERIO: For this proceeding.

13 MR. SATTERWHITE: Thank you.

14 A. The program as it has been presented and,
15 presented by our policy witnesses, was decided as a
16 team and it was my responsibility to recommend
17 systematic changes and the approach in which we
18 implement it. It was a team decision in terms of how
19 this was proposed. It was not a unilateral decision
20 on my part.

21 Q. I did not suggest it was. What I'm
22 asking is in the course of those discussions was your
23 position to say "yes," we should have a POR, and the
24 POR should have a bad debt rider?

25 A. I believe it was.

1 Q. And if the Commission does not allow the
2 bad debt rider, is it your position, would it be your
3 recommendation, that you should withdraw the POR?

4 MR. SATTERWHITE: Objection. Asked and
5 answered.

6 MR. SERIO: Your Honor, I asked the
7 question -- with the further clarification of the
8 last two or three questions, I think now I'm entitled
9 to an answer. He had a definitive position in
10 developing the program, he should have a definitive
11 position if the Commission were to change it. I
12 understand it's not unilateral. I understand his
13 team is going to have discussions. I just want to
14 know what his position would be.

15 MR. SATTERWHITE: Your Honor, the witness
16 stated earlier, when he asked the exact same
17 question, that to make that determination he would
18 want to work with his team. And, as I said before,
19 Mr. Serio can try to browbeat and try to make him
20 take a position but the witness has already indicated
21 that's not how he does business and it would be
22 inappropriate.

23 EXAMINER SEE: The witness has answered
24 the question, Mr. Serio. Move on.

25 Q. (By Mr. Serio) Mr. Gabbard, as manager do

1 you ever make any decisions in your job without
2 discussing it with an entire team?

3 A. Daily operational decisions it is not
4 uncommon for me to work with my team to make
5 decisions and implement those decisions.

6 Q. I asked if you ever make decisions
7 without discussing them with your team.

8 A. Yes.

9 Q. Under what circumstances do you make
10 decisions on your own without discussing them with
11 the team?

12 MR. SATTERWHITE: Objection. Beyond the
13 scope of this proceeding. Now we're just getting --
14 now we're just fighting because he couldn't get an
15 answer for what he wanted before. It's not moving
16 the record forward at all.

17 MR. SERIO: I'm trying to understand the
18 magnitude of his job as a manager and how it relates
19 to his position as an expert witness in this
20 proceeding where he's a witness proposing a purchase
21 of receivable and bad debt rider. If he doesn't make
22 any decisions and has no positions on anything, then
23 I don't think he's the appropriate witness and I
24 would move to strike his testimony and go forward
25 from there and we can cut a couple hours out of the

1 hearing.

2 MR. SATTERWHITE: With all due respect,
3 your Honor, he said what he would do with these
4 issues here. When we get into other areas is where
5 we get far afield.

6 EXAMINER SEE: Thank you both.

7 Rephrase the question, Mr. Serio.

8 MR. SERIO: You know what, I'll go on,
9 your Honor.

10 Q. (By Mr. Serio) Mr. Gabbard, did AEP Ohio
11 offer a POR program when its Electric Choice retail
12 market began?

13 A. It's my understanding that a purchase of
14 receivable program was implemented early in the
15 market as part of a stipulation and was in support of
16 the limited market that existed at the time, that
17 being I believe one customer. And when that customer
18 exited the market, I don't believe we had any other
19 activity. It was a manually supported program
20 because it was for one customer.

21 Q. At the time did the POR program help
22 jump-start competition in any way?

23 A. Since the program was for one customer I
24 don't believe the intent was, at that time, to
25 jump-start the market.

1 Q. What was the intent of offering a POR,
2 then, if it wasn't to jump-start the market?

3 A. This was 13 years ago, I'm not aware of
4 the intent of the program at the time.

5 Q. In the previous answer you said that you
6 believed that it wasn't to do that so how can you
7 have that belief if now you weren't there at the time
8 and you don't know? So do you know why -- do you
9 know, then, when the program began if POR was offered
10 to jump-start the market?

11 A. I don't know that it was made to
12 jump-start the market.

13 Q. Did the original POR include a bad debt
14 rider?

15 A. I don't know.

16 Q. When the company Choice market expanded,
17 why did the company not offer a POR at that time?

18 A. I was not in this position at that time,
19 and I was not part of any discussions with regard to
20 strategy, in terms of whether a program would be
21 offered or not, so I can't answer that question.

22 Q. So is it your testimony that when you had
23 these discussions with your team, no one on your team
24 could answer the question as to why when the Choice
25 program began to expand, the company did not offer a

1 POR at that time?

2 MR. SATTERWHITE: Objection. It's
3 assuming that he had these discussions with his team
4 which is not a fact that has been established.

5 MR. SERIO: Your Honor, if any fact's
6 been established, it's that he talks to his team
7 about virtually everything.

8 MR. SATTERWHITE: I don't think that's
9 correct or appropriate, your Honor.

10 EXAMINER SEE: The witness can respond to
11 the question.

12 THE WITNESS: Could you repeat the
13 question, please?

14 MR. SERIO: I can reask it.

15 Q (By Mr. Serio) Did you have any
16 discussions with your team as to why when the Choice
17 program began to expand the company did not offer a
18 POR at that time?

19 A. I did, and nobody was aware of that.

20 Q. Did you ask any of your superiors as to
21 why the company was not proposing a POR at that time?

22 A. No.

23 Q. And why did you not ask any superiors if
24 neither you nor your team knew the answer to that
25 question at the time?

1 A. Because the program that I'm putting
2 forth in my testimony is a program going forward. It
3 is not looking backwards. It is a program that we're
4 supporting as part of this ESP going forward that we
5 feel has benefits that we'll bring to the market.

6 Q. As part of the RMI workshop, was it the
7 company's position during the RMI workshop that it
8 supported a POR?

9 MR. SATTERWHITE: Objection. Relevance.

10 MR. SERIO: I'll rephrase, your Honor.

11 Q. You participated in the RMI workshops,
12 correct?

13 A. I did.

14 Q. And there was a discussion in the RMI
15 workshops as to whether POR programs should be
16 something that the Commission ordered as a result of
17 the workshop, correct? Is that your understanding?

18 A. Yes, I was part of that, those workshops,
19 as were you.

20 Q. And in the course of the discussions in
21 the workshops numerous CRES providers indicated that
22 they supported a POR, correct?

23 A. That's correct.

24 Q. And OCC and other parties indicated that
25 they were opposed to a POR, correct?

1 A. Yes, that's my understanding.

2 Q. And EDUs participated in the project
3 including AEP, correct?

4 MR. SATTERWHITE: I'll object again, your
5 Honor, I don't know what the relevance is of what
6 happened outside of this case where AEP Ohio's
7 proposing a POR.

8 MR. SERIO: Well, your Honor, the witness
9 indicated that they're proposing the POR in large
10 part because coming out of the RMI workshop the
11 Commission ordered the company to do so.

12 EXAMINER SEE: The objection is
13 overruled.

14 Q. In the course of the RMI workshops was it
15 your position representing the company that the
16 company supported a POR?

17 A. We did not take a position in the RMI
18 workshops as an EDU. At that time, based upon our
19 ESP 2 order where we were requested to look at the
20 merits of a program, we were still gathering
21 information and evaluating it and at that time we had
22 not yet taken a position.

23 Q. So it's not your recollection that the
24 company ever indicated that they objected to
25 significant costs that a POR program -- of a POR

1 program.

2 A. AEP did not make any objections in that
3 area. Our concern more is in terms of the benefits
4 to the customers and, as I stated in those workshops,
5 there are proper ways to implement a purchase of
6 receivable program that we feel is represented in my
7 testimony.

8 Q. And your testimony at pages 4 and 5
9 lists -- in 5, customer benefits that you've
10 identified from a POR program, correct?

11 A. Yes.

12 Q. And the first one is that customers would
13 most likely have more choices of providers and
14 provider products, correct?

15 A. That's correct.

16 Q. And I believe you indicated during your
17 deposition that the company currently has 29 CRES
18 providers that are serving residential customers
19 today, correct?

20 A. That is correct. There are 20 on the
21 Apples to Apples website and we have 29 that are
22 active.

23 Q. Do you know how many CRES providers serve
24 residential customers in the Duke service territory?

25 A. 65 percent more than what we have. About

1 13 more than we have on the Apples to Apples website.
2 There may be more serving customers that are not
3 putting offers on the Apples to Apples website.

4 Q. That could be true in AEP also, correct?
5 That there could be providers that aren't on the
6 Apples to Apples chart?

7 A. We have nine that are not on there but --

8 Q. Okay.

9 A. -- twenty are on there.

10 Q. Let's stick to the Apples to Apples chart
11 so we have something that's identifiable. Do you
12 know how many are in the Dayton Power and Light
13 service territory?

14 A. Fewer still than what is in AEP and Duke.

15 Q. Are you aware that in the 12-3151 docket
16 that DP&L indicated the staff reported the number of
17 CRES providers in their service territory as being
18 incorrect?

19 A. I'm not aware of that, no.

20 Q. Did you read comments that the various
21 parties filed in the 12-3151 docket?

22 A. I did not.

23 MR. SERIO: Could I approach, your Honor?

24 EXAMINER SEE: Yes.

25 MR. SERIO: Inasmuch as this is in the

1 Commission docket, I'm not going to identify it as an
2 exhibit.

3 Q. I'm handing you the comments of the
4 Dayton Power and Light Company in Docket
5 12-3151-EL-COI, they were filed on February 6th,
6 2014, and I'd like you to look at the top of page 4
7 where -- and then the footnote at the bottom of the
8 page where it indicates that the Staff Report showed
9 that there were 19 active CRES providers yet DP&L
10 reported that there were 31. Do you see that?

11 MR. SATTERWHITE: Objection, your Honor.
12 The witness has said he did not review these
13 comments. This is comments, not even sworn
14 testimony, from a workshop the witness is not
15 familiar with. It would be inappropriate to enter
16 them into an evidentiary hearing today. They're not
17 sponsored by DP&L, and the witness has never seen
18 them so there's no foundation to even ask him
19 questions about it.

20 MR. SERIO: Your Honor, I wasn't going to
21 enter them in evidence. I was going to ask for
22 administrative notice since it's a Commission
23 proceeding and it's the Commission proceeding that
24 the company's identified as having given rise to the
25 need for the POR in this proceeding, and to the

1 extent that the witness's position is that service
2 territories with a POR have more service providers
3 than those without, the comments from Dayton directly
4 contradict that. They were filed in the docket, and
5 I think it's appropriate for the witness to look at
6 it.

7 I mean, he's indicated he's very familiar
8 with the Duke territory. It's unclear why he doesn't
9 have the same level of familiarity with the other
10 territories if he's comparing AEP to the other
11 territories in Ohio.

12 MR. SATTERWHITE: If I may, your Honor, I
13 appreciate the section of his brief that he wants to
14 put in on this but he can ask the witness why he's
15 not familiar with the DP&L territory if he wants. It
16 would be -- I will oppose administrative notice of
17 comments, not testimony, from a workshop where people
18 were generally giving comments and there was no
19 witness that AEP can ask questions about this. It's
20 appropriate to ask the witness what he knows, but
21 Mr. Serio can't just pull comments in from everywhere
22 and testify for the record.

23 MR. SERIO: I'll get some foundation,
24 your Honor, and my 90 minutes is not on the table
25 anymore.

1 MR. SATTERWHITE: And I would point
2 out --

3 EXAMINER SEE: Thank you both. Let's
4 keep it moving.

5 Q (By Mr. Serio) Mr. Gabbard, in the course
6 of looking at the Duke territory you're aware that
7 there's 65 percent more service providers. Did you
8 look at any other Ohio companies to compare AEP to
9 the other companies in Ohio?

10 A. Yeah, I noted that on the Apples to
11 Apples website that Duke had more service providers
12 offering products or more registered suppliers in
13 Duke serving residential customers than AEP and the
14 other utilities.

15 Q. Did you look into why there were more
16 service providers in one territory than others?

17 A. I did the analysis to look at the
18 differences as a follow-up to staff's comments in the
19 RMI workshops where they noted that purchase of
20 receivables was clearly one of the drivers and they
21 increased competition in the Duke service territory.

22 Q. Didn't the staff comments also indicate
23 that there were other reasons, that there could be
24 other reasons but the staff simply didn't go into
25 them?

1 A. They noted that there could be other
2 reasons, they also noted that the purchase of
3 receivable program could not be overlooked as one of
4 the factors.

5 Q. Did you look -- did you do any analysis
6 on your own to determine if any of those other
7 factors were in play?

8 A. No. I did review the, after our
9 deposition I did review the Abacus Report, the annual
10 baseline assessment of choice in Canada and the U.S.
11 which notes that the states that have purchase of
12 receivable programs surrounding Ohio all have much
13 higher number of suppliers that are registered as
14 well as product offerings.

15 And so from that -- and, in fact, they
16 clearly -- one of the factors that they weigh in
17 offering those rankings is how bad debt is handled in
18 the market and whether purchase of receivable
19 programs are offered. And Ohio ranked lower than
20 most of those even though Ohio has more customers
21 that have switched, only Texas and Illinois have more
22 switched customers but Ohio ranks much lower than
23 those other states for the reasons that I stated:
24 Fewer product offerings, fewer CRES suppliers that
25 are in the market.

1 Q. Okay. Let's look at product offerings.
2 What product offerings are available in the Duke
3 service territory that you could observe from the
4 Apples to Apples?

5 A. It's my understanding that they're mostly
6 commodity related. And, as I mentioned, the Abacus
7 Report has different phases of the choice markets.
8 Stage 1 is compete on commodity, stage 2 is compete
9 on service, and stage 3 is compete on innovation, and
10 it's my belief that at the very least the residential
11 market in Ohio is still in stage 1 and, as you point
12 out, the lack of some of those product offerings is a
13 testament to that.

14 Q. Are there any product offerings in the
15 Duke territory that CRES providers are not offering
16 in the AEP territory?

17 A. I'm not aware of any other than more
18 competition for the customers in terms of more
19 suppliers.

20 Q. So the second prong of your first item
21 that there would be more products, there's no
22 indication when you look at the Duke territory, that
23 the additional CRES providers have resulted in
24 additional products being offered, correct?

25 A. Not as seen on the Apples to Apples

1 website, but it is noted in the Abacus Report that
2 they are much more products and services offered in
3 other states surrounding Ohio.

4 Q. Is the Abacus Report attached to your
5 testimony?

6 A. It is not.

7 Q. Is it attached anywhere in the
8 application?

9 A. It is not, because --

10 MR. SERIO: Your Honor, I simply asked a
11 "yes" or "no."

12 MR. SATTERWHITE: Objection, your Honor.
13 Let the witness finish his answer before he objects.

14 EXAMINER SEE: The witness needs to
15 answer the question put to him.

16 Q. The question was: Is the report attached
17 to your application?

18 A. It is not.

19 Q. Thank you.

20 Now, you also indicated that the number
21 of residential customers shopping in Ohio is higher
22 than virtually every other state except Texas and
23 Illinois, correct? I think that's what you said.

24 A. And that's right, largely because of
25 aggregations.

1 Q. Okay. So in the FirstEnergy service
2 territories where they have fewer CRES providers than
3 you do in AEP territory, there's higher levels of
4 shopping, correct?

5 A. That's correct. Largely because, from my
6 understanding, largely because of aggregations.

7 Q. Whether somebody is shopping because of
8 aggregation or shopping in a bilateral one-on-one
9 contract, is it your position that one is better than
10 the other?

11 A. Yes. The Abacus Report, and the only
12 reason I bring this up is because the line of
13 questioning seems to be around how competitive Ohio
14 market is, which was not the nature of my testimony
15 that I filed, but the Abacus Report states that
16 aggregations are a first step into choice but,
17 ultimately, they can work against the development of
18 innovative technologies and services because they
19 lock those customers up and there's not as much
20 competition for them.

21 MR. SERIO: Your Honor, I'm going to move
22 to strike this references to the Abacus Report
23 because it's pure hearsay. It's not attached to his
24 testimony. I have no opportunity to look at it or
25 determine anything about it. I'm just asking him

1 questions about what's going on in our market and
2 instead of answering the questions he's relying on
3 something that isn't part of this record and it's
4 pure hearsay.

5 MR. SATTERWHITE: I'll skip over the
6 irony, your Honor, of what Mr. Serio is saying from
7 earlier statements he made and skip right to where he
8 asked an open-ended question of Mr. Gabbard of what
9 else he relied upon for his opinion that he was
10 making today, and he specifically mentioned this
11 report as one of the things he relied upon. So
12 Mr. Serio opened the door to Mr. Gabbard discussing
13 this as something he relied upon.

14 And if it helps, at 14:39:10, if you
15 look, "Did you do any analysis on your own to
16 determine if any of those factors were in play,"
17 that's when the report came up.

18 EXAMINER SEE: When I look back at the
19 transcript, Mr. Serio, you asked if there were any
20 analysis that the witness did and he mentioned the
21 Abacus Report and I believe you too have also
22 mentioned the report, so...

23 Q (By Mr. Serio) Mr. Gabbard, did you
24 personally do any analysis?

25 A. What type of analysis?

1 Q. To determine why aggregation is not
2 preferable over bilateral one-on-one contracts.

3 A. I've not personally done any analysis.
4 I'm only citing a yearly baseline assessment of the
5 markets which is a fairly well held standard review
6 of the markets in the U.S. and Canada.

7 Q. Is it the company's position that you
8 prefer bilateral contracts over aggregation?

9 A. I don't believe that's our company's
10 position.

11 Q. But that is your position.

12 A. I'm citing the --

13 Q. I'm asking your position now.

14 MR. SATTERWHITE: Objection, your Honor.
15 Let the witness -- Mr. Serio continues to cut off the
16 witness when he's trying to get out his answer. I
17 would appreciate a direction to Mr. Serio to pause
18 and allow Mr. Gabbard to finish his response.

19 EXAMINER SEE: Go ahead and finish your
20 response, Mr. Gabbard.

21 A. Based upon what I've read and the impacts
22 of aggregations and limiting the number of suppliers
23 that may be interested in coming into a market where
24 all the customers may be locked up, i.e., they're
25 already in an aggregation, and the potential impacts

1 on innovation and new services that are offered, I
2 feel that it is, as I mention, a step towards choice,
3 in fact, I think it is often referred to as a step
4 above default service, but it is -- I don't think
5 it's the same if you will.

6 Q. You understand that there's legislation
7 that enabled communities to get into aggregation?

8 A. Absolutely. And it is a tool. It is
9 clearly a tool that gets customers switching that may
10 not have, but it is not the same as a very
11 competitive market offering a lot of services that
12 the customers may not have today.

13 Q. And you understand that the legislation
14 sets the policy of the state which is that
15 aggregation is an acceptable means of shopping for
16 customers.

17 A. And I'm not disagreeing with that.

18 Q. Yet you're saying that the policy of the
19 state through aggregation is limiting the growth of
20 the competitive marketplace; is that your testimony?

21 A. I am saying that there is literature out
22 there that I tend to agree with that aggregations is
23 a -- aggregation is a step towards a more competitive
24 market and it does get customers shopping and get
25 them exposed to the market, and that was its design.

1 Q. To the extent that you might have more
2 CRES providers in a service territory, have you
3 personally done any analysis to determine if the
4 resulting price from the addition of other CRES
5 providers gives customers a better price?

6 A. I have not personally done any analysis
7 in that area. I think the laws of economics, though,
8 drive the more -- more suppliers that you have in a
9 market, clearly, for them to survive they have to
10 offer either the most competitive price for the
11 commodity or offer interesting services which is what
12 purchase of receivables programs have tended to
13 create the environment for in other markets.

14 Q. What's the number of CRES providers
15 necessary for you to believe there's a robust market?

16 A. So I believe that the industrial and
17 commercial market in Ohio is fairly robust. Given
18 that only 23 percent of AEP Ohio's customers,
19 residential customers, have actively selected a
20 supplier leads me to believe that there is still room
21 to grow in terms of competition in Ohio, which is why
22 we're offering this, to continue the evolution of the
23 choice market in AEP Ohio service territory.

24 Clearly, there's no perfect number, but
25 you can look at highly competitive markets such as in

1 Texas where, you know, I think we have close to 200
2 registered suppliers with us in Texas in our
3 footprint alone. It leads me to believe there is
4 room to grow. I don't have a perfect number or a set
5 number that is what we are trying to achieve. What
6 we are trying to do is offer this as part of our ESP
7 that we believe benefits customers and sets the stage
8 for the continued evolution of the market.

9 MR. SERIO: Your Honor, I'd move to
10 strike everything in the answer that didn't give me
11 the number that I asked for. If he can't give me a
12 number, then a simple "I can't give you a number."
13 But he went on and on about policy issues that -- I
14 asked a very specific question and didn't get an
15 answer.

16 MR. SATTERWHITE: Your Honor, I believe
17 what the witness said was he talked about other
18 jurisdictions within AEP that had 200 so he doesn't
19 know what the exact number is and the analysis of why
20 he can't give an exact number but there are numbers
21 from other territories. It's highly within the scope
22 of the question asked.

23 EXAMINER SEE: The motion to strike is
24 denied but I'm going to caution the witness that he
25 needs to answer the question put to him. His counsel

1 will have an opportunity on redirect if they need to
2 add or revise or expand on any of your answers.

3 MR. SATTERWHITE: Thank you, your Honor.

4 Q (By Mr. Serio) Mr. Gabbard, there are 65
5 CRES providers in the Duke service territory. Do you
6 believe that the competition in that territory is
7 robust?

8 A. I would agree with that.

9 Q. So for AEP the number's somewhere between
10 29 and 65; would that be fair?

11 A. It could be.

12 Q. Now, you indicated that there was a
13 second benefit, that customers could be placed on the
14 company's Budget or Average Monthly Payment program.
15 Do you see that in your testimony?

16 A. Yes.

17 Q. Is there anything that would preclude a
18 CRES provider from offering budget billing or average
19 monthly payment programs to customers that they
20 serve?

21 A. They do that today on their own charges,
22 but it is not one bill for the customer and it is
23 very confusing for the customer.

24 Q. My question was: Is there anything
25 preventing them from doing that today?

1 A. They do it today.

2 Q. Okay. Thank you.

3 Is there any way to quantify the benefits
4 of customers having the option of budget billing or
5 average monthly payment programs?

6 A. I've noted that across AEP Ohio service
7 territory we have almost 200,000 customers that are
8 utilizing it and find it valuable. We've done no
9 quantitative analysis or any type of surveys, though,
10 to ask the questions what type of value they would
11 get out of it.

12 Q. And you've done no analysis to determine
13 what you think the value the customers get out of
14 that service.

15 A. No.

16 Q. Have you done any analysis to determine
17 the value, the qualitative value, of customers having
18 to deal with only one entity in regard to billing
19 questions for commodity charges, your third item?

20 A. I think defining a quantitative value for
21 that would be very difficult so we have not performed
22 any analysis in that area.

23 Q. Have you done any quantitative analysis
24 for your fourth item, customers receiving just one
25 bill in the mail and dealing with only one company if

1 payments become past due?

2 A. Again, I would find that very difficult
3 to perform any type of quantitative and, therefore,
4 we did not perform any quantitative analysis for
5 that.

6 Q. Did you do any qualitative analysis for
7 the fifth item, that customers be free from
8 duplicative credit checks and potential adverse
9 impacts on their credit scores.

10 MR. DARR: Could I have that question
11 read back again, please?

12 (Record read.)

13 Q. I misspoke. Did you do any quantitative
14 analysis for that fifth item?

15 A. Again, it would be difficult to quantify
16 any type of benefits so we did not do any type of
17 quantitative, we did qualitative where we received
18 feedback --

19 Q. Thank you.

20 MR. SERIO: Your Honor, I just asked...

21 Q. At the bottom of page 5 and the top of
22 page 6 of your testimony you list the efficiencies
23 that you believe CRES providers would get, correct?

24 A. Yes, that's correct.

25 Q. Are you able to quantify any of those

1 individual items as to the benefit that CRES
2 providers would get?

3 A. These are all qualitative benefits,
4 they're not quantitative benefits. The answer to
5 your question is "no."

6 Q. Do CRES providers get any quantitative --
7 any quantitative benefits from the establishment of a
8 POR?

9 A. My opinion is any type of quantitative
10 benefits they would pass through in a reduction in
11 their charges, that would go to the customer.

12 Q. Do you work for a CRES provider?

13 A. I do not.

14 Q. Then how is it that you know that a CRES
15 provider would pass any savings that they would get
16 from a POR program on to their customers?

17 A. I noted in testimony from other
18 intervenors in this proceeding that any risks that,
19 specifically to transmission charges but it applies
20 to other risks, if they do no longer have to bear
21 those risks, they pass those through to the customer.

22 Q. Other than reading other people's
23 testimony do you have any personal knowledge that
24 CRES providers would pass savings from a POR program
25 on to their customers?

1 A. Only what has been shared from other
2 suppliers in the RMI workshops.

3 Q. And to the extent that the other
4 suppliers made those statements in the RMI workshops,
5 do customers have any guarantees or assurances that
6 CRES providers will actually pass those cost savings
7 on to customers?

8 A. As I said before, CRESs are unregulated
9 but they are within the purview, their actions are
10 within the purview of this Commission. There's
11 nothing that guarantees that they pass those savings
12 on to customers, but customers shop with their feet
13 and if they're not offering the most competitive
14 product, they're unlikely to survive in a market.

15 Q. Is there any way to check after the fact
16 and know with any certainty that CRES providers
17 actually pass cost savings on to customers?

18 A. Not without opening up books of CRES
19 suppliers. To my knowledge.

20 Q. So there's no way -- I'm sorry, were you
21 done?

22 A. To my knowledge there's not.

23 Q. So there's no way to guarantee that they
24 pass the savings on and short of opening their books
25 there's no way to assure that they actually did it,

1 correct?

2 A. As far as I know.

3 Q. Today, if a CRES provider has a customer
4 that doesn't pay their bill, that becomes bad debt
5 that they either have to find a way to collect it or
6 have to write it off, correct?

7 A. If it's a consolidated bill, we would try
8 to collect on the account and if we cannot and it is
9 disconnected, we charge it back to them after 35
10 days. They may continue to try to collect.
11 Oftentimes they try to collect in parallel while
12 we're collecting which is very frustrating to
13 customers.

14 If they are unable to collect it, then
15 they would charge it off.

16 Q. If a POR is implemented, then the cost
17 that the CRES provider spends in trying to collect
18 that unpaid balance, they no longer incur that cost,
19 correct?

20 A. That's correct.

21 Q. So that would be a cost savings that
22 could be quantified, correct?

23 A. It could.

24 Q. And then to the extent that they're
25 unable to ultimately collect and they have to write

1 it off, that's another amount that could be actually
2 quantified, correct?

3 A. By the CRES, yes.

4 Q. Yes, by the CRES.

5 A. Uh-huh.

6 Q. Or by somebody looking at their books.

7 A. Yes.

8 Q. CRES providers offer a deregulated
9 service, correct?

10 A. As I said, they are deregulated but they
11 are within the oversight of the Ohio Commission.

12 Q. As far as the pricing of their product
13 goes, the Commission doesn't have any oversight on
14 pricing, do they?

15 A. I think as we've seen in the Pennsylvania
16 market, that the commission has stepped in in cases
17 where CRESs' pricing was not or billing practices
18 were not in a manner that they approved of,
19 specifically I think there has been jail time
20 assigned to some CRES employees because of improper
21 behavior.

22 Q. Did the Ohio Commission take action such
23 as that?

24 A. Not the Ohio Commission. I think that's
25 in the northeast market.

1 Q. Okay, I'm asking you about the Ohio
2 Commission, not the Pennsylvania Commission. Does
3 the Ohio Commission have any control, any regulation,
4 over the price that CRES providers charge for the
5 commodity?

6 A. I am not aware -- they do not regulate
7 the price.

8 Q. To the extent that a POR would provide
9 them with recovery of any bad debt, would you agree
10 with me that that would be the kind of cost recovery
11 certainty that you only see in regulated markets?

12 A. I don't know.

13 Q. Are you aware of any other deregulated
14 markets where the providers of the service are
15 guaranteed 100 percent recovery of any bad debt that
16 they might incur?

17 A. Other than the majority of the midwest
18 and northeast Electric Choice markets I'm not aware.

19 Q. And those are all regulated markets,
20 correct?

21 A. That's correct.

22 Q. Okay. Now, you've mentioned that the
23 Texas market has over 200 service providers I believe
24 you said.

25 A. We have about 200 registered with us, in

1 AEP service territory.

2 Q. Other than the fixed rate options, the
3 variable rate options, or the hybrid of some
4 combination of fixed and variable, are there other
5 product offerings in Texas that you don't see in
6 either the Duke territory or the AEP territory?

7 A. Yes.

8 Q. Are they commodity-related products?

9 A. No.

10 Q. And those other products are only offered
11 because the functionality of the billing system in
12 Texas allows those other products to be offered,
13 correct?

14 A. Not necessarily. There are offerings I
15 think in Pennsylvania as well that are service
16 related that are often bundled that exist in both
17 markets.

18 Q. Is the current AEP Electric Choice
19 program designed to be open to all CRES providers who
20 are certified by the PUCO and meet AEP's
21 creditworthiness standards?

22 A. There are two other provisions that must
23 be met. They have to be registered with PJM and they
24 have to pass functionality, EDI functionality testing
25 with AEP. But within those provisions, yes, any CRES

1 can, once certified with PJM and this Commission,
2 they can register in our territory.

3 Q. Does the AEP Electric Choice program,
4 does it have built-in barriers to entry to CRES
5 providers who meet those four criteria that you just
6 mentioned?

7 A. Only the barrier to entry that staff
8 noted in their RMI recommendations as purchase of
9 receivable was a barrier.

10 Q. So the company designed its program with
11 a barrier to entry; is that what you're saying?

12 A. We designed the programmed -- the program
13 as others had designed them at the time when we
14 implemented it.

15 Q. That wasn't my question. My question
16 was: When you designed your program, if the lack of
17 a POR is a barrier to entry, then you designed your
18 program with a barrier to entry, correct?

19 A. I guess you could see it that way.

20 Q. And to the extent that you've had the
21 program in place for a number of years, it's been in
22 place for a number of years with a barrier to entry
23 built into it, correct?

24 A. I guess you could follow that logic.

25 Q. And if there's a barrier to entry, is

1 that an anticompetitive behavior on the part of the
2 company?

3 A. Is it? I'm sorry, is that what?

4 Q. Is that an anticompetitive action on the
5 part of the company.

6 A. I don't believe so. We implemented
7 programs that were consistent with the
8 recommendations of this Commission and there were no
9 intentions of being anticompetitive in any way.

10 Q. Did the Commission direct you, when you
11 set up your program, not to include a POR program or
12 was that a company decision?

13 A. I was not involved at the time so I can't
14 speak to that.

15 Q. Are you aware of any PUCO order that told
16 the company not to include a POR as part of its
17 Choice program?

18 A. I'm not aware of any order.

19 Q. So if you're not aware of any order,
20 would it be fair to assume that that was a decision
21 made by someone within AEP?

22 MR. SATTERWHITE: Objection. I think
23 he's misstating the previous testimony. The witness
24 said I guess you could see it that way after staff
25 defined it as a barrier to entry and now he's

1 treating the question as if there was an actual
2 addition made versus just now that it's been defined
3 by staff that it could have existed at the time. I
4 think it's an inappropriate line.

5 MR. SERIO: Your Honor, it's a very
6 appropriate line because he's calling it a barrier to
7 entry and we can argue in brief whether it existed in
8 the past and whether the company is liable for it.
9 My question right now is limited to did someone in
10 the company make the decision at the time not to
11 offer a POR.

12 MR. SATTERWHITE: As a barrier to entry
13 is his point, and he's misrepresenting as if the
14 company -- the witness already stated that there
15 wasn't a conscious effort to do a POR as a barrier to
16 entry and the questions are trying to insinuate that
17 in every single question, and that's not the
18 witness's testimony.

19 MR. SERIO: Your Honor, the last time I
20 checked intent wasn't necessary if someone was going
21 to raise a problem with the actions that somebody
22 else was doing. So whether there's intent or not is
23 irrelevant.

24 EXAMINER SEE: You've gone far afield of
25 the question. Ask the question to the witness again.

1 Q (By Mr. Serio) To the extent that you're
2 not aware of any PUCO order telling the company not
3 to implement a POR, then would it be safe to assume
4 that someone at the company made the decision not to
5 include a POR in the Electric Choice program?

6 A. I don't think the decision was to not
7 implement it. I think a decision has been made to
8 implement one now.

9 Q. At the time that the company Choice
10 program took off were there other utilities that had
11 POR programs?

12 A. I don't recall when Duke implemented
13 theirs so I can't answer that question. I don't
14 know.

15 Q. But you're familiar with the Texas
16 market. At the time that the Ohio AEP market took
17 off were there other utilities that had POR programs?

18 A. In Texas?

19 Q. Anywhere that you're aware of.

20 A. I'm not aware of when all of them have
21 been implemented in all the markets. In Texas
22 purchase of receivables is not the standard. It is
23 the exact opposite of the northeast and midwest
24 markets.

25 Q. When was the purchase of receivables

1 implemented in the Texas market?

2 A. As I said, it wasn't -- it's -- the
3 market is a supplier billing based market.

4 Q. So you're not aware of any other
5 utilities that had POR programs when your Electric
6 Choice program was revived?

7 A. I'm sure there was other programs in
8 place in the other northeast and midwest markets, I
9 just I don't know specifics in terms of when they
10 were implemented. I'm sure they were implemented
11 before we -- our volumes picked up such as in
12 Maryland. I believe BG&E's program has been in place
13 for several years.

14 Q. So there was nothing preventing the
15 company from implementing a POR in the past based on
16 the fact that other companies had them, correct?

17 MR. SATTERWHITE: Your Honor, now I'll
18 object and say we're way beyond the scope of the
19 purpose of, one, this proceeding, and two, what this
20 witness is testifying to. I appreciate Mr. Serio
21 picking up the arguments from the ESP 2-1/2 that many
22 of the CRES providers were making, but what we have
23 in front of us is a POR program moving forward not
24 what happened in the past and whether it was a
25 barrier or not a barrier.

1 EXAMINER SEE: Did you want to respond,
2 Mr. Serio?

3 MR. SERIO: Well, your Honor, if it
4 wasn't a barrier to entry and the company made the
5 conscientious decision, I mean they want to have it
6 both ways, if he considers it a barrier to entry and
7 they didn't implement it in the past, then that means
8 they put the barrier to entry in. They can't say it
9 wasn't a barrier then but it is a barrier now.

10 MR. SATTERWHITE: I'm not sure what that
11 even means, your Honor, but I'll --

12 EXAMINER SEE: Thank you very much. Move
13 on, Mr. Serio.

14 Q (By Mr. Serio) Now, you indicated
15 previously that you thought that the Duke market was
16 competitive with 65 CRES providers, correct?

17 A. Yes.

18 Q. So if the number of CRES providers in the
19 AEP territory increased to 65, how would I know that
20 it resulted in lower prices for customers? What
21 would be the analysis I could do to determine that
22 there was an actual benefit from those additional
23 service providers?

24 A. I would suspect you would see more CRESs
25 fighting for your service and possibly either lower

1 prices or eventually additional services to win you
2 as a customer.

3 Q. How do I know that the lower prices are a
4 result of competition and not changes in the market?
5 Is there any way to do any analysis that I can
6 pinpoint that's what caused any price reduction?

7 A. Not that I'm aware.

8 Q. Now, you indicated you participated in
9 the RMI workshops and marketers indicated there a
10 preference for POR. Do you know if any of the
11 marketers who participated in the RMI workshop are
12 marketers who do not currently participate in your
13 Choice program?

14 A. I don't know. I did not know all of the
15 marketers that were in the workshops.

16 Q. So it's possible that all the marketers
17 that touted the benefits of a POR were marketers that
18 are already in your service territory, correct?

19 A. It's possible. I don't know all of them
20 that were there.

21 Q. Is it your understanding that PORs are
22 generally used to jump-start competition in a choice
23 market?

24 A. They have been used to jump-start
25 competition in choice markets.

1 Q. Are you familiar with any other utilities
2 where a POR program was instituted after the Choice
3 market was implemented?

4 A. Could you repeat the question, please?

5 Q. Sure. Let me ask it this way: You've
6 got approximately 29 percent of the residential
7 market shopping today. Are you aware of any other
8 utilities that implemented a POR program after a
9 minimum of 25 percent of the residential market was
10 already shopping?

11 A. I did not track the customer shopping
12 trends for those that we looked at. We noted the
13 benefits, but from a merit perspective as we were
14 instructed in our ESP 2 and noted that even after
15 markets have picked up, they have continued to be
16 successful. Maryland's -- the public commission in
17 Maryland issued another report I believe in January
18 that further recognized purchase of receivables as
19 being part of the success of their market.

20 Q. Have you done any studies or analysis,
21 you, to determine the number of additional CRES
22 providers that might come into the AEP service
23 territory if a POR is implemented?

24 A. We have not reached out to any specific
25 CRESs and done any analysis.

1 Q. Now, you've indicated that you thought
2 that a POR program would help level the playing field
3 on a socioeconomic basis, correct?

4 A. That's correct.

5 Q. And you're indicating that there's
6 situations where you think that CRES providers would
7 require additional deposits from customers in order
8 to cover any potential bad debt without a POR,
9 correct?

10 A. It's my understanding that CRES suppliers
11 will do one of two things, either price the risk into
12 their rates that they offer or secure the account.

13 Q. And by securing the account you mean
14 requiring some kind of customer deposit.

15 A. A security deposit, that's correct.

16 Q. Are you familiar with the Ohio
17 Administrative Code regarding electric utilities and
18 their ability to request or collect deposits for
19 nontariffed services?

20 A. I have not read it in some time but I'm
21 somewhat familiar.

22 Q. Specifically, Section 4901 -- well, let
23 me do it this way.

24 MR. SERIO: Can I approach, your Honor?

25 EXAMINER SEE: Yes.

1 MR. SERIO: I'd like to mark for purposes
2 of identification as OCC Exhibit 6 -- well, I don't
3 need to mark it, it's part of the Administrative
4 Code. I guess I can get administrative notice but I
5 have copies for you to look at.

6 Q. If you could turn to paragraph (G)(1) in
7 particular. That enables an electric utility to
8 require a deposit only for tariffed services,
9 correct?

10 A. That's what this reads.

11 Q. And you don't disagree with that, do you?

12 A. I'm not in a position to disagree with
13 this. It's my understanding, though, that our view
14 of the code, and I am not an attorney, allows us to
15 secure the portion of the receivables that we would
16 purchase and that is consistent with how Duke has
17 implemented it.

18 Q. Now, you indicated that you think that if
19 customers have made deposits with a CRES provider,
20 that they get refunded their deposit if a POR program
21 is instituted, correct?

22 A. That's correct. I believe that is a
23 standard practice that the suppliers are familiar
24 with in other markets.

25 Q. Do you know how many customers currently

1 have deposits being held by CRES providers in your
2 service territory?

3 A. Not off the top of my head. I believe
4 that was one of the interrogatories, though, that you
5 have.

6 Q. And do you know if there's any assurance
7 that with an institution of a POR that CRES providers
8 will absolutely refund those deposits to customers?

9 A. As I stated before, the suppliers are not
10 regulated but they operate under the purview of this
11 Commission and I would expect that if a customer
12 complained to the Commission about a deposit not
13 being refunded them, I would expect that the
14 Commission would follow up on that.

15 Q. So it's your understanding that absent
16 some kind of complaint there is no assurances that
17 the customer's going to get that deposit returned
18 just because the CRES provider is taking it upon
19 themselves to do so.

20 A. As I stated, I think it's a standard
21 practice they do that and if they don't, then I think
22 they would be -- it would be enforced by the
23 Commission staff.

24 Q. Now, you indicated previously that the
25 company was directed in the ESP 2 order to analyze

1 the merits of a POR, correct?

2 A. That's correct.

3 Q. But the Commission didn't order the
4 company to implement POR, just to determine the
5 merits of it, correct?

6 A. That is correct.

7 Q. So the company could have looked at it
8 and said we don't think it's worth doing and we're
9 not proposing one.

10 A. That's correct. We believe this is a
11 benefit of the ESP that we're proposing today.

12 Q. And you also indicated that as part of
13 the 12-3151 working group that the staff made a
14 recommendation that the companies that don't have a
15 POR implement one, correct?

16 A. Yes. The staff recommended the adoption
17 within I believe two years of all utilities, and the
18 final order that came from the Commission was
19 basically -- I think the word was "encouraged" all
20 utilities to include in their next distribution case
21 or SSO the inclusion of a purchase of receivable
22 program which that came out after we filed our ESP so
23 we had already -- we had already offered this program
24 before that was ordered.

25 Q. The Commission staff also indicated that

1 there were alternatives to a POR, correct?

2 A. Commission staff, I don't have the exact
3 word in front of me, but I think in lieu of, if a
4 program is not implemented, then there were other
5 functionality that was necessary that should be
6 implemented.

7 Q. Did the company do any analysis to
8 determine if implementing those other functionalities
9 would have been sufficient rather than implementing a
10 POR?

11 A. Those other functionalities simply
12 provide payment arrangement information with
13 suppliers on a regular basis and don't provide the
14 other benefits that I've stated in my testimony.

15 Q. Did the company, did you do any
16 cost-benefit analysis to determine if the costs
17 associated with implementing a POR and a bad debt
18 rider were sufficiently greater than the costs of
19 doing those other things that the staff recommended
20 that it might be better to do those other things
21 rather than implement a POR?

22 MR. SATTERWHITE: Objection to form. I
23 just want to point out that the filing was made
24 before staff promoted any of those so I don't know if
25 you want to ask it in a different manner, but we

1 couldn't have considered the staff recommendations
2 from a report that came out after we filed.

3 Q. Were any of the recommendations in the
4 Staff Report items that were not previously discussed
5 in the RMI workshops?

6 A. No, they were most all -- all of them
7 were discussions in the RMI workshops.

8 Q. And were you aware of those alternatives
9 prior to the beginning of the RMI workshops? Those
10 alternatives, had CRES providers ever raised those
11 items with you as ways of improving your Choice
12 program?

13 A. We had implemented a payment file that
14 shares payment arrangements with suppliers, the
15 outcome of that workshop was enhancements of that
16 additional information, so that's functionality that
17 we had already implemented, only difference is the
18 frequency and additional information that we're
19 providing in that file, and it's two very different
20 things.

21 That is simply sharing information with
22 suppliers in terms of the customers that are on the
23 payment arrangements. Purchase of receivables
24 program has many more benefits to the customers as
25 well as to streamlining the market. So they're

1 really apples and oranges.

2 Q. Did you do any kind of cost-benefit
3 analysis to determine if one was a better option than
4 the other?

5 A. We had already started the analysis of a
6 purchase of receivable program and, as I said, we did
7 not analyze the two because they're two very
8 different things.

9 Q. Now, you indicated in Pennsylvania that
10 the Commission took action because of charges coming
11 out of the polar vortex, correct?

12 A. I'm not positive it's Pennsylvania. It's
13 one of the northeast markets.

14 Q. And you indicated that that was an
15 example of customers walking with their feet,
16 correct?

17 A. The Pennsylvania market is an example of
18 customers voting with their feet, yes, that's
19 correct.

20 Q. Okay. Now, you've indicated previously
21 that if the marketers didn't pass along savings from
22 the bad debt rider or if they didn't refund back
23 their customer deposits, that customers could go
24 complain to the Commission or they could walk with
25 their feet, correct?

1 A. Yes.

2 Q. Now, if a customer has a fixed rate
3 contract with a CRES and that fixed rate contract
4 currently includes the costs of bad debt and the risk
5 that that marketer had, to the extent that the
6 marketer chooses, then, to reduce their variable
7 rates going forward is there any indication from the
8 marketers that they would reduce rates for customers
9 that were on fixed rate contracts to account for
10 those cost savings?

11 A. Is there any indication that they would
12 give the customer?

13 Q. That they would refund that money back to
14 the customer. Are you aware of any indication,
15 whether it's in the testimony that they filed or
16 through your discussion with the marketers.

17 A. I have no direct feedback in terms of how
18 that would be handled from a CRES's perspective.

19 MR. SATTERWHITE: Mr. Serio, is this a
20 good point for -- can we go off the record for a
21 second?

22 EXAMINER SEE: Yes.

23 (Discussion off the record.)

24 EXAMINER SEE: Let's take a ten-minute
25 break.

1 (Recess taken.)

2 EXAMINER SEE: Let's go back on the
3 record.

4 MR. SERIO: Thank you, your Honor.

5 Q (By Mr. Serio) Mr. Gabbard, you talked
6 about the polar vortex situation, let me give you a
7 scenario and you tell me how this would work. And
8 you have customers that sign various contracts with
9 the CRES providers and their contracts permitted the
10 CRES provider to pass along cost increases in
11 transmission as we saw occurred under the polar
12 vortex. And as a result those customers got
13 incredibly large bills, if they were unable to pay
14 those or unwilling to pay those bills, those unpaid
15 balances would become part of the bad debt rider that
16 all customers would have to ultimately pay then,
17 correct?

18 A. Any receivables that we're unable to
19 collect and if they are not secured, so any customers
20 that are a risk, we would, as we talked before, we
21 would secure that. That would be charged off and go
22 to the bad debt rider.

23 Q. So to the extent that customers might
24 sign bad contracts, what previously, without a POR,
25 would have been the risk that that customer takes

1 under a POR would be a risk that all customers then
2 have to take, correct?

3 A. Any type of chargeoffs incrementally
4 above what we have in distribution rates would be
5 part of the bad debt rider.

6 Q. And I think you indicated previously to
7 the extent the CRES providers offered nonregulated
8 products, then to the extent that a customer might go
9 into default, then the CRES would probably still
10 attempt parallel efforts to collect those
11 nonregulated items, correct?

12 A. When you say "nonregulated items," are
13 you talking about in a scenario where we have
14 purchase of receivables and they're billing --

15 Q. Yes.

16 A. -- something else in parallel?

17 Q. Yes. Or termination fees, early
18 terminating fees.

19 A. It is possible that they would collect
20 those on their own, yes.

21 MR. SERIO: Mr. Gabbard, I'm glad you'll
22 be happy to hear that's all I have. Thank you very
23 much.

24 EXAMINER SEE: Mr. Pritchard?

25 MR. DARR: Mark?

1 MR. YURICK: No questions.

2 EXAMINER SEE: We already asked

3 Mr. Yurick.

4 Mr. Darr.

5 MR. DARR: Pardon me for not remembering,
6 your Honor, it's been a while.

7 CROSS-EXAMINATION

8 By Mr. Darr:

9 Q. Okay. Mr. Gabbard, my name is Frank
10 Darr, I'm here on behalf of IEU.

11 A. Good afternoon.

12 Q. In Mr. Allen's testimony he indicates
13 that one of the benefits of the ESP is this proposal
14 to have a POR with a bad debt rider. Do you recall
15 that?

16 A. Yes.

17 Q. And, in fact, I think you repeated that
18 earlier today in discussions with Mr. Serio, that
19 this is being proposed as a benefit of the ESP,
20 correct?

21 A. It is a package.

22 Q. And we've also established so far that
23 you have not identified any quantitative benefit
24 associated with the package of the POR with the bad
25 debt rider, correct?

1 A. Not quantitatively, only qualitative as
2 we were -- the merits, if you will.

3 Q. And the qualitative benefit that you've
4 identified is that it effectively lowers the bar of
5 entry and increases the opportunity for competition
6 to develop here in Ohio, correct?

7 A. That's one. There are others.

8 Q. And those other benefits that you've
9 identified all address various improvements in terms
10 of contact between the customer and the provider of
11 the service, correct?

12 A. As well as payment options for customers
13 such as AMP and Budget which is very popular and
14 allows the customers to manage their receivables.

15 Q. Again, what we're talking about is
16 improving the relationship in various ways between
17 the customer and the holder of the receivable which
18 in this case would be AEP Ohio, correct?

19 A. That's correct.

20 Q. And there are some side benefits that you
21 identify with regard to the ability of CRES providers
22 to provide services to enter the market -- and to
23 enter the market, correct?

24 A. Yes. Suppliers often take several things
25 into consideration, from what I understand in meeting

1 with them, in terms of which market they enter next,
2 and one of those is whether a purchase of receivables
3 program exists.

4 Q. Basically you outline all of these items
5 in your testimony on pages 4 through 6; is that fair?

6 A. Yes.

7 Q. Now, going back to this notion of the POR
8 with the bad debt rider lowering the bar to entry,
9 you indicated in cross-examination with Mr. Serio, or
10 in response to cross-examination by Mr. Serio, that
11 Duke with its 65 CRES providers was an example of
12 what I believe you described as robust competition;
13 is that fair?

14 A. I think I did state that.

15 Q. And the number that you and Mr. Serio
16 shared with regard to the number of CRES providers
17 active in the AEP Ohio service territory was 29. Did
18 I understand that correctly as well?

19 A. We have 29 that have customers currently.
20 Twenty that are on the Apples to Apples website. And
21 that's specific to residential customers.

22 Q. Now, with regard to the number of CRES
23 providers who are actually certified to provide
24 service in the AEP Ohio service territory, that is a
25 subset that you just described, correct?

1 A. We have a larger number that are actually
2 registered, but not active.

3 Q. And, in fact, you have 46 customers
4 [verbatim] that have one or more active switched
5 customers enrolled with them; is that correct?

6 A. I believe that's one of the
7 interrogatories. Are you speaking from an
8 interrogatory?

9 Q. No, I'm just asking you at this point if
10 you recall.

11 A. That sounds right. That would include
12 suppliers that are also marketing to commercial
13 customers but not residential customers.

14 Q. And is it also true that you, in fact,
15 have 69 registered CRES providers who are eligible to
16 serve customers in the AEP Ohio service territory?

17 A. They are registered and they could.

18 Q. But I've got the number right, correct?

19 A. That sounds correct. That's subject to
20 check. We have a number that are registered but are
21 not active.

22 Q. Just so we close the circle, you provided
23 a response to an interrogatory, OCC 10-190. Would
24 that help refresh your recollection?

25 A. Those are the numbers we just discussed.

1 Q. Right, that there are 69 registered CRES
2 providers that are certified to provide service in
3 the AEP Ohio service territory, correct?

4 A. That's correct.

5 Q. And 46 which currently have switched
6 customers.

7 A. Right. And 29 have residential
8 customers.

9 Q. Now, when we're talking about the POR
10 with the bad debt rider, we're probably -- or, we are
11 talking about a benefit that mainly goes to
12 competition in the residential market; is that fair
13 to say?

14 A. Not wholly. Purchase of receivables are
15 tracked more by CRES participants and of those some
16 of those may also wish to market to commercial,
17 industrial, manufacturing customers.

18 Q. Is there any outstanding demand for a POR
19 program among CRES providers that you know of so that
20 they can serve large industrial customers?

21 A. Not that I'm aware of.

22 Q. The -- how about for large commercial
23 customers?

24 A. Not that I'm aware of.

25 Q. Now, you and Mr. Serio discussed at some

1 length the fact that AEP Ohio participated in the
2 electric retail service market investigation
3 conducted by the Commission; is that correct?

4 A. Yes.

5 Q. And you're aware of the fact that part of
6 your proposal here today with regard to the POR and
7 bad debt rider is to lower bars to entry by
8 competitive retail electric service providers; is
9 that correct?

10 A. Yes.

11 Q. Are you aware that AEP Ohio has taken the
12 position that the existing Ohio market design does
13 not have artificial, unlawful, or unreasonable
14 barriers to entry for retail CRES providers?

15 A. Can you repeat that, please?

16 Q. Sure. Are you aware that AEP Ohio has
17 taken the position that the existing Ohio market
18 design does not have artificial, unlawful, or
19 unreasonable barriers to entry for retail CRES
20 providers?

21 A. When we discussed barriers to entry
22 earlier, I was referencing the Staff Report that
23 noted purchase of receivables is a barrier to entry.
24 There are many barriers to entry such as a CRES being
25 able to come up with capital requirements to -- for

1 collateral, either with PJM or with AEP Ohio, so
2 there are several barriers to entry, but it's not our
3 position that there are -- we do not believe there
4 are unlawful barriers to entry for AEP Ohio.

5 Q. Okay. So you're drawing a distinction
6 between there being some sort of economic barrier to
7 entry and unlawful or unreasonable barriers to entry;
8 is that the distinction you're trying to derive here?

9 A. I believe so.

10 Q. So is it your position that barriers to
11 entry are minimized and retail competition has
12 developed at a fair -- or, excuse me, in a fair and
13 reasonable pace?

14 A. I believe that the competition in Ohio
15 has developed at a fair pace. I think, as I
16 mentioned earlier, there are various stages of market
17 evolution and it's our position that the AEP Ohio
18 market will continue to evolve, and we're providing
19 as part of this ESP several components that support
20 the continued evolution of the Ohio market and the
21 purchase of receivable and bad debt rider is one of
22 those.

23 Q. So if I understand it correctly, the
24 baseline for robust competition is around 65
25 competitors, you have 69 in the market, you got 29

1 that are active with residential customers and 46
2 that are already -- have some switched customers, and
3 it's the position of AEP Ohio that the market is
4 developing in a fair and reasonable manner.

5 A. It's developing and we continue -- we
6 propose to continue to support the evolution of the
7 market and, as I mentioned, there's components within
8 our ESP that we believe continue that evolution.

9 Q. And it's fair to say, though, that with
10 regard to the POR and bad debt rider AEP Ohio has not
11 prepared a forecast on the increase that it expects
12 in the number of CRES providers if AEP implements a
13 POR program, correct?

14 A. We have not prepared a forecast.

15 Q. And no CRES providers, not currently
16 certified to participate in the AEP Ohio service
17 territory, has indicated -- let me start that again.

18 No CRES provider not currently certified
19 to participate in the AEP Ohio service territory has
20 indicated that it would participate if AEP Ohio
21 implements a POR program; is that also correct?

22 A. I can't state that definitively because I
23 don't know all of the suppliers that were represented
24 in the RMI workshops that expressed interest in a
25 purchase of receivable program and whether they were,

1 in fact, in our market or not.

2 Q. Mr. Gabbard, do you have with you your
3 response to Interrogatory 4-37 that you provided in
4 response to OCC data requests?

5 A. Yes, if you'll give me a second.

6 I have it.

7 Q. And let me see if you agree that I'm
8 reading this correctly. Question: Have any CRES
9 providers who are not currently certified to
10 participate in your service territory indicated that
11 they will participate if you were to implement a POR
12 program?

13 And the response is: No. Generally
14 speaking, CRES providers do not contact the electric
15 utility until they begin certification process --
16 begin the certification process in their respective
17 service territory.

18 Did I read that correctly?

19 A. I believe so. The context in which I
20 responded to that was CRESs reaching out specifically
21 to us and having that conversation.

22 Q. Now, as part of the discussion that you
23 had with Mr. Serio you had a series of questions with
24 regard to the treatment of various charges and the
25 return of security deposits, that sort of thing, and

1 I believe you indicated that there was nothing
2 governing the behavior of the CRES provider except
3 market pressure; is that correct?

4 A. No. I believe I suggested that they are
5 unregulated but they are under the jurisdiction and
6 are monitored by the Ohio Corporation Commission and
7 it is not uncommon for the Ohio Corporation
8 Commission to follow up with them with any concerns
9 that customers may have.

10 Q. I'm not familiar with the Ohio
11 Corporation Commission. Are you referring to the
12 PUCO?

13 A. Yes, I'm sorry. I apologize.

14 Q. No reason to apologize, it's referred to
15 as the Corporation Commission in a number of states
16 so --

17 A. Yeah.

18 Q. -- not surprising that you would use that
19 term.

20 Well, in fact, no utility can predict the
21 product offerings, forward-looking CRES provider
22 pricing, or other services that may evolve in a
23 market, correct?

24 A. I think that's fair.

25 Q. And it's also true that you have no idea

1 at this point what the bad debt rider expense may end
2 up being; is that also correct?

3 A. We do not know at this point. As I
4 mentioned earlier, the number of CRESs that may go to
5 dual billing or may move customers that are currently
6 dual billed into consolidated can play a factor in
7 that as well as rates that are charged at the time;
8 we don't know.

9 Q. Now, is it your understanding that all of
10 the other electric distribution utilities have bad
11 debt riders?

12 A. Of all electric?

13 Q. Yes.

14 A. It's my understanding in Ohio that all do
15 except AEP Ohio.

16 Q. And one of the reasons that you're
17 supporting the adoption of a bad debt rider is that
18 would provide consistency among programs across the
19 state, correct?

20 A. Yes. What we are promoting is very
21 consistent with what Duke has implemented and the
22 suppliers have noted consistencies in markets as well
23 as other publications drives efficiencies in the
24 market and those efficiencies are usually costs that
25 are driven towards reduction in rates for customers.

1 Q. Well, that goes back to my prior
2 question. You can't, as the utility, guarantee that
3 result, correct?

4 A. I cannot guarantee that, no.

5 Q. Right. And in terms of the consistency,
6 the one rider that you looked at with regard to bad
7 debt is that of Duke; is that correct?

8 A. Yes.

9 Q. And with regard to Duke's bad debt rider
10 you've only looked at it at a high level, correct?

11 A. That is correct.

12 Q. And you can't speak to the specifics of
13 the Duke bad debt rider, correct?

14 A. Yes.

15 MR. DARR: That's all I have, your Honor,
16 thank you very much.

17 EXAMINER SEE: Ms. Mooney.

18 MS. MOONEY: No questions.

19 EXAMINER SEE: Mr. Sineneng?

20 MR. SINENENG: Sineneng. No questions,
21 your Honor, thank you.

22 EXAMINER SEE: Thank you.

23 Mr. Parram.

24 MR. PARRAM: Just a few questions, your
25 Honor.

1 EXAMINER SEE: Go ahead.

2 CROSS-EXAMINATION

3 By Mr. Parram:

4 Q. Good afternoon, Mr. Gabbard. My name's
5 Devin Parram, I'm counsel on behalf of staff, I have
6 just a few questions for you today.

7 A. Okay.

8 Q. First, I'd like to start in your position
9 at AEP. Are you generally familiar with AEP's
10 collection practices?

11 A. My area of responsibility is in choice
12 processes such as the day-to-day EDI transactions,
13 new functionality, any type of systematic issues that
14 evolve, as well as the daily and monthly PJM
15 carve-out process for settlement. I do have some
16 experience in collections, but that is not my daily
17 responsibility.

18 Q. And in constructing your POR proposal and
19 your proposal for the bad debt rider did you give any
20 consideration to the collection practices of AEP Ohio
21 currently?

22 A. When you say "considerations," what do
23 you mean?

24 Q. Well, did you consider at all what are
25 any standards or criteria that AEP Ohio may have as

1 it relates to how it collects -- currently collects
2 uncollectible expenses?

3 A. Not -- not beyond our decision to
4 implement AMP and Budget as a part of this program
5 that allows customers to manage their receivables
6 which allows CRES customers to also manage their bill
7 as a whole. So that was the extent of any type of
8 credit collections review that I did.

9 Q. Are you aware if AEP Ohio currently uses
10 any outside collection agencies to help collect with
11 unpaid collectible debts?

12 A. I know that it is not an uncommon
13 practice. I don't know which of our operating
14 companies do that, but -- so I can't speak in great
15 detail on that.

16 Q. Do you know if there's any particular
17 witness that will be testifying in this proceeding
18 that has more familiarity with the collection
19 practices of AEP Ohio?

20 A. I can consult with our team and my
21 attorney and determine if somebody else can speak to
22 any of that. I'm not aware.

23 Q. Would it be possible to find out today
24 who we could possibly ask if there's going to be
25 someone testifying during this proceeding that may

1 have more familiarity with the collection practices?
2 I just don't want you to not point to someone that's
3 going to be actually testifying in this proceeding.
4 I need to ask somebody some questions.

5 EXAMINER SEE: Let's take a brief recess.

6 (Discussion off the record.)

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

9 MR. SATTERWHITE: And the company can
10 stipulate that Andrea Moore did answer some limited
11 discovery in this area and can provide, to some
12 extent, some answers in this area so she would be
13 more appropriate and can provide some direct from
14 AEP Ohio's point of view.

15 MR. PARRAM: Thank you very much.

16 Q. If you can turn to page 9 of your
17 prefiled written direct testimony.

18 A. I'm there.

19 Q. On page -- starting at line 7 you talk
20 about approximately \$12 million that are currently in
21 base distribution rates. Do you see where I'm at?

22 A. Yes. I'm sorry.

23 Q. So my understanding is that as the way
24 you have -- the way you propose the bad debt rider is
25 that any bad debt expenses, that if the Commission

1 approves the bad debt rider, any bad debt expenses
2 that go above that approximately \$12 million there
3 that are currently in base distribution rates would
4 be included in the bad debt rider; is that correct?

5 A. Any increases or decreases. If it were
6 less than that, then it would be a credit to
7 customers.

8 Q. Okay. And are you currently familiar
9 with the level of bad debt associated with customers
10 taking service from CRES providers over the past few
11 years?

12 A. I believe we had an interrogatory on
13 that. I don't have the numbers off the top of my
14 head, though.

15 MR. PARRAM: Your Honors, may I approach
16 the witness?

17 EXAMINER SEE: Yes.

18 MR. PARRAM: I'd like to have marked as
19 Staff Exhibit 2 AEP Ohio's response to OCC
20 Interrogatory 10-250.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 Q. Mr. Gabbard, do you have Staff Exhibit 2
23 in front of you?

24 A. I do.

25 Q. And what is Staff Exhibit 2?

1 A. I'm sorry?

2 Q. What is Staff Exhibit 2?

3 A. That is OCC Interrogatory 10-250, the
4 response to a request for total amount of bad debt
5 associated with customers taking service from CRES
6 providers '11, '12, and '13. The numbers we provided
7 are what we refer to as charge-back information.
8 Charge-back information is the revenues that we bill,
9 being consolidated billing, that we were unable to
10 collect through our collection practices and charged
11 off and it could come from a customer switching and
12 going to another supplier, or a customer being
13 disconnected for nonpayment, and after a period of
14 time where we were unable to collect we charged that
15 back. Basically in an EDI transaction we let the
16 CRES know that we're no longer collecting on that and
17 it's their responsibility.

18 Q. You prepared the response in Staff
19 Exhibit 2, correct?

20 A. It was prepared under my direction. The
21 response was mine, I prepared it, it was based upon a
22 query that employees in my organization ran.

23 Q. And the bad debt associated with
24 customers taking CRES, as indicated in Staff Exhibit
25 2, increased from 2011 to 2012 and then 2013 was

1 ultimately 3.1 million; is that correct?

2 A. That is correct. I would point out that
3 this does not necessarily represent any deposits that
4 would have been applied by the supplier so we do not
5 know if the suppliers actually charged this off on
6 their books.

7 As an example, if we were to bill these
8 receivables through our POR program, for customers
9 that do not meet our credit criteria, they may be
10 subject to a security deposit, so the net amount that
11 could be charged off would be something less than
12 this.

13 Q. You don't have an approximation of what
14 that net would be?

15 A. No, I don't, because I don't know which
16 customers made this up and whether they were
17 customers we had a security deposit on on our
18 receivable or not.

19 Q. So I want to, just so I understand about
20 how the bad debt rider would be structured and how it
21 would be either a charge or a credit to customers if
22 it were adopted by the Commission, I want you -- if
23 you would assume that prior to 2013 the Commission
24 had granted your request, if you had a bad debt rider
25 in place as proposed by AEP and there was already the

1 \$12 million in uncollectible expenses that are
2 incorporated in base distribution rates, would the
3 incremental \$3.1 million that is indicated on Staff
4 Exhibit 2, would that be included in the bad debt
5 rider as a charge to customers?

6 A. If the number that you're noting in 2013
7 was actual bad debt experience, we would first apply
8 any security deposits towards that. And if that
9 actual experience in total with our experience with
10 our distribution nonswitched customers as well in
11 aggregate was more than 12 million, that delta above
12 the 12.2 million would be part of the rider.

13 Q. Okay. And I think you mentioned earlier,
14 and it's in your testimony, I don't have a page
15 reference, but you looked at Duke Energy Ohio's
16 experience as it relates to their bad debt rider?

17 A. I did not look at their experience per se
18 in terms of debt or collections. We looked at it
19 structurally in terms of the combination of a
20 purchase of receivables program with a bad debt rider
21 and how any cost recovery for our implementation
22 costs and ongoing costs, the methodology that we
23 would recover those -- that cost.

24 Q. Are you aware of Duke Energy Ohio before
25 they had their bad debt rider if they had a discount

1 rate in place?

2 A. I remember meeting when we were doing our
3 research with Duke and I do not recall if they said
4 that they started with a discount rate or not.

5 Q. Are you aware if Duke Energy Ohio's bad
6 debt rider arose from a stipulated case?

7 A. It's my understanding that both the rider
8 and their, I believe their POR program were part of a
9 stipulation.

10 MR. PARRAM: That's all the questions I
11 have, your Honor.

12 EXAMINER SEE: Redirect, Mr. Satterwhite?

13 MR. SATTERWHITE: If I could literally
14 just have one minute, I think that's all I need to
15 confer, then we can get right back to redirect.

16 EXAMINER SEE: Okay. Let's take a very
17 brief recess. We're off the record.

18 (Recess taken.)

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

21 MR. SATTERWHITE: Thank you, your Honor.

22 EXAMINER SEE: Mr. Satterwhite.

23 - - -

24 REDIRECT EXAMINATION

25

1 By Mr. Satterwhite:

2 Q. Mr. Gabbard, let's start with Staff
3 Exhibit 2 that was just handed to you. Do you still
4 have that in front of you?

5 A. I do.

6 Q. And there's three numbers represented on
7 here from 2011, '12, '13, correct?

8 A. That's correct.

9 Q. Is there a possibility that in these
10 numbers are any charges that would not be eligible to
11 be recovered through the purchase of receivables and
12 potentially subject to the bad debt rider as proposed
13 by the company?

14 MR. DARR: Objection. Requires
15 speculation on the part of the witness.

16 MR. SATTERWHITE: If I may, your Honor.

17 EXAMINER SEE: I didn't hear, all I heard
18 was a piece of it. Speak up, Mr. Darr.

19 MR. DARR: I apologize, your Honor. The
20 way that question was phrased it requires speculation
21 on the part of the witness. "Could it possibly be."
22 Well, a lot of things could possibly be. So both as
23 to form and as to substance it's speculative.

24 MR. SATTERWHITE: Your Honor, I believe I
25 was asking the witness if there are charges in here

1 that wouldn't be charged under the program.

2 MR. DARR: That is not the question he
3 asked. If that's the question, then I'm fine with
4 it.

5 EXAMINER SEE: If he can answer the last
6 question as it was put to him.

7 A. As we discussed earlier, early
8 termination fees are something that we have been
9 including in our consolidated billing program and
10 something that we would not include in our purchase
11 of receivables program, so those are receivables that
12 may not be in the program that could be in these
13 numbers.

14 Q. And also the numbers have increased each
15 year. How does that correspond to the number of
16 increased shoppers within AEP Ohio's territory?

17 A. That's consistent with what we've seen in
18 our shopping trends. Our distribution rate case in
19 2010 had a very low number of shopping customers at
20 the time and as -- over the years they have migrated
21 from standard service offer to OAD, open access
22 distribution, and so the numbers that were likely in
23 that original 12 million are customers that are now
24 shopping.

25 Q. I'd like to ask you and follow up to

1 something the Bench asked you earlier just to make
2 sure the record's clear. I'm going to ask you to
3 play Webster's just a second with some of the
4 acronyms you used just so it's clear in the record.
5 Obviously you know all of these because you deal with
6 it every day. You mentioned "EDI" several times.
7 Can you tell us what you mean by "EDI"?

8 A. Yeah, I apologize. "EDI" is electronic
9 data interchange, it is for all the developed
10 markets, the -- communication as well as banking and
11 other industries, the standard of communication
12 between participants in markets and it's how
13 transactions are effectuated across markets.

14 Q. You also were asked questions when
15 talking about capital investments and you said "CIS."
16 What does that acronym stand for?

17 A. "CIS" is customer information system.
18 All utilities have some type of customer information
19 system that is used to bill customers, track
20 receivables, you know, send service orders, keep
21 tariff information. It is typically the largest
22 system that most utilities have that manages
23 receivables and the customer accounting information.

24 Q. And the last one, you mentioned "RMI"
25 multiple times, what is that acronym?

1 A. That is retail market investigation.
2 That's a fairly common term used in different markets
3 where Commissions or regulators bring key
4 stakeholders and market participants together to
5 review market performance, understand issues and how
6 the markets can continually evolve.

7 Q. Do people typically refer to the 3151
8 case as the RMI in Ohio?

9 A. I believe so. The "3151 case" throws a
10 curve to me. I just refer to it as the RMI working
11 group so the "RMI" word.

12 Q. I understand. The attorneys live by case
13 numbers; you live by reality, I understand.

14 Let's talk about the hypothetical that
15 Mr. McDermott talked to you about from FirstEnergy
16 Solutions. Do you remember his hypothetical dealing
17 with 70 percent of the customers with two providers
18 and the concern that they would have 70 percent of
19 the costs then?

20 A. Yes.

21 Q. Is there any way that the purchase of
22 receivables program that's been proposed by the
23 company would help alleviate the concern that two
24 providers might have 70 percent of the cost?

25 A. Yeah, I believe purchase of receivables,

1 as we've mentioned, lowers the bar of entry and
2 encourages additional participants in the market.
3 We've seen that in multiple other markets in the
4 northeast and the midwest, and additional market
5 participants bring in more competition.

6 Q. So the level of cost for that charge is
7 really a relation to market share?

8 A. Yes.

9 Q. And a POR could potentially decrease the
10 market share of those two customers?

11 A. In the scenario we talked about after the
12 implementation of purchase of receivables program we
13 could see additional market entrants which would
14 increase the denominator of the number of suppliers
15 that would share those costs.

16 Q. Now, you had a discussion with Mr. Darr
17 about an interrogatory that talked about the number
18 of suppliers that are registered in AEP Ohio's
19 territory. Do you remember that?

20 A. Yes.

21 Q. Do you consider the numbers that you
22 discussed the basis of a robust market in AEP Ohio's
23 territory?

24 A. I do not. As I mentioned, we have many
25 registered but they're not active, as well as some of

1 them that do have customers, there are several that
2 only have one customer. We have a few industrial
3 users that are their own supplier and there's other
4 suppliers that only serve less than two or three
5 customers on the residential level.

6 Q. So what's the distinction then? When you
7 were talking with Mr. Serio, you said you thought in
8 Duke's territory 65 was adequate, what's the
9 difference between the numbers that you talked about
10 for AEP Ohio?

11 A. I believe they have more active market
12 participants, it's a more robust market for that
13 region.

14 Q. And in comparison to AEP Ohio that has 69
15 registered and I believe you said 29 offering to more
16 than one customer, so what's the difference if
17 there's 69 registered? Why isn't that robust like
18 you considered Duke's?

19 A. Because they're not active at all.

20 Q. So it's the level of activity of those?

21 A. Yeah.

22 MR. SATTERWHITE: Okay. Thank you, your
23 Honor.

24 Thank you, Mr. Gabbard, that's all I
25 have.

1 EXAMINER SEE: Any cross, Mr. Williams?

2 MR. WILLIAMS: Thank you, your Honor, no
3 questions.

4 EXAMINER SEE: Mr. Clark?

5 MR. CLARK: No questions.

6 EXAMINER SEE: Ms. Petrucci?

7 MS. PETRUCCI: No questions.

8 EXAMINER SEE: Mr. McDermott?

9 MR. McDERMOTT: Yes, your Honor, one
10 question.

11 - - -

12 RECROSS-EXAMINATION

13 By Mr. McDermott:

14 Q. Mr. Gabbard, Mr. Satterwhite just asked
15 you about the hypothetical we talked about. I'd like
16 to repropose the hypothetical to you and just change
17 the numbers a little bit.

18 If in AEP Ohio zone or territory 20
19 suppliers had 70 percent of the load under
20 consolidated billing shopping customers and the
21 remaining 9 suppliers advocated for a particular
22 market enhancement, and that particular market
23 enhancement were opposed by the 20 suppliers yet that
24 particular market enhancement was implemented and the
25 costs recovered through the discount rate on the POR

1 program, would those 20 suppliers pay for 70 percent
2 of that market enhancement? Because they serve
3 70 percent of the load.

4 A. Assuming that it was approved by the
5 Commission, based upon the math, that's correct.

6 MR. McDERMOTT: Thank you, no further
7 questions.

8 EXAMINER SEE: Ms. Hussey?

9 MS. HUSSEY: Nothing further, your Honor.

10 EXAMINER SEE: Mr. Kurtz?

11 MR. KURTZ: No questions.

12 EXAMINER SEE: Mr. Darr?

13 MR. DARR: I get to go first? That's
14 fine. We went a different order the last time. I
15 apologize.

16 EXAMINER SEE: So long as you're each
17 given an opportunity.

18 MR. DARR: Thank you, your Honor.

19 - - -

20 RE-CROSS-EXAMINATION

21 By Mr. Darr:

22 Q. Going back to Staff Exhibit No. 2,
23 Mr. Gabbard, in response to Mr. Satterwhite's
24 question about whether or not there were late fees
25 embedded in this, you responded they could be in the

1 numbers. Do you recall that answer?

2 A. I do.

3 Q. By that answer are you indicating that
4 you don't know whether or not it's -- late fees are
5 embedded in those numbers?

6 A. I'm indicating that I do know that that
7 is -- those are line items that we receive and
8 process currently from suppliers and if any of those
9 customers that receive that fee charged off, then it
10 could be in those numbers.

11 Q. Again, you used the word "could be." Of
12 the \$3,119,000 in chargebacks, do you know how much
13 of that contains embedded late fees?

14 A. I do not have that number in front of me.

15 Q. How about for the \$2,094,000 charged back
16 in 2012, do you know how much of that was -- has
17 embedded late fees?

18 A. I do not have those numbers in front of
19 me nor have we done that analysis.

20 Q. Now, with regard to your statement now
21 that there is not robust competition in the current
22 market, you're not saying that there are legal
23 barriers to those 69 CRES providers that are
24 certified in the AEP Ohio service territory that
25 prevent them from soliciting customers, are you?

1 A. No, I'm not suggesting that at all.

2 Q. And you're not suggesting that they are
3 unreasonable barriers put up by AEP or the Commission
4 or anybody else to prevent those service providers --
5 CRES service providers from soliciting, correct?

6 A. I don't know why they are not active.

7 MR. DARR: That was my point. Thank you,
8 your Honor.

9 EXAMINER SEE: Mr. Yurick?

10 MR. YURICK: Nothing, your Honor, thank
11 you.

12 EXAMINER SEE: Mr. Serio.

13 MR. SERIO: Thank you, your Honor. Just
14 a couple of questions.

15 - - -

16 REXCROSS-EXAMINATION

17 By Mr. Serio:

18 Q. On Staff Exhibit 2 you indicated you
19 didn't know if there's early termination fees in
20 those numbers; is that correct?

21 A. I indicated that I have not done an
22 analysis to calculate the amount of early termination
23 fees that could be in those numbers.

24 Q. You indicated that this number had grown
25 from 2011 to '12 to '13 because more customers are

1 shopping now, correct?

2 A. That's right.

3 Q. So as more customers shop, there are
4 fewer that are no longer shopping, correct?

5 A. That's correct.

6 Q. So as this number grows would you expect
7 the bad debt associated with the nonshopping
8 customers to shrink?

9 A. Independent of any type of weather or
10 economic situations, possible. But there are many
11 other factors that play into bad debt rates and
12 whether customers can pay their bills or not.

13 Q. I understand the other factors, but you
14 indicated you assumed as the number grew, it grew in
15 part because the number of shopping customers grew.

16 A. Yes.

17 Q. So under that logic if the bad debt for
18 nonshopping -- for shopping customers grew as the
19 number of shopping customers grew, you would assume
20 that the bad debt associated with nonshopping
21 customers would shrink as the number of nonshopping
22 customers shrinks, right?

23 A. This amount comes from what would have
24 been a nonshopping customer so yes.

25 Q. So in 2013 you could take the

1 12.2 million and subtract 3.1 million from it to get
2 a more accurate bad debt number for the actual
3 shopping that's occurring in 2013, correct?

4 A. I think there's other factors that would
5 have to play into that calculation because, as I
6 mentioned earlier, that \$3 million is -- does not
7 include any type of deposits where we would secure
8 the account that might have been applied by a CRES.
9 For our receivables we secure them. These
10 receivables, we don't know if CRESs secured them or
11 not --

12 Q. And there's --

13 A. -- so the net of what would become an
14 actual chargeoff for us if this were our receivable
15 we were purchasing would likely be much lower.

16 Q. We have no evidence in the record that
17 indicates that this number should, in fact, be lower
18 because of deposits, correct?

19 A. No. Because I do not have information
20 with regard to all the CRESs that serve those
21 customers and whether they had security deposits on
22 that receivable or if they were able to collect it
23 after we charged it back to them.

24 Q. And, in fact, none of the CRES providers
25 that provided testimony in this case provided

1 testimony that would give you that kind of number,
2 did they?

3 A. Not that I've seen.

4 Q. You indicated that there were 65
5 marketers in the Duke service territory that are
6 certified, correct?

7 A. I think somebody asked me a question and
8 presented that number. I'm not sure I stated that
9 there were that many. The numbers that I have stated
10 are with regard to what's on their Apples to Apples
11 website.

12 Q. And that was 65 percent more than the 29
13 you've got.

14 A. On the Apples to Apples website for
15 residential customers Duke has 65 percent more CRESs
16 that are offering products to customers in their
17 market territory.

18 Q. So is it approximately 38 or 39 CRES
19 providers?

20 A. I think they have -- when I looked last,
21 there was like 33, they had like -- they had more
22 than we did.

23 Q. Okay. So it's the -- let's assume it's
24 35 just so we have a number.

25 A. Okay.

1 Q. So they have 35 and you consider their
2 service territory to be a robust market with that 35
3 active marketers, correct?

4 A. I think it's more robust, yeah.

5 Q. Do you consider it robust, period?

6 A. I would consider it robust. I also
7 consider, as I mentioned earlier, there are stages in
8 terms of market development and there is additional
9 growth opportunity.

10 Q. To the extent that you've got aggregation
11 and that allows a handful of marketers to control a
12 larger part of the market, isn't in part the
13 aggregation a result of them being able to offer more
14 competitive prices to the community that are involved
15 in aggregation?

16 MR. SATTERWHITE: Objection, your Honor,
17 I'm not sure where I covered aggregation in my
18 redirect.

19 MR. SERIO: I'll rephrase the question,
20 your Honor.

21 Q. Hypothetical from counsel for FirstEnergy
22 Solutions, you talked about the number of providers
23 that might dominate the market, correct? I think the
24 hypothetical --

25 A. I did not --

1 Q. No, the hypothetical --

2 A. He did present --

3 Q. Yes.

4 A. -- hypothetical numbers, yes.

5 MR. SERIO: Give me a second, your Honor.

6 I'll scratch that, I have no more

7 questions, your Honor. Thank you.

8 EXAMINER SEE: Thank you.

9 MR. PARRAM: No questions.

10 MR. SINENENG: I have no questions, your
11 Honor.

12 EXAMINER SEE: Thank you.

13 Ms. Mooney?

14 MS. MOONEY: Yes.

15 EXAMINER SEE: Recross.

16 MS. MOONEY: I have a question.

17 EXAMINER SEE: You need to come forward a
18 little closer so that we can hear you, please.

19 - - -

20 CROSS-EXAMINATION

21 By Ms. Mooney:

22 Q. Does AEP have an estimate of the number
23 of additional marketers that will enter the AEP Ohio
24 service territory in the event that the purchase of
25 receivables plan is adopted?

1 MR. SATTERWHITE: Your Honor, I guess,
2 one, it was covered in a couple of questions earlier
3 and, two, I think it's beyond the scope of the
4 redirect.

5 EXAMINER SEE: It is. Do you have
6 another question, Ms. Mooney?

7 MS. MOONEY: No, I did not think it was
8 beyond the scope of the redirect because he was
9 specifically talking about additional marketers
10 entering --

11 EXAMINER SEE: Ms. Mooney, move to a mic
12 so that I can hear you clearly.

13 MS. MOONEY: I thought it was within the
14 scope of the redirect...

15 EXAMINER SEE: Do you have another
16 question?

17 MS. MOONEY: No.

18 EXAMINER SEE: Okay. Thank you.

19 - - -

20 EXAMINATION

21 By Examiner See:

22 Q. Mr. Gabbard, look at your testimony on
23 page 9.

24 A. I'm there.

25 Q. You have a discussion of what would be

1 included in the bad debt charge on lines 15 through
2 19, correct?

3 A. Yes.

4 Q. And there you include receivables for
5 shopping customers, correct?

6 A. Yes.

7 Q. The bad debt of standard service offer
8 customers, correct?

9 A. Uh-huh.

10 Q. And then you state that -- then you look
11 at PIPP customers, Percentage of Income Payment Plan
12 customers, correct?

13 A. That's correct.

14 Q. And your testimony states that PIPP
15 installment payments not recovered from the customer
16 or through the USF fund will be included in the bad
17 debt rider, correct?

18 A. That's correct.

19 Q. When is a PIPP installment payment that's
20 not paid by the customer and not recovered -- not
21 recovered through the USF fund, let's start there?

22 A. I don't have the specific accounting
23 timeline of that. I think we can provide a witness
24 that can talk in detail about how the accounting is
25 handled but it is my understanding that we apply any

1 funds from the universal -- USF to any amount that is
2 unrecovered and is not paid by the state, and then
3 there is a small portion that goes to bad -- becomes
4 bad debt.

5 Q. Which other witness were you referring to
6 that might be able to give me some details on when
7 the PIPP payment is not paid through the USF fund?

8 A. I believe Witness Moore may have a better
9 understanding of the accounting side of the PIPP
10 program.

11 Q. Do you -- okay. And then that sentence
12 continues to say you'll recover from the customer net
13 of any unused low income credit funds. Explain the
14 situation you're talking about there.

15 A. That's Neighbor to Neighbor type of funds
16 that might be provided to customers that are at risk.

17 Q. So there are times when Neighbor to
18 Neighbor funds are applied or rolled into the bad
19 debt rider?

20 A. No. What I'm saying there is we apply
21 Neighbor to Neighbor funds to customers that are at
22 risk. So we would not roll that into the bad debt
23 rider. We apply those first to help customers and
24 then any bad debt that may be left afterwards is what
25 would be included.

1 EXAMINER SEE: Okay. Does counsel for
2 the company wish to confirm that it's Witness Moore
3 that will be able to answer any other questions on
4 this issue?

5 MR. SATTERWHITE: It would be Moore or a
6 witness that comes after her so I think we can take
7 it up next with Moore.

8 MR. NOURSE: More or less.

9 MR. SATTERWHITE: Yeah, more or less.

10 EXAMINER SEE: Witness Moore or? Do you
11 care to name another at this point or would you like
12 to wait until after I've had an opportunity to pose
13 them to Ms. Moore?

14 MR. SATTERWHITE: Yeah, I don't want that
15 witness to run away, so we'll let you know.

16 EXAMINER SEE: Subpoena power.

17 MR. SATTERWHITE: The long arm of the
18 Bench, I understand.

19 EXAMINER SEE: Okay. Thank you very
20 much.

21 MR. SATTERWHITE: We'll get the question
22 answered, absolutely.

23 EXAMINER SEE: Thank you. You can step
24 down.

25 MR. SATTERWHITE: If there's nothing

1 more, your Honor, at this time AEP Ohio would re-move
2 for admission of AEP Ohio Exhibit 11, the prefiled
3 direct testimony of Stacey Gabbard.

4 EXAMINER SEE: Any objection to the
5 admission of AEP Ohio Exhibit 11?

6 MR. SERIO: No objection.

7 EXAMINER SEE: Hearing none, AEP Exhibit
8 11 is admitted into the record.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 EXAMINER SEE: Mr. Parram?

11 MR. PARRAM: Yes, you know, I move for
12 the admission of Staff Exhibit 2 into the record.

13 EXAMINER SEE: Are there any objections
14 to the admission of Staff Exhibit 2?

15 MR. SATTERWHITE: No objection.

16 EXAMINER SEE: Staff Exhibit 2 is
17 admitted into the record.

18 (EXHIBIT ADMITTED INTO EVIDENCE.)

19 EXAMINER PARROT: The company may call
20 its next witness.

21 MR. SATTERWHITE: Thank you, your Honor.
22 The company calls David Roush.

23 EXAMINER PARROT: Please raise your right
24 hand.

25 (Witness sworn.)

1 EXAMINER PARROT: Please be seated.

2 MR. SATTERWHITE: May I proceed?

3 EXAMINER PARROT: He's been sworn, he's
4 all yours.

5 MR. SATTERWHITE: Thank you very much,
6 your Honor.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 - - -

9 DAVID M. ROUSH

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

12 DIRECT EXAMINATION

13 By Mr. Satterwhite:

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

16 A. My name is David M. Roush. My business
17 address is 1 Riverside Plaza, Columbus, Ohio 43215.

18 Q. And by whom are you employed and in what
19 capacity?

20 A. I am employed by American Electric Power
21 Service Corporation as Director of Regulated Pricing
22 Analysis.

23 Q. And did you prepare testimony or have
24 testimony prepared under your direction that was
25 prefiled in this case on December 20th, 2013?

1 A. Yes, I did.

2 Q. I premarked an exhibit and placed it in
3 front of you and the reporter as AEP Exhibit 12. Do
4 you see that?

5 A. Yes, I do.

6 Q. Can you please identify that document?

7 A. That is my direct testimony in support of
8 AEP Ohio's electric security plan filed on December
9 20th, 2013.

10 Q. And do you have any changes or
11 corrections to that testimony today?

12 A. No, I do not.

13 Q. And do you adopt what's been marked as
14 AEP Ohio Exhibit No. 12 as your sworn testimony for
15 this proceeding today?

16 A. Yes, I do.

17 MR. SATTERWHITE: Your Honor, with that
18 I'll move for the admission of AEP Ohio Exhibit
19 No. 12 pending cross-examination and tender the
20 witness.

21 EXAMINER PARROT: Thank you.

22 Mr. Williams?

23 MR. WILLIAMS: Thank you, your Honor,
24 just a few questions.

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CROSS-EXAMINATION

By Mr. Williams:

Q. Good afternoon, Mr. Roush. My name is Greg Williams, and I'll be asking you some questions on behalf of IGS.

A. Good afternoon.

Q. Could you please turn to page 2, lines 3 through 6 of your testimony.

A. Yes, sir.

Q. You testify that in your capacity as Director of Regulated Pricing and Analysis that your responsibilities include, among other things, rate design analysis for AEP Ohio, correct?

A. Oversight of rate design analysis, yes, for all of the AEP system operating companies.

Q. In overseeing the rate design analysis do you perform any analysis of the rates yourself?

A. Sometimes yes, sometimes no. It depends. As we discussed earlier, I work for the Service Corporation so some of it is a function of what assistance the particular operating company wants from me.

Q. In testifying -- in preparing for this

1 case did you analyze the rates that are a part of the
2 AEP Ohio's proposal?

3 A. I prepared the impact analyses. I
4 supported the design of riders GEN E and GEN C.
5 Those are the types of analyses I did as explained in
6 my testimony.

7 Q. So you did analyze some of the rates at
8 least that are at issue in this proceeding.

9 A. Yes. And some of the rates were put
10 together by other company witnesses.

11 Q. Did you analyze the standard service
12 offer rate?

13 A. I guess from the perspective of if you
14 look at my exhibits, Exhibits DMR-2 and 3 or Exhibit
15 DMR-3, I summarize on a typical bill basis what the
16 standard service offer rates would look like. I do
17 some of that also in Exhibit DMR-1. And specifically
18 I support riders GEN E and GEN C which are part of
19 the standard service offer.

20 Q. Okay. Could you briefly list for me the
21 riders that are related to AEP Ohio's proposed SSO
22 rate in this proceeding.

23 A. Just to be clear, are you looking for the
24 riders that would be part of the price to compare or
25 the total rate for wires services and everything

1 else?

2 Q. The riders that will be a part of the
3 price to compare, please.

4 A. Thank you. Certainly.

5 The elements that I see that would be
6 part of the price to compare would be riders GEN E
7 and GEN C, the alternative energy rider, and the
8 auction cost reconciliation rider. I believe that is
9 all of the elements of the price to compare.

10 Q. And are the riders that you listed
11 designed to recover the costs of providing the SSO
12 generation service to nonshopping customers?

13 A. Yes, including the costs of performing
14 the auctions.

15 Q. I'm sorry. I missed that last part.

16 A. Yes, including the cost of performing the
17 auctions.

18 Q. And there are no other riders designed to
19 recover SSO generation costs; is that right?

20 A. I believe that's correct from a
21 price-to-compare basis.

22 Q. To your knowledge, Mr. Roush, does
23 AEP Ohio have a call center?

24 A. There is a call center in Groveport, I'm
25 trying to recall whether it's on AEP Ohio's books or

1 otherwise because we have I think three call centers
2 that are shared by the operating companies.

3 Q. Isn't it true that none of the costs for
4 the call centers that you referred to are recovered
5 through any of the riders that make up the SSO rate?

6 A. I believe that's the case but I just want
7 to make sure we're on the same page. When you say
8 "SSO rate," I think the whole rate, wires charges and
9 everything else, versus price to compare so I just
10 want to make sure which one you're talking about.

11 Q. So, more specifically, I'm referring to
12 the price to compare. The four riders to which you
13 referred earlier.

14 A. Thank you. Then I would agree the cost
15 of the call centers I do not believe is in any of
16 those riders.

17 Q. And, to your knowledge, does AEP have an
18 information technology or IT Department?

19 MR. SATTERWHITE: And just for
20 clarification, when you're saying "AEP," you're
21 saying AEP Ohio, correct?

22 MR. WILLIAMS: Correct.

23 MR. SATTERWHITE: Thank you.

24 MR. WILLIAMS: Thank you.

25 A. There is an IT Department, I believe it

1 might be part of the Service Corporation, not part of
2 AEP Ohio, but I'm not certain.

3 Q. And isn't it true that none of the costs
4 for the IT Department are recovered through the four
5 riders that compose the price to compare?

6 A. Generally I believe that to be the case.
7 The only one I'm not certain about is if there might
8 be some IT costs in the auction cost reconciliation
9 rider related to the cost of performing the auction.

10 Q. In any event, however, you would agree
11 with me that not all of the IT costs are recovered in
12 those four riders, correct?

13 A. Yes, I'd agree with that and say it's
14 probably mostly within the base distribution rates
15 and then some also within the transmission rates.

16 Q. To your knowledge, does AEP Ohio have a
17 legal department?

18 A. Again, with the same caveat that I
19 believe they might be Service Corporation employees
20 not AEP Ohio employees, there may be AEP Ohio lawyers
21 as well, I'm just not certain.

22 Q. And isn't it true that none of AEP Ohio's
23 legal costs are recovered through the price to
24 compare?

25 A. I would agree with, again, the exception

1 I don't recall all the components of the auction
2 cost.

3 Q. But as with my previous question, you
4 would agree with me, however, that not all of the
5 costs, the legal costs, excuse me, are recovered
6 through the price to compare.

7 A. Agreed.

8 MR. WILLIAMS: That's all I have, thank
9 you, your Honors.

10 Thank you, Mr. Roush.

11 THE WITNESS: Thank you.

12 EXAMINER PARROT: Ms. Petrucci?

13 MS. PETRUCCI: No questions.

14 EXAMINER PARROT: Mr. Casto?

15 MR. CASTO: No questions.

16 EXAMINER PARROT: OMA.

17 MS. HUSSEY: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Ms. Hussey:

21 Q. Hi, Mr. Roush. I'm Rebecca Hussey from
22 OMA.

23 A. Good to see you again.

24 Q. Nice to see you as well. I have a few
25 questions for you.

1 If you could please turn to Exhibit DMR-1
2 of your testimony.

3 A. I'm there.

4 Q. The title of the exhibit is "Estimated
5 ESP Impacts on a Total Company Basis"; is that
6 correct?

7 A. Yes, ma'am.

8 Q. Okay. Could you please explain to me
9 what's meant by a total company basis for the record?

10 A. Certainly. Basically, rather than a
11 class-by-class or customer-by-customer analysis it's
12 a composite for, you know, the aggregate population
13 of customers. So, for example, if you were looking
14 at the gridSMART rider, Phase 1 gridSMART rider in
15 the first column, that would be the total dollars
16 related to the gridSMART rider divided by the total
17 kilowatt-hours of the whole AEP Ohio customer base
18 that pays that rider.

19 Q. Okay. Thank you.

20 And the table gives an estimated ESP 3
21 impacts for shopping and SSO customers, correct?

22 A. That's correct.

23 Q. Okay. If we could turn our attention to
24 the notes at the bottom of the page, note 1, it's
25 June 2014 RSR increase; is that correct? That's what

1 it's making reference to, at least in part.

2 A. Yes, that footnote says "Known rate
3 changes are June 2014 RSR Increase and DIR at ESP II
4 Cap for 2014/'15."

5 Q. Great. Do you mind if we talk about the
6 RSR increase first.

7 A. Certainly.

8 Q. Okay. As reflected it appears to be
9 \$4 for the ESP 2 and throughout the ESP 3; is that
10 correct?

11 A. That's correct.

12 Q. Okay. Is there any reason to believe
13 that this rate will change in the ESP 3 term?

14 A. It could once the actual final numbers
15 are known. But the best estimate we had at the time
16 of filing, and I believe it's still the best estimate
17 we have, is that \$4 would recover the deferrals over
18 the three-year period that the Commission directed in
19 ESP 2.

20 Q. Okay. Thank you.

21 And, to your knowledge, that case in
22 particular has not been filed yet; is that correct?

23 A. That's correct, it has not been filed
24 yet.

25 Q. Or the application for that case I

1 suppose.

2 Okay. Let's turn to rider DIR and the
3 ESP 2 DIR cap for 2014 and '15 is what's represented,
4 again, under note 1; is that correct? In part.

5 A. That's correct. So in the first column
6 of numbers, which I've labeled "Current Rates and
7 Known Changes 1" one of the known changes I would
8 have reflected was the DIR at the ESP 2 cap for
9 2014-'15.

10 Q. Okay. And so with the acceptance, as you
11 go across that line, of new -- of the new DIR
12 proposal it would appear that customers are going to
13 be facing increases in the current DIR of \$1.15 for
14 June 2015 through May 2016. I'm going to stop at
15 each one of these if you want to make sure that these
16 are correct or if you could affirm that it is.

17 A. Your math is correct and, again, each of
18 these numbers, we talked about the first number, the
19 2.99.

20 Q. Yes.

21 A. Each of the numbers in the subsequent
22 columns for '15-'16, '16-'17, '17-'18 are at the
23 company's proposed capped levels.

24 Q. So that would be 194 for June 2016 to May
25 2017 that would represent the increase from the

1 current DIR level?

2 MR. SATTERWHITE: Could you read that
3 question back, please?

4 (Record read.)

5 MS. HUSSEY: I can clarify.

6 Q. The current DIR cap if that helps.

7 A. That's not quite correct. I'm sorry,
8 I'll have to explain it a little.

9 Q. Okay.

10 A. If you look at my workpaper DMR-1 that
11 was provided at the time of filing, everything on
12 Exhibit DMR-1 is based on the June to May year
13 period, the DIR caps are different, change on
14 calendar-year basis so you kind of have to do a
15 blending.

16 So on my workpaper DMR-1 what I show is
17 the cap for the first period is 124, that's the
18 current cap. The blend of the cap for '15 and '16,
19 which would -- the blend of those two to make a June
20 to May period, the blend of those two would be a cap
21 of 171. The blend of those two for '16-'17, of the
22 caps for '16-'17, would be 203666667 and the blend of
23 the 2017-2018 caps would be 231250000, those would be
24 the values that I used to derive the numbers shown on
25 Exhibit DMR-1.

1 Q. Okay. Thanks for the explanation.

2 EXAMINER SEE: Your mic is off.

3 Q. Okay. Thank you for that explanation.
4 You would say that those values are in dollars per
5 metered MWh, correct?

6 A. Agreed.

7 Q. Okay. And you represent that the
8 calculations according to your workpapers, despite
9 the fact that they're not necessarily the same as
10 reflected in DMR-1, still represent an increase,
11 correct?

12 THE WITNESS: I'm sorry, could you read
13 that back.

14 (Record read.)

15 A. I disagree. My workpapers do match
16 what's in DMR-1, but in any event the company is
17 proposing increases in the DIR caps in this
18 proceeding.

19 Q. Okay. Thank you.

20 Okay. Can we talk about the PPA rider at
21 note 4.

22 A. Sure.

23 Q. Okay. The note reads -- or at least is
24 summarized that the net cost or benefit is presently
25 shown as neutral. Is this correct?

1 A. It says the "Net cost/benefit of OVEC is
2 shown as neutral," yes.

3 Q. Okay, thanks.

4 And if the PPA rider is approved, then
5 once AEP populates the values for the term of ESP 3,
6 the total dollars per megawatt-hour and percentage
7 will change over the current entries, and will change
8 in conjunction with the costs or benefits of the PPA
9 rider, correct?

10 A. If you're asking me will the actual
11 values of the PPA rider be different than the
12 estimate I've shown here, the answer is yes and I
13 think there was an extensive conversation about that
14 yesterday.

15 Q. I believe there was. Thank you.

16 So the percentages reflected in the
17 percent change over the current are not necessarily
18 accurate in DMR-1; is that correct?

19 A. I don't know that I'd agree with that.
20 Based on what I was hearing yesterday I heard a
21 number of -- an estimate for the PPA rider of -- I
22 think it was an average over the period of .07 per
23 megawatt-hour, so if you put .07 in in my Exhibit
24 DMR-1, I don't know that these percentages would
25 change.

1 Q. They may have a few decimal points
2 afterward; is that correct? Before or after.

3 A. It would be somewhere out in the decimals
4 it would change, but the whole percentage I don't see
5 changing for that.

6 Q. It is accurate, however, that the DMR-1,
7 all values for OVEC are shown as neutral, correct?
8 On line 4, that's what appears.

9 A. Correct, on the PPAR line all values are
10 shown as zeros in my exhibit.

11 Q. Okay. Let's talk about generation
12 capacity rates as reflected in DMR-1 as well.
13 Generally with regard to SSO customers the generation
14 capacity rates over the term of the ESP 3
15 significantly decrease as compared with the ESP 2
16 values; is that correct?

17 A. That's correct.

18 Q. Okay. And so for shopping customers,
19 with the exception of the market G capacity rate for
20 2015 through May 2016, the proposed rates for the
21 remainder of the ESP term also decrease; is that
22 correct?

23 A. Yes, that's correct. And all of those
24 are based on the RPM auctions.

25 Q. Okay. So under ESP 3 we can generally

1 say the capacity is decreasing but distribution
2 riders' caps are increasing; is that correct?

3 A. I'd say that's generally correct but I
4 would note like the one item on Exhibit DMR-1 is the
5 enhanced service reliability rider which is actually
6 a decrease, but in general, you know, I think we were
7 talking about the DIR, yes, that is projected to
8 increase over the term whereas the capacity prices
9 are decreasing, so it's kind of an opportune time to
10 actually invest in the distribution system.

11 Q. Okay. I was going to ask you about ESRR
12 values, they decrease marginally according to DMR-1
13 over the term of the ESP 3, correct, from the current
14 rates for the ESP 2, I think as you just stated.

15 A. Yes, that's correct.

16 Q. All right. Let's talk about the other T
17 and D rider values in DMR-1. With the exception of
18 the elimination of the gridSMART phase 1 charges do
19 all the values listed under that category remain the
20 same over the term of the ESP 3 as they were in
21 ESP 2?

22 A. Yes. In my exhibit, yes.

23 Q. Okay. And so putting all of this
24 together, given the significant decreases that are
25 associated with those generation capacity rates and

1 the lack of change regarding other T and D riders, is
2 it accurate to say that without the increase in the
3 DIR rates that economic benefits to customers would
4 be more substantial over the course of the proposed
5 ESP?

6 A. I'm not sure I can agree with that
7 because I'm not an economic benefit expert. I've
8 heard a lot of testimony sitting here the past few
9 days saying about -- from other folks talking about
10 benefits of various things, like Mr. Dias talking
11 about the DIR and stuff, but --

12 Q. By "economic" I do mean --

13 MR. SATTERWHITE: Objection, your Honor,
14 can the witness finish his answer throughout the
15 cross-examination before Miss Hussey asks her next
16 question.

17 EXAMINER PARROT: Let's -- let's try not
18 to interrupt. I understand there was a little pause
19 in there.

20 MS. HUSSEY: I was trying to be helpful
21 but I was not.

22 EXAMINER PARROT: Let's please allow him
23 to finish.

24 A. If I understand that you may have
25 intended a narrower definition, if you were saying

1 purely arithmetically, rates be lower without
2 increases in things like the DIR, then purely
3 arithmetically the rates would be lower.

4 Q. Okay. Thank you.

5 Would you turn to page 6 of your
6 testimony, please.

7 A. I'm there.

8 Q. Okay. Included there you have a chart of
9 bill impacts. Did you prepare the chart?

10 A. Yes, I did.

11 Q. Okay. And is this the same chart
12 contained in Mr. Vegas's testimony?

13 A. Yes, it is.

14 Q. Okay. This chart represents a point in
15 time when the new ESP is implemented, correct? Not
16 necessarily an average over time throughout that
17 period.

18 A. That's correct, it's the proposed rates
19 are the estimate as of June '15. Not over the whole
20 three-year period.

21 Q. Okay. And the chart does not represent
22 an average so does it also not represent an average
23 of all customer classes?

24 A. No. It's just selected levels of usage
25 for particular customers, residential, small

1 business, industrial business, and there's a whole
2 bunch more of those in Exhibits DMR-3 and 4.

3 Q. Okay. So this particular chart also does
4 not include the effects of the OVEC net costs or the
5 net costs associated with the PPA rider; is that
6 correct?

7 A. That's correct. This calculation has
8 zero values for the PPA rider. I wasn't sure if you
9 were making a distinction between OVEC net costs and
10 the PPA rider but this has a zero value in it for the
11 PPA rider.

12 Q. Okay. Thank you.

13 Could we please turn to DMR-3, and I
14 wondered if the DMR-3 spreadsheets represent bill
15 impacts of all rate schedules for SSO customers?

16 A. I believe this would have all the various
17 CSP and OP rates on the various rate schedules. If
18 there's one missing, it's maybe one that doesn't have
19 any customers on it.

20 Q. And just to confirm, the DMR-4
21 spreadsheet shows the bill impacts for shopping
22 customers; is that correct?

23 A. Correct, based on the assumptions I made
24 and discussed in my testimony at page 7.

25 Q. Okay. So if we turn to page 3 of DMR-3,

1 for GS-1 and GS-2 customers, is it true that in year
2 3 of the ESP the chart shows a total bill increase
3 for these customers?

4 A. And, I'm sorry, I had trouble keeping up
5 with you.

6 THE WITNESS: Would you mind reading that
7 back.

8 (Record read.)

9 A. Yes, and this is for CSP rate zone
10 customers and I believe it's for ,because of two
11 reasons primarily, one, the increase in capacity
12 prices and the other the increase in some of the
13 distribution riders.

14 Q. Okay. And pages 4 and 5 as well, and
15 then 9 and 11, which I believe refer to the other
16 zone, show an increase in rates for the third year of
17 the ESP for additional GS-2, GS-3, and GS-4 SSO
18 customers; is that correct?

19 A. Yes, for the same reasons I mentioned
20 earlier.

21 Q. Okay. Would you please turn at this
22 point to DMR-4 and generally is it true that,
23 according to DMR-4, shopping commercial and
24 industrial customers would see an increase in rates
25 under the proposed ESP in years 2 and 3 under certain

1 rate schedules?

2 A. From my quick review I sure see more
3 decreases than increases in year 2, but generally I
4 see year 3 as an increase and, again, for the same
5 reasons, the capacity prices would be going up.

6 Q. Can you take a closer look at year 2 and
7 just let me know if there are increases that appear.

8 A. I do see increases for some lines but the
9 vast majority for year 2 look like decreases to me.

10 Q. Right. And would you please also confirm
11 for me that the exhibit reflects bill increases for
12 commercial and industrial customers in year 3 of the
13 ESP, in several instances to the magnitude of 10 to
14 13 percent.

15 A. In the OP rate zone I do see some
16 increases in that magnitude; and, again, I think it's
17 probably driven by the two things we discussed, the
18 market capacity price and the increases in
19 distribution charges.

20 MS. HUSSEY: Okay. Thank you, Mr. Roush,
21 I have nothing further.

22 THE WITNESS: Thank you.

23 EXAMINER PARROT: Mr. Sineneng?

24 MR. SINENENG: No questions, your Honor.

25 EXAMINER PARROT: Mr. Kurtz?

1 MR. KURTZ: No questions, your Honor.

2 EXAMINER PARROT: Mr. Darr?

3 MR. DARR: Very briefly, your Honor.

4 - - -

5 CROSS-EXAMINATION

6 By Mr. Darr:

7 Q. Turning to DMR-1, Mr. Roush, for the
8 energy prices that you used to calculate the shopping
9 customers you used a variation of the noncapacity
10 component of the Duke November auction price
11 according to note 6 on this, correct?

12 A. That's correct. At the time we filed in
13 December that was the most recent number I had which
14 was the noncapacity component of the Duke November
15 2013 auction price for '14-'15 grossed up for losses
16 and taxes.

17 Q. Did you make any adjustments for a risk
18 component in that auction price?

19 A. I did not. I would have assumed if there
20 were risks, they would have been factored into the
21 auction.

22 Q. So no reduction for the fact that there
23 might be variation in load affecting the auction
24 price?

25 A. I'm sorry, can you try that one more

1 time?

2 Q. Sure. You understand that the auctions a
3 bidder is basically bidding on a tranche which is a
4 percentage of the load.

5 A. Yes, that's my basic understanding.

6 Q. The load itself that the auction bidder
7 is bidding on in the Duke auction is not specified,
8 rather it's a percentage of whatever the load is that
9 develops; do you understand that?

10 A. Yes, that's my understanding.

11 Q. And your company has previously testified
12 that there's a risk premium built into the bid price
13 to account for the risk of variation in the load; do
14 you recall that?

15 A. It sound familiar to me, makes sense to
16 me.

17 Q. And judging from your answer both from my
18 first question and then from just now is it fair to
19 say that you didn't adjust the Duke prices to account
20 for any risk premium associated with the auction
21 results?

22 A. I wouldn't have endeavored to try to pull
23 risk out of it, that's correct.

24 Q. Now, in your estimate of the ESP 3
25 impacts contained on DMR-1 you have not included a

1 value for several riders that are being requested
2 through this application; is that correct?

3 A. That's correct, and I think I detailed
4 that on my workpaper DMR-4.

5 Q. And specifically you have not included a
6 value for the NERC rider, correct?

7 A. That's correct.

8 Q. And you have not included a value for the
9 bad debt rider, correct?

10 A. That's correct.

11 Q. And with regard to both the NERC rider
12 and the bad debt rider, those would be initially set
13 to zero as I understand it from your application; is
14 that correct?

15 A. That's my understanding, yes.

16 Q. Now, with regard to the gridSMART rider
17 as proposed, this would be populated with the values
18 associated with the current application that's
19 pending before the Commission to the extent that the
20 Commission approves further gridSMART investment,
21 correct?

22 A. That's correct. If the Commission
23 approves gridSMART Phase 2, then at whatever point
24 the Commission approves that and ultimately approves
25 a rate for collection of those expenditures, then

1 that would go in.

2 Q. But for purposes of DMR-1, you have not
3 included a value for the gridSMART rider, correct?

4 A. For gridSMART Phase 2, that's correct.

5 Q. Now, with regard to DIR, you have input a
6 cost effect based on the caps as requested, correct?

7 A. Yes, sir.

8 Q. In the gridSMART rider case are you aware
9 that there is a dollar amount that's been requested
10 for investment or an investment amount that's been
11 requested?

12 A. Unfortunately I have not been paying a
13 bit of attention to that case.

14 Q. So you're not aware one way or the other
15 about what's been requested in that docket.

16 A. No, but I would expect we're asking
17 for -- to spend some money to roll out AMI but that's
18 about all I know.

19 Q. Okay. You're also aware that there are
20 various estimates that have been provided for the
21 purchased power adjustment rider, correct? Purchased
22 power -- the PPA rider. I said it wrong, I'll just
23 use the acronym but I think we both know what I'm
24 talking about.

25 A. Yes, sir, I'm aware that there have been

1 a number of estimates and when I prepared my
2 testimony, I was instructed by Mr. Allen to use a
3 zero or neutral value in my analysis.

4 Q. And the reason you did not use an
5 estimate of the effect of the PPAR is because
6 Mr. Allen said that the best estimate for you to use
7 was zero, correct?

8 A. That's my recollection.

9 Q. And that was because the rider could be
10 either favorable or unfavorable, correct?

11 A. That's my understanding of how it would
12 work, yes, sir.

13 MR. DARR: Thank you, I have nothing
14 further.

15 EXAMINER SEE: Mr. Yurick?

16 MR. YURICK: Briefly, if I may.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Yurick:

20 Q. Good afternoon, Mr. Roush. I'll try to
21 keep my voice up. I apologize if I don't.

22 A. Okay, I'll do the same.

23 Q. I believe you state in your testimony
24 that you're responsible for designing rider GEN C and
25 rider GEN E; is that correct?

1 A. Yes, I am.

2 Q. So if you could look at page 5 of your
3 testimony, I guess I'll first ask you, when you
4 design a rider, you generally would attempt to align
5 the costs that you're seeking to recover with the
6 recovery method; isn't that right?

7 A. I would say that's generally fair, yes.
8 Sometimes --

9 Q. So if you would try to recover a cost
10 that was related to an energy cost, you would
11 generally try to recover that through an energy-based
12 rider, correct?

13 A. I would say that's generally fair, yes.

14 Q. Okay. So if you look at starting on line
15 3 of page 5, you say the way that you have designed
16 and come up with the rider GEN C rates, you compute
17 capacity prices for each class of customer. Do you
18 see that on line 3?

19 A. Yes.

20 Q. So the capacity -- would you agree with
21 me basically the word "capacity" is interchangeable
22 with "demand"?

23 A. I apologize, ten years ago that would
24 have been a real easy answer.

25 Q. I understand.

1 A. In today's world it's not. I wouldn't
2 quite consider those synonymous. Capacity in the PJM
3 world is how PJM defines it which is I think
4 generally it's appropriate to collect capacity costs,
5 they're related to --

6 Q. All right. Well, you answered my --
7 let's do it this way, you answered the question that
8 I asked you so I have other questions, so -- that's
9 fair enough.

10 You say on line 4 "Capacity prices are
11 determined based upon each class's contribution to
12 the PJM five coincident peaks." Correct?

13 A. Yes.

14 Q. So what you're doing there is determining
15 a particular rate class's contribution to these five
16 coincident peaks and what the -- what the capacity
17 needs are at those five times; isn't that right?

18 A. Basically, yes.

19 Q. And there's a cost associated with the
20 five coincident peaks and you determine what each
21 rate class -- the cost that is attributable to each
22 rate class to those five coincident peaks and there's
23 a cost involved with that, correct?

24 A. Correct. Basically for each customer
25 class you're taking what their five CP is, which is

1 the measure that PJM uses to say this is how much
2 capacity responsibility you have, and then you have
3 to multiply that by the price of capacity which is
4 the RPM price from PJM.

5 Q. Okay. Then you compute that rate in your
6 rider GEN C as a rate per kW; is that correct?

7 A. I compute it as a rate per kilowatt-hour.

8 Q. Or, I'm sorry, yeah, per kWh. I
9 apologize. KW would have been demand, right, or that
10 would have been a demand measurement, just kW,
11 because it's not over time, right?

12 A. Correct.

13 Q. Okay. So you calculate this or you
14 compute this, this rider GEN, then, as an energy
15 charge, per kWh, correct?

16 A. The rider GEN C on a per kWh basis per
17 customer class and by voltage.

18 Q. Would you agree with me at least
19 foreseeable demand meter customers -- you could
20 charge demand meter customers their contribution to
21 five CP as a demand charge as opposed to an energy
22 charge? Would you agree with me that that could be
23 done.?

24 A. I would agree with you it could be done.
25 Again, I think probably from a true purist standpoint

1 the best way to do it --

2 Q. Well, again, let's follow the whole
3 question and answer thing. I mean, you answered my
4 question that it could be done, correct?

5 A. Yes, it's mathematically possible.

6 Q. Okay. And if you did that for
7 demand-metered customers, that wouldn't be a
8 discriminatory charge. You would be just determining
9 what each customer class's contribution to the five
10 CP measurement was and you would be assigning a
11 demand charge based on those costs, and that cost
12 wouldn't be necessarily discriminatory, it would just
13 be a way to recover that cost, right?

14 A. It would be no more/no less
15 discriminatory than a per kilowatt-hour charge.

16 Q. Well, let me ask you this:
17 Hypothetically let's say I'm a customer who would be
18 considered a high-load factor customer. Are you
19 familiar with that term, "high-load factor customer"?

20 A. Yes, I am.

21 Q. Okay. And a high-load factor customer,
22 just so that we're on the same page, means somebody
23 who in comparison to the amount that they would use
24 maximally, okay, it's the amount -- compared with
25 their greatest amount of use they use pretty close to

1 that, pretty evenly over time. Is that -- would that
2 be a fair definition?

3 A. That's a very basic definition.

4 Q. Okay. I try to keep it as basic as I
5 can, Mr. Roush. Okay. But, yes, very basically a
6 high-load factor customer is somebody who compared to
7 their maximum use uses relatively close to that over
8 a given period of time, correct?

9 A. I think I agreed with you a moment ago,
10 that's a very basic definition, yes.

11 Q. And a low-load factor customer, now that
12 would be somebody who, in comparison to their maximum
13 use, doesn't use very close to their maximum use over
14 a given period of time, right? It's the opposite,
15 correct?

16 A. I think that's fairly close, you're
17 saying a customer who uses their maximum use for a
18 smaller number of hours in a month or a period of
19 time.

20 Q. So if I'm a customer who just -- if I'm a
21 customer and the way you're measuring my contribution
22 to the five CP, my load factor wouldn't be reflected
23 in that five CP, right? Because that's just five
24 periods of time, correct?

25 A. Yes and no. I would say a high-load

1 factor customer generally their five CP values would
2 be pretty consistent because, like we discussed,
3 they're using pretty much their maximum band over a
4 number of hours whereas a low-load factor customer
5 their five CP could be -- have a fairly high number
6 or a fairly low number depending on the hours they're
7 using their maximum demand. So their capacity costs
8 could be much lower or much higher than a high-load
9 factor customer.

10 Q. But we are using -- and we're going to
11 determine the amount of this rider, this cost, we are
12 using the five CP method, right?

13 A. That's correct.

14 Q. Okay. So if I'm a high-load factor
15 customer and I just happen to hit, you know -- I hit
16 close to where my maximum usage is, I'm going to pay
17 a lot more in an energy charge for what is
18 essentially a capacity cost than somebody who hits
19 the same or close to the same five CP amounts but
20 doesn't really use a maximal amount of energy very
21 often, right? That's the way it's mathematically
22 going to work. We can leave out -- you know, we can
23 leave out judgmental terms but, I mean, the fact of
24 the matter is when you convert a capacity charge --
25 or, a capacity cost, excuse me, when you convert a

1 capacity cost and recover it through an energy
2 charge, there is at least a potential for a high-load
3 factor customer to pay more than is fair because
4 they're using so much more energy compared to their
5 maximum when they hit their five coincident peaks,
6 wouldn't you agree with me?

7 MR. SATTERWHITE: I'm going to object
8 because I think there were six questions in there.
9 Can you just clarify which one you're asking?

10 MR. YURICK: There are only six? I'm not
11 doing too bad, keeping it in the single digits
12 anyway.

13 EXAMINER PARROT: Break it down, please,
14 Mr. Yurick.

15 MR. YURICK: Thank you, your Honor. I'm
16 feeling pretty broken down right now.

17 EXAMINER PARROT: We all are.

18 Q. You're measuring a cost by this
19 coincident peak method, correct?

20 A. Correct. By the contribution to the five
21 CP hours.

22 Q. So if I'm a high-load factor customer
23 and -- strike that.

24 If you're collecting a cost that's
25 measured by contribution to five CP, all right, that

1 is a capacity cost, is it not?

2 A. Under the company's proposal, yes.

3 Q. Okay. And also under the company's
4 proposal you are collecting that capacity cost
5 through an energy charge, as you corrected me,
6 through a kWh charge, correct?

7 A. Yes, sir.

8 Q. If I'm a high-load factor customer, there
9 is at least a potential that I am going to pay more,
10 because of the design of the rider, than my
11 contribution to five CP because I'm being charged an
12 energy charge to recover a capacity cost.

13 A. I would agree with you that there's a
14 class averaging effect. What I can't necessarily
15 agree with is that a high-load factor customer would
16 necessarily be charged more --

17 Q. Ah, I didn't say that.

18 MR. SATTERWHITE: Again, your Honor, I
19 don't know if the witness was done with his answer
20 when he -- when Mr. Yurick, you know --

21 MR. YURICK: I wasn't trying to cut him
22 off.

23 MR. SATTERWHITE: Great, so if you could
24 let him finish his answer, I would appreciate it.

25 EXAMINER PARROT: Let's let him finish.

1 Q. Go ahead. I'm sorry, I didn't mean to
2 cut you off but, please, if you have more to say,
3 please.

4 A. Thank you.

5 The way I'm understanding your question
6 is basically a high-load factor customer like we were
7 discussing is generally going to be on pretty much at
8 their maximal load during the five CPs, and if
9 they're in a class with low-load factor customers,
10 then they are going to be some low-load factor
11 customers who hit their maximum demand at the time of
12 the five CP and there are going to be some low-load
13 factor customers that don't hit their maximum demand
14 at the time of the five CP. So when we put all those
15 together and compute the five CP dollars and I divide
16 by kilowatt-hours, can't say that that number is in
17 any way unfair or inappropriate to high-load factor
18 customers.

19 Q. And I apologize if I wasn't clear. What
20 my question is is isn't there a possibility that
21 since you're collecting a capacity cost through an
22 energy charge, then a high-load factor customer could
23 be, potentially, could be in that scenario charged
24 more than their fair share of these capacity costs
25 because the rider is designed as an energy charge?

1 Isn't that possible?

2 A. I would agree that that is possible
3 because in a -- anytime you compute an average rate
4 for a class, whether I do it on a per kilowatt-hour
5 basis or a per kW of maximum demand basis, there is
6 some averaging going on there. So it is possible
7 that any particular individual customer in that class
8 could be paying what some might argue is more or less
9 than their fair share.

10 Q. But, again, you would agree with me that
11 it would be possible to design this rider at least
12 for demand metered customers as a demand charge.

13 A. It is possible and, as I just explained,
14 I think that has the same problem. The theoretical
15 right way, which I was trying to say earlier before
16 you cut me off in a previous question --

17 Q. Well, I didn't mean to cut you off. I
18 apologize.

19 A. -- would be --

20 Q. Again, I'm sorry. I'm sorry.

21 A. You're fine.

22 -- would be to actually use each
23 individual customer's five CP specifically if we had
24 that metering technology and capability to do that,
25 which we don't for all customers at this time.

1 MR. YURICK: I don't think I have any
2 further questions at this point. Thank you for your
3 indulgence, your Honor.

4 EXAMINER PARROT: Ms. Grady?

5 MS. BOJKO: Your Honor, before we start
6 back.

7 THE WITNESS: Thank you, Mr. Yurick.

8 MS. BOJKO: I'm sorry. Can we go off the
9 record for one moment?

10 EXAMINER PARROT: Briefly, yes.

11 (Discussion off the record.)

12 EXAMINER PARROT: Let's go back on the
13 record.

14 Ms. Grady.

15 MS. GRADY: Thank you, your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Ms. Grady:

19 Q. Good evening, Mr. Roush.

20 A. Is it evening already?

21 Q. I'd say so, it's after 5:30.

22 Now, as part of the ESP plan, the company
23 proposes SSO auctions, correct?

24 A. Yes.

25 Q. And those auctions would include all of

1 the generation capacity and energy that is necessary
2 to serve the load in that auction, primarily it is
3 the SSO load?

4 A. The capacity, the energy, and
5 ancillaries.

6 Q. And that -- those auctions will cover a
7 hundred percent of the SSO load starting in June,
8 June 1st, 2015, the start of the ESP term?

9 A. Yes, ma'am.

10 Q. Now, is it also fair to say that the
11 company then will allocate the costs of its rider
12 GEN C and rider GEN E to recover the capacity costs
13 and energy costs coming out of the auction?

14 A. I guess not exactly, and the reason I'm
15 stumbling is the word "allocation" and I think I
16 stumbled over this same word during deposition, is
17 that it's not really an allocation of costs in the
18 way that you would traditionally think of it. As I
19 was discussing with Mr. Yurick a little bit ago, what
20 we're doing is for a particular class of customers
21 we're looking at their load factor, which is
22 basically their five CP load factor, to compute the
23 capacity or the auction price and then the residual
24 after you computed the capacity components for the
25 various customer classes, the leftover is, for lack

1 of a better word, the energy component.

2 Q. If I used the word "assign," would that
3 be, would your answer, would that be a better term to
4 use? That the company assigns the costs of rider GEN
5 C and rider GEN E to recover capacity and energy
6 costs?

7 A. It's better but I think probably the best
8 word might be "compute."

9 Q. Now, to compute rider GEN C the company
10 proposes to utilize the customer's historic five
11 coincident peak usage, correct?

12 A. That's correct. That's one element of
13 the calculation as shown on Exhibit DMR-2.

14 Q. Now, the company developed an analysis of
15 the five CP based on the -- based on interval meter
16 data of customers; is that correct?

17 A. The -- I'm sorry. Can you read that
18 back?

19 (Record read.)

20 A. That's correct. The company would have
21 developed the five CP data either directly for what I
22 term the "census" classes, those customers that all
23 have interval meters directly from their own meter
24 data, and for the sample classes using traditional
25 load research techniques based on a sample of

1 interval metering data.

2 MS. GRADY: Your Honor, may I approach?

3 EXAMINER PARROT: You may.

4 MS. GRADY: At this time I would like to
5 mark as OCC Exhibit No. 6 a multipage document
6 consisting of a couple of the company's responses to
7 interrogatories and requests for production of
8 documents from OCC, the very first page being the
9 company's response to RFP-7-42.

10 EXAMINER PARROT: So marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Mr. Roush, do you recognize this
13 document?

14 A. Yes, I do.

15 Q. And can you generally tell me what this
16 document shows?

17 A. Generally, it is responses to several
18 discovery questions, OCC RPD-7-42, 18-344, 18-067,
19 and 18-068, and then also a document from the
20 company's website that was referenced in one of the
21 discovery responses.

22 Q. And would you say generally that these
23 documents pertain to the analysis of the five CP data
24 based on the interval meter data of customers?

25 A. Yes, I would say generally that's

1 correct.

2 Q. And these documents that are in front of
3 you would show how that was done, generally?

4 A. Yes, I think generally they discuss how
5 that's done. Yes.

6 Q. If we turn to the document that is, I
7 believe it's four pages in, it is attached to
8 Interrogatory Response 18-344, and it's entitled --
9 it's a single sheet entitled "AEP-Ohio CRES Capacity
10 Obligation Calculation Process." Actually I
11 misspoke, it's a two-page document. Do you see that?

12 A. I see that document and I do not believe
13 it was attached to the discovery when the discovery
14 was provided but it was referenced in the discovery.

15 Q. Thank you.

16 Now, this document is the entire -- would
17 you agree with me that this document is the entirety
18 of the description of the manner in which the load
19 study was performed and the results presented in
20 response to RPD-42 -- 742?

21 A. No, I do not believe that to be the case.
22 I think there was also a narrative in the response to
23 Interrogatory 18-344.

24 Q. And that is attached to -- that is a page
25 that precedes the AEP Ohio CRES Capacity Obligation

1 Calculation Process?

2 A. That's correct.

3 Q. Is that what you're referring to? Thank
4 you.

5 A. Yes, ma'am.

6 Q. Now, Mr. Roush, the company -- neither
7 the company nor yourself has ever provided any
8 documents to parties in this proceeding that show the
9 statistical validity of the load study information
10 contained here, has it?

11 A. Not to my knowledge. This was discussed
12 in the response. There's a voluminous amount of
13 information contained within certain databases and,
14 you know, this was prepared using, you know, our
15 traditional load research methodologies.

16 Q. And, Mr. Roush, would you agree with me
17 that there's no statistical analysis described in
18 response to Interrogatory 18-344 or in the CRES
19 capacity calculation process that pertains to
20 statistical validity of the load study?

21 A. I guess within the AEP Ohio capacity
22 obligation process I see a discussion kind of in the
23 middle of that document discussing that this was
24 prepared, normally computed from actually -- actual
25 interval meter usage of randomly selected sample

1 customers, which to me sound like our traditional
2 load research process, so there is, it's part of the
3 normal load research process, a statistical sampling
4 done with confidence intervals and those kinds of
5 things.

6 Q. Would you agree with me that you do not
7 see one referenced directly in those responses?

8 A. No, and I wouldn't normally have expected
9 one to be in them.

10 Q. So you're agreeing with me you do not see
11 one referenced directly; is that what your statement
12 is?

13 A. No, I don't see one referenced directly.
14 I see it kind of indirectly through a discussion of
15 traditional utility load research type processes.

16 Q. And as we sit here today, you're not
17 aware of any statistical analysis that was done with
18 respect to the load -- this load study analysis that
19 we're discussing here?

20 A. I was not at the time of deposition, but
21 because this was asked of me in deposition I did sit
22 down with my deposition with the load research folks
23 and talked with them, and my understanding from
24 talking with them is that the samples that were used
25 were the same samples that were used in the last

1 distribution rate case and that -- that the normal
2 processes of using a 90 percent confidence interval,
3 those kinds of things, were done when those samples
4 were selected.

5 Q. Now, the last distribution rate case
6 would have been what year, Mr. Roush?

7 A. I believe it was 2010.

8 Q. And do you know as part of that last
9 distribution rate case whether or not there was a
10 litigation of the rate design in that proceeding?

11 A. I believe there was a settlement in that
12 proceeding but I also remember sitting in that room
13 over there with -- for a hearing on the settlement.

14 Q. Now --

15 MS. GRADY: May I approach the witness
16 again, your Honor?

17 EXAMINER PARROT: You may.

18 MS. GRADY: I would like at this time to
19 mark OCC Exhibit No. 7 a multipage document which is
20 entitled -- a two-page document entitled
21 "Interrogatory 17-339," which is the company's
22 response to OCC interrogatories, seventh set.

23 EXAMINER PARROT: So marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. Are you familiar with this document,

1 Mr. Roush?

2 A. Yes, I am.

3 Q. And it was prepared by you or under your
4 direct supervision or control, correct?

5 A. Yes, ma'am.

6 Q. Can we take -- can you tell me what this
7 document represents?

8 A. It represents the company's response to
9 OCC Interrogatory 17-339 and provides the -- and
10 there's an attachment to it which provides the
11 information which OCC requested.

12 Q. Now, if we go to the second page of that
13 document which has a lot of columns and numbers, and
14 which I generally don't like, would I be correct that
15 the -- under the column entitled "# Non-Interval
16 Customers" we see that there is 509,715 CSP rate zone
17 customers in the residential class?

18 A. That's correct, in the standard
19 residential class.

20 Q. And we would also see on that same line
21 the estimate of the peak-day usage for those
22 customers, correct?

23 A. I'm sorry. You must be looking at a
24 different document than me, I don't see that.

25 Q. I'm sorry. We would see on that line the

1 annual megawatt usage of noninterval customers; is
2 that right?

3 A. Annual megawatt-hours, yes.

4 Q. I'm sorry. Megawatt-hours used.

5 Can you tell me, was that -- that usage
6 was derived, if we look at the number of interval
7 customers am I right in assuming that that usage was
8 derived based on the actual usage of 85 interval
9 customers in the residential class?

10 THE WITNESS: I'm sorry. Can you read
11 that back.

12 (Record read.)

13 A. Maybe I'm misunderstanding your question.
14 I see four columns, I see a number of interval
15 customers which shows 85.

16 Q. Yes.

17 A. And their megawatt-hour usage of 1,365.

18 Q. Yes.

19 A. Then I see a number of noninterval meter
20 customer of 509,715 and their annual megawatt-hours
21 of 5,601,884. So --

22 Q. There's two separate usages is what
23 you're saying.

24 A. Yes, ma'am.

25 Q. Okay. Would you agree with me this

1 exhibit shows actual hour usage by customer class and
2 that it was used to determine the five CP peak loads?

3 A. I guess this exhibit just shows the
4 annual totals. Behind it would have been the hourly
5 data for the customers and it would have been, you
6 know, based on the traditional load research process
7 of statistical, you know, sampling and stratification
8 and weighting that would have been used to develop
9 the five CP for the residential rate class.

10 Q. Thank you.

11 Would you agree with me, Mr. Roush, that
12 it's possible to have a separate auction for SSO
13 residential customers that would include only the
14 capacity and energy required to serve them alone?

15 A. I think it would be possible but whether
16 it's practical or not or reasonable would be
17 something better discussed with Dr. LaCasse.

18 Q. Yes, thank you.

19 And is it possible that if we had a
20 separate auction for SSO residential customers
21 including the capacity and energy required to serve
22 them, that we -- it would produce a different value
23 overall for the SSO nonresidential load?

24 A. Again, I think anything is. Well, not
25 anything. Most things are possible. I don't have

1 any expertise to form a basis or an opinion on the
2 question you're asking though, that might be better
3 directed at Dr. LaCasse.

4 Q. Thank you.

5 Mr. Roush, we're going to move along to
6 an area that was touched upon by some of the other
7 cross-examination by my co-counsel or the counsel
8 that are in this case and that is related to the rate
9 changes that you have analyzed and presented in your
10 testimony.

11 I want to go back to DMR-1 for a moment.
12 And you discussed this with counsel for OMA, and I
13 think you discussed it with also counsel for IEU. Do
14 you recall the questions on this document?

15 A. Yes, ma'am.

16 Q. Would you agree with me that the DMR-1
17 summarizes the impact of various components of
18 AEP Ohio's request?

19 A. Generally, yes.

20 Q. Now, if we go to your testimony on page
21 3, lines 14 through 15, you indicate that since AEP's
22 actual rates will be in effect -- will not be -- will
23 be in effect in May -- let me strike that.

24 You indicate there that "Since AEP Ohio's
25 actual rates that will be in effect in May 2015 are

1 not known at this time, I have used current rates and
2 known rate changes to provide a comparison to ESP III
3 rates." Do you see that?

4 A. Yes, ma'am.

5 Q. And when you refer to the "current
6 rates," current rates, you're referring to the rates
7 that are in effect for November 2012 through December
8 2013?

9 A. I'm sorry. What were the dates again?

10 Q. November 2012 through December 2013.

11 A. No, that doesn't sound right to me. On
12 my workpaper DMR-4 I laid out my rate and typical
13 bill assumptions.

14 Q. And so what were the current rates that
15 you looked at then? If I look at DMR-4, will I find
16 a different period?

17 A. Yes, ma'am. For the current rates on
18 workpaper DMR-4, it says for the current rates for
19 like base distribution rates and base generation
20 rates I used rates as of December 1, 2013.

21 Q. Okay.

22 A. And that continues for a number of the
23 riders. And then specifically for the retail
24 stability rider I think, as we discussed earlier, I
25 used the rate as of June 1, 2014, since that's a

1 known change. For the distribution investment rider
2 we used the rates at the ESP 2 2014-'15 cap. For --
3 and those are the ones that were unique. Pretty much
4 everything else were the rates as of December 1st,
5 2013.

6 Q. And when were the rates, the December
7 2013 rates, in effect? When did they go into effect
8 under the ESP 2?

9 A. I don't recall because there are a number
10 of different -- I mean, probably depends on each item
11 like, you know, the universal service fund changes at
12 a different time than maybe base G rates versus base
13 G rates versus the transmission rider so, to be
14 honest, I don't think I could tell you for each one
15 of those.

16 Q. I appreciate that.

17 Now, you had some questions from OMA's
18 counsel about the RSR charge and the assumptions that
19 you made with respect to the RSR charges for purposes
20 of DMR-1. Do you recall those questions?

21 A. Yes, ma'am.

22 Q. Now, you indicate that the \$4 that you
23 had included as an RSR impact, the \$4 a month
24 charge -- is that right?

25 A. \$4 a megawatt-hour.

1 Q. I'm sorry, \$4 a megawatt-hour.

2 And you indicated that that was the
3 company's estimate of what it would take to recover
4 the deferrals over three years in its soon-to-be
5 filed RSR case; is that right?

6 A. Correct. I think -- but there's a piece
7 missing. First, it's what the rate will be beginning
8 June 1, '14.

9 Q. Yes.

10 A. And then also it is our, the company's
11 estimate at the time of the filing that an RSR at
12 that level would be adequate to recover the deferrals
13 over the three-year period.

14 Q. And the three-year period would be June
15 2015 through May 2018?

16 A. Yes, ma'am.

17 Q. Now, you indicated that, or let me strike
18 that.

19 The level of RSR deferrals, the estimate
20 is \$463 million; is that correct?

21 A. I don't recall. I think it was in
22 Mr. Allen's testimony but I don't remember.

23 Q. Do you know if the -- if when you
24 determined that the \$4 would be adequate to cover the
25 deferrals, whether or not the deferral figure

1 included carrying charges?

2 A. Again, I don't recall. I'm sure it was
3 in Mr. Allen's testimony.

4 Q. Are you assuming that the \$4 -- when you
5 said that your estimate is that the \$4 charge will
6 cover the RSR rider for 2015 through 2018, are you
7 assuming that that includes carrying charges? That
8 it will cover the principal plus carrying charges.

9 A. Again, I don't recall. Mr. Allen did
10 that calculation. I presume he probably factored
11 that in, but I can't say for certain.

12 Q. Okay.

13 A. I'm sure that's in his workpapers
14 somewhere.

15 Q. Thank you.

16 Now, going to your testimony on page 5,
17 at lines 3 to 4 you say that the capacity prices are
18 shown on page 3 of Exhibit DMR-2. Do you see that?

19 A. Yes, I see the reference to page 3 of
20 Exhibit DMR-2.

21 Q. And would you agree with me that the
22 capacity prices be determined -- let me strike that.

23 You've already testified earlier,
24 Mr. Roush, that the capacity prices are determined
25 based on each class's contribution to the PJM five

1 CP; is that right?

2 A. Yes, ma'am.

3 Q. And they're computed as a rate per kWh,
4 correct?

5 A. Yes, or in this exhibit I think I did it
6 all in dollars per megawatt-hour.

7 Q. Now, the capacity prices are also a
8 function of the PJM RPM price for each year of the
9 ESP; is that correct?

10 A. Yes, ma'am. And that's shown on Exhibit
11 DMR-2, page 2.

12 Q. Yes. And at the time that your exhibits
13 were completed the RPM prices for 2015 and '16 and
14 2016 and 2017 were known, correct, the two planning
15 years? Or four planning years all together.

16 A. The two planning years, it's --

17 Q. I'm sorry. When we refer to 2015 through
18 2016, that is one planning year.

19 A. Yes, that's June '15 to May '16.

20 Q. And at the time you prepared your
21 exhibits, the RPM prices for 2015 through 2016 were
22 \$136 a megawatt-day, correct?

23 A. On Exhibit DMR-2, page 2, I show it as
24 \$135.72 a megawatt-day.

25 Q. Okay, approximately, let's say, \$136 a

1 megawatt-day.

2 A. Approximately.

3 Q. And for 2016 through planning year 2017
4 the value was \$59.37 a megawatt-day?

5 A. For June '16 to May '17, yes. Just to be
6 clear, there's the base residual auction I know folks
7 have talked about a lot, but there are also multiple
8 incremental auctions so these numbers sometimes do
9 move as you get closer to the actual delivery year a
10 little bit.

11 Q. And so the numbers you have shown are for
12 the base residual auction?

13 A. It would have been for the base residual
14 auction and any incremental auctions that had been
15 held up to that point.

16 Q. Okay. Is that why there's maybe a little
17 slight differential? Is that what you're saying?

18 A. There could be if there were some
19 incremental auctions that have happened since the
20 filing of this testimony.

21 Q. Okay. And now at the time you filed your
22 testimony the RPM price for 2017-2018 planning year
23 had not been established, correct?

24 A. That's correct.

25 Q. What RPM price did you assume for that

1 year?

2 A. I, and I think I noted that on Exhibit
3 DMR-1, I used the average of the previous two years
4 which after gross-up factors and whatnot shown on
5 workpaper DMR-1 was \$113.12 a megawatt-day.

6 Q. Now, are you aware that the actual RPM --
7 or, are you aware that the base residual auction has
8 occurred for May and has set an RPM price for
9 2017-2018?

10 A. Yes, I am. And I believe the value from
11 that auction was \$119.81 a megawatt-day.

12 Q. Yes. Now, if that value had been used in
13 your calculation of the capacity, class capacity
14 rates that are shown on DMR-2, can you tell me what
15 the impact directionally would be?

16 A. Just so that we're talking the same
17 thing, which page of DMR-2 are you looking at? Do
18 you want to look at residential on page 3?

19 Q. Yes.

20 A. I kind of happened to do a rough
21 calculation of that and would move the answer just a
22 little over a dollar a megawatt-hour upwards.

23 Q. So if you wanted to point me to a line,
24 what line would I be looking at?

25 A. You would be looking at line 12 in the

1 Residential column.

2 Q. Yes.

3 A. I believe that number would move roughly
4 a dollar a megawatt-hour, so from 10.51 up roughly
5 one dollar.

6 Q. And would that then also impact -- would
7 that also have an effect on the bill impact
8 calculations you show for residential class?

9 A. Yes, it would. For a thousand
10 kilowatt-hour customer by roughly a dollar a month.

11 Q. Now, let's talk a little bit about the
12 energy, the calculation of the energy piece of the
13 bill.

14 A. I apologize, just to be clear on my last
15 answer, it would only affect '17-'18.

16 Q. Yes. That's correct. I'm following you
17 there.

18 A. Thank you.

19 Q. Now, the energy prices for each class of
20 customers are shown on page 4 of Exhibit DMR-2,
21 correct?

22 A. Yes, ma'am.

23 Q. And these energy prices were derived, I
24 think you went over this with Mr. Darr, they were
25 derived from past Duke auction results and future RPM

1 prices, correct?

2 A. Correct. If you went back to page 1 of
3 Exhibit DMR-2, at the very bottom of that page --

4 Q. Yes.

5 A. -- I start with the Duke auction prices,
6 layered in RPM capacity, the Duke -- the energy
7 component of the Duke auction, and then layered in
8 the RPM capacity to get an all-in auction price, and
9 then based on the schedule from Dr. LaCasse of when
10 the auctions would occur I laid that out into the
11 various tranches and when the auctions would occur to
12 come up with a blended price for each of the three
13 years. And then that was carried forward to where we
14 were discussing, page 4 of Exhibit DMR-2.

15 Q. Just so I understand, you came up with a
16 blended competitive bid price of 50, let's just look
17 at the 2015-2016, with a blended competitive bid
18 price of \$50.70 a megawatt-hour and that was based on
19 the past Duke auctions, and then you removed the
20 estimated capacity price based on the PJM RPM price
21 for that period to come to the residual energy price
22 of 39.22?

23 A. Correct. And it's kind of one of the
24 oddities of the way the blending works. If you start
25 back on page 1 of Exhibit DMR-2, because we're

1 blending auctions that are for just the June '15 to
2 May '16 period and also auctions for the June '15
3 through May '17 period --

4 Q. Yes.

5 A. -- the blended competitive bid price
6 actually includes prices that span multiple delivery
7 years, but then once you get that blended price for a
8 given year, then you back out the RPM price for that
9 year to get to the energy price.

10 Q. Now, since Exhibit DMR-2 was created AEP
11 has conducted two energy-only auctions of its own; is
12 that right?

13 A. Since the time this was put together,
14 yes, ma'am.

15 Q. And are you aware of the results of those
16 two auctions?

17 A. Yes, I am. The first auction was held on
18 February 25th of 2014 and it was for the April 1,
19 2014, to May 31, 2015, period and it was for
20 10 percent of our energy requirements and it was
21 \$42.78 a megawatt-hour.

22 Q. Yes.

23 A. And the second auction was held on May
24 6th, 2014, and it was for kind of an odd period.
25 It was November 1st, '14, through May 31, '15, and

1 that was for 25 percent of our SSO load and it was
2 \$50 a megawatt-hour.

3 Q. And that would have been for the
4 period -- I'm sorry, I missed the period that was
5 for.

6 A. I'm sorry. I was talking fast. November
7 1st, 2014, through May 31, 2015.

8 Q. Okay.

9 THE WITNESS: I guess I should apologize
10 to you for talking fast.

11 Q. And the \$50 a megawatt price was for what
12 period of time?

13 A. Sorry. That was the November 1, 2014, to
14 May 31, 2015. The 42.78 was for April 1, 2014,
15 through May 31, 2015.

16 Q. Now, would you agree with me that the
17 \$50 a megawatt-hour price is considerably greater
18 than the \$39.22 megawatt-hour price that you have
19 used in your typical bill analysis?

20 A. I guess to be comparable you would
21 compare that number to the value at the bottom of
22 Exhibit DMR-2, page 1, which was \$40.30. That would
23 be the comparative number. And even that's I think a
24 little hard to compare because the \$50 price is only
25 for a November to May period, it's not a full annual

1 period, so it's kind of an odd period like I
2 mentioned.

3 And, again, the third part of it is that
4 that price would be impacting current rates or the
5 rates in effect in that November to May 2015 period,
6 so if you were going to incorporate that into my
7 analyses, you'd have to factor that into both the
8 current side and the proposed side.

9 Q. So if you factor that in to both the
10 current and proposed side, would you agree with me
11 that the price that you would get would show a higher
12 energy price than you used in your bill analysis for
13 your typical bill for the residential customers?

14 A. Yes. I would agree on both the current
15 and the proposed side the prices would be higher
16 because of that auction. And, again, like I said, I
17 think it's a little hard to judge that one auction
18 because it's not a full-year period. But both sides
19 would change, but I think generally the benefit of
20 the ESP wouldn't change because, as we discussed
21 earlier, it's mainly driven by declines in the
22 capacity price.

23 Q. Have you run any new calculations,
24 Mr. Roush, of DMR-1 which updates the bill impacts to
25 show the results of the residual -- base residual

1 auction at \$120 a megawatt-hour?

2 A. Other than what we just discussed earlier
3 where I had just done kind of a back-of-the-envelope
4 calculation, I have not done that, no.

5 Q. And have you run calculations of DMR-1
6 which updates it to show the results of the impact on
7 the -- of the results of AEP's recent SSO auction?

8 A. No, I have not. And, as we discussed, I
9 kind of view it as net neutral because it would raise
10 both the current rates and the proposed rates.

11 Q. Now let's go for a moment to the chart
12 that you show on page 6 of your testimony. You
13 describe the chart and you say "Upon implementation,
14 residential customers using 1,000 kWh would see an
15 estimated monthly rate decrease of \$10.80 for CSP
16 Rate Zone customers." I just want to focus on that
17 part of the sentence. Can you do that for me?

18 A. Certainly.

19 Q. And can you tell me what you mean, can
20 you define the term "upon implementation," what that
21 means?

22 A. To me it means June 1, 2015, when the ESP
23 rates go in effect, versus May 31, 2015 when the
24 ESP 2 rates are in effect.

25 Q. Okay. Now, there you say that there's a

1 rate decrease of \$10.80 for CSP rate zone for
2 residentials using 1,000 kWh per month. Do you see
3 that?

4 A. Yes, ma'am.

5 Q. And are you talking about residentials
6 under the RR winter schedule in the CSP zone?

7 A. No, I am not. I'm talking about
8 customers on schedule RR.

9 Q. Yes.

10 A. And on my workpaper DMR-6 I show this
11 calculation. I'm using a thousand kilowatt-hour bill
12 for the four summer months and the eight winter
13 months and computing an average annual number so
14 that's shown on workpaper DMR-6.

15 Q. How does that differ from DMR-3 where you
16 show, we went to DMR-3, page 1 of 3, and we went to
17 RR winter, residential, a thousand kWh usage, how
18 does that differ from what you just recited that's
19 contained in DMR-6?

20 A. The difference would be that in Exhibit
21 DMR-3, page 1 --

22 Q. Yes.

23 A. -- I show RR summer and RR winter.

24 Q. Yes.

25 A. So what I did was I said, well, there are

1 eight winter months and there are four summer months,
2 so I took eight times the winter value plus four
3 times the summer value and then divided by 12.

4 Q. So the number that you show in your
5 testimony is an average number and not what is -- it
6 doesn't correlate necessarily -- let me strike that.

7 So the number that you show, the \$10.80,
8 is an average rate decrease for CSP's rate zone
9 customers, correct?

10 A. I'd say it's annualized. Rather than
11 just it's just winter or just summer I kind of
12 annualized it.

13 Q. So if we wanted to characterize what is
14 shown on DMR-3, for instance, for CSP rate zone for
15 RR winter, a thousand kWh usage, how would you
16 characterized that?

17 A. I guess in the winter months they're
18 saving, under this calculation they're saving \$10.05,
19 in the summer months they're saving \$12.28 so when
20 you kind of add that up by the year, divide by 12,
21 you get the \$10.80 that I show in page 6 of my
22 testimony.

23 Q. Thank you.

24 And the number that you show for the
25 \$6.10 for OPC rate zone customers, is that also an

1 annualized figure as opposed to the -- an annualized
2 figure that comes from your workpapers DMR-6?

3 A. Actually, it's from workpaper DMR-10.

4 Q. Okay.

5 A. But I believe, let me just double-check,
6 for -- it's the kind of the same process I used for
7 using the data on Exhibit DMR-3, page 7, using the
8 four summer and eight winter months would get you to
9 the same place.

10 And, just to be clear, I thought I heard
11 a different number. The number I have in my
12 testimony is \$6.10 decrease.

13 Q. Yes, I think that's the number I spoke
14 of.

15 A. I'm sorry. I may have misheard you.

16 Q. Now, the chart that's shown below which
17 shows the change in customers, let's focus on the
18 residential. Are those annualized numbers like the
19 numbers that are quoted immediately preceding?

20 A. No. They're separate columns for summer
21 bills and winter bills.

22 Q. So those would correspond more directly
23 with DMR-3?

24 A. Yes, ma'am.

25 Q. As opposed to your workpapers, DMR-6 and

1 10.

2 A. Yes, ma'am, although they're all
3 consistent.

4 MS. GRADY: Your Honor, may I approach
5 the witness?

6 EXAMINER PARROT: You may.

7 Q. Mr. Roush, I'm going to hand you
8 something that I am not going --

9 EXAMINER PARROT: I'm sorry, just a
10 moment. He wants to grab a bottle of water.

11 MS. GRADY: You're not excused,
12 Mr. Roush.

13 THE WITNESS: Run away, run away.

14 EXAMINER PARROT: I'm sorry to interrupt.
15 Go ahead.

16 MS. GRADY: That's okay, thank you.

17 Q. (By Ms. Grady) I'm going to hand you a
18 document that I would like you to review.

19 MS. GRADY: I'm not going to mark this as
20 an exhibit, I've just got questions about it, your
21 Honor.

22 EXAMINER PARROT: Thank you.

23 Q. And when you've had a moment to review
24 it, if you would just indicate.

25 A. I remember reading this in the paper.

1 Q. I'm sorry. You've had a chance to review
2 that?

3 A. Yes, I remember reading it in the paper.

4 Q. Did you like the headline?

5 A. It was a pleasant surprise.

6 Q. Yeah. Mr. Roush, are you aware of
7 whether or not this article appeared in The Columbus
8 Dispatch, the front page on June 4th, 2014?

9 A. I don't think that was the date. I think
10 it was earlier than that.

11 Q. Oh, I'm sorry. Happens that's the date
12 that we ran it. But is it your understanding that
13 this was a big article, it was front page news in The
14 Columbus Dispatch?

15 A. I remember reading it in the paper
16 because I love the paper, I don't remember if it was
17 front page or front of the business section, but I
18 remember it being in there.

19 Q. Now, the headline of this ad is that "AEP
20 wants okay of a 12.6 percent rate cut." Do you see
21 that?

22 A. I see the headline, yes.

23 Q. And do you know, Mr. Roush, where the
24 12.6 percent rate cut came from? That language or
25 that characterization of AEP's filing.

1 A. My understanding was it was developed by
2 the gentleman that wrote the article. I know I
3 personally didn't give him any information.

4 Q. Do you know if anyone in the company gave
5 him that information, that there was a 12.6 percent
6 rate cut?

7 A. No, ma'am. I actually asked where it
8 came from because I certainly didn't give it to him,
9 although our corporate communications folks do
10 interact with this gentleman, obviously. My
11 understanding is he went to the bill calculator on
12 our website and computed at some point in time what a
13 current bill was and then I believe for the
14 comparison he pulled one of the proposed bills out of
15 one of my exhibits or testimony or maybe even
16 Mr. Vegas's testimony to do the computation.

17 So I haven't verified it, but that's my
18 basic understanding, but I think the gentleman did
19 the calculation who did it.

20 Q. Is it your understanding, Mr. Roush, that
21 there is -- that this article is inaccurate, that
22 there is no 12.6 percent rate cut being proposed by
23 AEP in this filing?

24 A. I guess I can't say -- it's certainly not
25 in the documents the company filed. I can't totally

1 say what the gentleman did was wrong. He was looking
2 at a more recent current bill to compare to the bills
3 I have -- that we're showing in our testimony. So
4 it's just a different comparison. If the company had
5 issued this, I wouldn't have necessarily agreed with
6 it, but I don't think we control the media.

7 Q. And would you believe, Mr. Roush, that
8 the numbers in the rate reductions and the schedules
9 that are contained in your testimony are more
10 reliable in terms of determining whether or not there
11 will be a rate cut under your proposal?

12 MR. SATTERWHITE: Your Honor, at this
13 point I'll object. I don't think this author of the
14 Dispatch has intervened in this case, or were a
15 witness that Miss Maureen needs to impeach the
16 credibility or attack for the purposes of this case.
17 This is about a record before the Commission and I
18 don't see the relevance.

19 EXAMINER PARROT: Response, Ms. Grady.

20 MS. GRADY: Well, your Honor, we're
21 trying to make the record clear as to what the rate
22 cut is that we're speaking of and Mr. Roush is the
23 expert that's presenting the bill impact analysis,
24 I'd like to understand what his opinion is of the
25 12.6 percent and whether it's accurate or not. And

1 if it is accurate, I'd like to see where it is in his
2 testimony that it's accurate.

3 MR. SATTERWHITE: If I may, your Honor,
4 the only reason this number is even in the record is
5 because counsel for OCC has brought it to us. So
6 putting a proxy up and saying is that correct, she
7 asked Mr. Roush, and she can ask him questions about
8 his testimony which is correct, it just further
9 confuses the record.

10 MS. GRADY: I can withdraw my question
11 and ask a different question.

12 EXAMINER PARROT: Okay.

13 Q. Anywhere within the testimony that you
14 filed or the rate plan, is there anything within your
15 rate plan that supports a statement that AEP is
16 seeking a 12.6 percent rate cut?

17 A. Not to my knowledge is that a statement
18 the company made.

19 Q. Earlier you referenced the fact that you
20 believe that the gentleman that wrote this article
21 may have gone to your schedules and pulled
22 information from your schedules. Do you recall that?

23 MR. SATTERWHITE: Your Honor, I'll
24 object. We're -- I think we went far enough with
25 this article and tried to give a little leeway but

1 this isn't part -- the Dispatch is not a party in
2 this case. We can deal with what's in the company
3 filing. I don't know what the -- where this ends.
4 If we bring in every blog and everything else that
5 someone might say, I think it could really expand
6 this record.

7 MS. GRADY: I'll withdraw the question.

8 Q. Let's move along, Mr. Roush.

9 A. Okay.

10 MS. GRADY: Your Honor, may I approach?

11 EXAMINER PARROT: You may.

12 MS. GRADY: At this time I would like to
13 mark for identification purposes as OCC Exhibit No. 8
14 a multi-page document dated February 20th, 2014,
15 which is a letter signed by Mr. Nourse to Examiner
16 Parrot with an attachment that is entitled "Public
17 Notice Regarding AEP Ohio's Rates."

18 EXAMINER PARROT: So marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. Mr. Roush, can you take a moment to look
21 at that.

22 A. I've looked at it.

23 Q. Are you familiar with this filing,
24 Mr. Roush?

25 A. I remember seeing drafts of it, I don't

1 recall that I ever got the final one or, if I did, I
2 don't remember it.

3 Q. And when you saw the drafts of it, were
4 you asked to opine on the -- let me strike that.

5 Did you help prepare or verify -- if we
6 look at the second page, did you help prepare or
7 verify the billing impact for the typical customer,
8 residential customer rates that are indicated there?

9 A. I think counsel sent it to me to make
10 sure that I agreed with the numbers that were shown
11 there and it looks like they sync up with the table
12 on page 6 of my testimony.

13 Q. Now, is it your understanding, Mr. Roush,
14 that this public notice was not approved by the PUCO?

15 A. I don't know.

16 Q. You do not know.

17 Do you know if this particular public
18 notice appeared in the public notices that were
19 published in the newspapers?

20 A. I don't know. That's one part of the
21 newspaper I don't read.

22 Q. Mr. Roush, did you have any
23 responsibility in preparing the application of the
24 company in this case?

25 A. The actual application document?

1 Q. Yes.

2 A. No. Generally I think our attorneys put
3 that together working with the whole team.

4 Q. Did you have any input to Attachment 1,
5 the legal notice, in this case?

6 A. I don't recall and I don't even have it
7 with me to look at it.

8 MS. GRADY: Could counsel provide a copy
9 of that to Mr. Roush, please?

10 MR. NOURSE: The application?

11 MS. GRADY: Yeah, Attachment 1, the legal
12 notice.

13 Thank you.

14 Q. Mr. Roush, could you take a moment to
15 look at that. In particular I want to direct your
16 attention to the wording in the notice which
17 indicates the expected annual rate changes from the
18 application.

19 A. Okay, I see that.

20 Q. Did you have any input or review of the
21 notice to determine whether or not these annual rate
22 increases were consistent with your testimony and
23 your presentation in this case?

24 A. I'm sure I did but it's escaping me now,
25 but the numbers look like values that would have come

1 from looking at like my Exhibit DMR-3.

2 Q. And did you know whether these values,
3 the annual rate changes ranging from a negative
4 27 percent to a 6 percent, are consistent with your
5 testimony?

6 A. Sure look like they're entirely
7 consistent with my table on page 6.

8 Q. On page 6 of your testimony or your
9 workpapers?

10 A. Page 6 of my testimony.

11 Q. And with respect to -- let's take the
12 outliers of the range. Can you tell me what
13 customers are expected to see an average annual rate
14 change of negative 27 percent?

15 A. Looks like relatively lower load factor
16 industrial customers in the Ohio Power rate zone.

17 Q. Are there any other customers that would
18 see the average annual rate change of about negative
19 27 percent?

20 A. I see some others in the 20s like the
21 small business customers in the CSP rate zone and
22 maybe some of the industrials in the CSP rate zone as
23 well at the lower load factors.

24 Q. Are there any customers in the OP rate
25 zone that would see a -- expected to see an average

1 annual rate change of negative 27 percent?

2 A. If I misspoke, I thought the very first
3 one we discussed was the industrial -- relatively
4 lower load factor industrial customers.

5 Q. And let's talk about customers on the
6 other end, the 6 percent increase, can you tell me
7 what customers are expected to see an average annual
8 6 percent increase during the ESP period?

9 A. It looks to me like it's residential
10 customers with extremely high usage in the winter
11 months.

12 Q. And the 6 percent -- let's go back to the
13 27 percent decrease. The 27 percent decrease is only
14 in one year; is that right? Or is it an annualized?

15 A. It's, again, everything on page 6 of my
16 testimony in that table, as we discussed, is the June
17 1, '15, values.

18 Q. So it is not an annualized figure?

19 A. Not on -- not in that table. I show, as
20 we discussed earlier, show summer monthly bills and
21 winter monthly bills. If you go back to Exhibit
22 DMR-3 --

23 Q. Yes.

24 A. -- where I've got 13 pages of
25 percentages, it looks like these values generally

1 capture the spectrum of the values in my Exhibit
2 DMR-3.

3 Q. Would you agree with me that the
4 27 percent decrease that is experienced is pretty
5 much limited to the early years of the ESP period?
6 The early year, let me say that.

7 A. I would say generally, yes. Because
8 that's when most of the structural changes are
9 happening, switching to pricing based fully upon an
10 auction instead of kind of the legacy carryovers from
11 the ESP 2, and then I think in general when you get
12 to '16-'17 and '17-'18 they're fairly uniform changes
13 in rates.

14 Q. And the 6 percent increase that we're
15 talking about there as an average annual rate change,
16 is that limited to the first year of the ESP as well?

17 A. Generally, yes, because, for example,
18 that's -- in my testimony on page 6 we are looking at
19 CSP rate zone RR customer in the winter using 4,000
20 kilowatt-hours. When you look at the next year for
21 that same customer, they actually see a decrease of
22 4.87 percent, so at least for that specific one, yes.

23 MS. GRADY: Mr. Roush, that's all the
24 questions I have. Thank you very much.

25 THE WITNESS: Thank you.

1 EXAMINER PARROT: Staff?

2 MR. MARGARD: Yes, thank you, your Honor.

3 - - -

4 CROSS-EXAMINATION

5 By Mr. Margard:

6 Q. Good evening, Mr. Roush.

7 A. Good evening.

8 Q. First of all, a little housekeeping. You
9 were present during the cross-examination of
10 Mr. Spitznogle.

11 A. Yes, sir.

12 Q. And during my colleague's questioning
13 regarding standby service?

14 A. Yes, sir. I happen to have Staff Exhibit
15 1 with me.

16 Q. Do you? Wonderful. Thank you very much.

17 And, in fact, the response in that is a
18 data request response that was prepared by or under
19 your direction or supervision or authority by you; is
20 that correct?

21 A. Yes, sir.

22 Q. Is this in fact an accurate answer?

23 A. Yes, sir, it is.

24 Q. And you would adopt this as your
25 testimony on the stand today?

1 A. Yes, sir, I would.

2 Q. Excellent. Thank you. That clears that
3 up nicely.

4 Did you have any responsibility for the
5 determination of the gross-up factor that is used in
6 this case?

7 A. I used it. Sitting here today I can't
8 recall whether Andrea or I came up with it, I'm
9 sorry, Miss Moore or I came up with it.

10 Q. You're looking to her for guidance, I
11 see.

12 A. No, I'm just kind of looking trying to
13 recall. I know I've noted it in my page 2 of Exhibit
14 DMR-2 as the tax gross-up including CAT tax, PUCO,
15 and OCC assessments is what I used.

16 Q. That was my question is whether you knew
17 whether it included the PUCO and OCC assessments.

18 A. Yes, sir, it does.

19 Q. Thank you.

20 Did you have any responsibility for
21 development of the DIR charge in this case, the
22 calculation and methodology?

23 A. No, sir.

24 Q. And that would be Ms. Moore?

25 A. I believe so.

1 MR. MARGARD: That's all I have, thank
2 you.

3 THE WITNESS: Thank you.

4 EXAMINER PARROT: Any redirect,
5 Mr. Satterwhite?

6 MR. SATTERWHITE: Could I have ten
7 minutes, one, to stand up and, two, just to see where
8 I am.

9 EXAMINER PARROT: Let's take a short
10 break.

11 MR. SATTERWHITE: Thank you.

12 EXAMINER PARROT: Yes. We're off the
13 record.

14 (Recess taken.)

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

17 Mr. Satterwhite.

18 MR. SATTERWHITE: Thank you, your Honor.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. Satterwhite:

22 Q. I just have one, hopefully one question,
23 Mr. Roush. You were discussing with Mr. Yurick five
24 coincidental peaks and you made a statement about in
25 theory figuring the five coincidental peaks upon a

1 customer's actual highest usage days. Do you
2 remember that?

3 A. Yes.

4 Q. I know you were just talking about
5 theory. Is there any negative consequence or any
6 harm if that were to be the theory that would be
7 implemented?

8 A. Yes. Lots of things sound great in
9 theory but in practice, I think I had mentioned, you
10 know, you'd have to have that data for the customers
11 which requires a lot of additional metering
12 technology to be able to do that for all customers,
13 and then the other thing is kind of an interesting
14 construct in that what a customer would pay for a
15 given year, like say '15-'16, would be based on a
16 peak day set in 2014 so there's kind of a timing
17 issue there that could create some issues for
18 customers. So there's some practical issues even
19 though it sounds good in theory.

20 MR. SATTERWHITE: Thank you. That's all
21 I have, your Honor.

22 EXAMINER PARROT: Mr. Williams?

23 MR. WILLIAMS: No questions, your Honor.

24 EXAMINER PARROT: Ms. Petrucci?

25 MS. PETRUCCI: No, your Honor.

1 EXAMINER PARROT: Mr. Casto?

2 MR. CASTO: No.

3 MS. HUSSEY: Nothing.

4 MR. KURTZ: No, your Honor.

5 EXAMINER PARROT: Mr. Darr?

6 MR. DARR: No, ma'am.

7 EXAMINER PARROT: Mr. Yurick?

8 MR. YURICK: A few, sorry.

9 - - -

10 RE-CROSS-EXAMINATION

11 By Mr. Yurick:

12 Q. You said it sounds good. It does sound
13 good in theory, though, and it would be sound theory
14 if you could do what Mr. Satterwhite described for
15 each individual customer.

16 A. It's theoretically consistent with the
17 operation of the PJM capacity market.

18 Q. Right.

19 A. And as I discussed with Mr. Satterwhite
20 and I think with you earlier a little bit, there are
21 practical issues around doing that and, you know --

22 Q. Wouldn't it be true to say there are
23 practical issues with pretty much any method that you
24 use?

25 A. I would say yes, but I'd say there are

1 more with that theoretical approach than what we
2 proposed or even what you proposed or what you were I
3 think alluding to.

4 Q. All I was alluding to is you could have
5 created this rider, rider GEN C, and charged -- at
6 least for demand-metered customers you could have
7 charged them a demand charge to recover this cost.

8 MR. SATTERWHITE: Objection. I don't
9 think that was a question.

10 EXAMINER PARROT: I agree. Let's try to
11 rephrase that, please, Mr. Yurick.

12 Q. The question is you could have designed
13 rider GEN C at least for demand-metered customers as
14 a demand charge, correct? You could have done that.

15 A. I agree, as we discussed with Ms. Grady,
16 many things are possible. Again, I think there's
17 other practical implications with that then we'd be
18 debating should there be demand ratchets, should it
19 be an on-peak charge, an off-peak charge. There are
20 other issues that have to go with it from a practical
21 standpoint.

22 MR. YURICK: I don't have anything
23 further.

24 EXAMINER PARROT: Ms. Grady?

25 MS. GRADY: No questions, your Honor.

1 EXAMINER PARROT: Mr. Margard?

2 MR. MARGARD: No, thank you, your Honor.

3 EXAMINER PARROT: Thank you very much,
4 Mr. Roush.

5 THE WITNESS: Thank you.

6 EXAMINER PARROT: You're excused.

7 I believe Mr. Satterwhite has already
8 moved for the admission of AEP Ohio Exhibit 12. Any
9 objections?

10 (No response.)

11 EXAMINER PARROT: Hearing none, it is
12 admitted.

13 (EXHIBIT ADMITTED INTO EVIDENCE.)

14 EXAMINER PARROT: Ms. Grady.

15 MS. GRADY: OCC would move for the
16 admission of OCC Exhibits No. 6, 7, and 8.

17 EXAMINER PARROT: Thank you.

18 Are there any objections to the admission
19 of OCC Exhibits 6 through 8?

20 MR. SATTERWHITE: No objection.

21 EXAMINER PARROT: Hearing none, they are
22 admitted.

23 (EXHIBITS ADMITTED INTO EVIDENCE.)

24 EXAMINER PARROT: Thank you, everyone --

25 MR. MARGARD: Your Honor.

1 EXAMINER PARROT: I'm sorry, thank you.

2 Mr. Margard, yes.

3 MR. MARGARD: If I may, I believe
4 Ms. Johnson previously moved the exhibit, but I will
5 renew it at this time.

6 EXAMINER PARROT: Thank you, are there
7 any objections to the admission of Staff Exhibit 1?

8 MR. SATTERWHITE: No, your Honor.

9 EXAMINER PARROT: Very good, it is also
10 admitted.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER PARROT: At this point we are
13 adjourned for today. We will reconvene at 9 a.m.

14 Mr. Nourse, our plan for tomorrow, can
15 you just put that on the record for us with respect
16 to witness order?

17 MR. NOURSE: Our witness Dr. LaCasse is
18 just delayed again. She'll be in late tonight so we
19 were going to put her second after Andrea Moore and
20 then proceed with Kyle, Hawkins, and Mitchell as far
21 as we can.

22 EXAMINER PARROT: Okay. Thank you,
23 everyone. Let's go off the record.

24 (Thereupon, the hearing was adjourned at
25 7:01 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Thursday, June 5, 2014, 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.

(75742-MDJ)

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Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Transcript in the matter of Ohio Power Company hearing - Volume III held on 06/05/14 electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.