

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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 Tuesday, June 10, 2014.

- - -

VOLUME VI

- - -

ARMSTRONG & OKEY, INC.  
222 East Town Street, 2nd Floor  
Columbus, Ohio 43215  
(614) 224-9481 - (800) 223-9481  
FAX - (614) 224-5724

- - -

1 APPEARANCES:

2 American Electric Power  
By Mr. Steven T. Nourse  
3 Mr. Matthew J. Satterwhite  
1 Riverside Plaza, 29th floor  
4 Columbus, Ohio 43215-2373

5 Porter, Wright, Morris & Arthur, LLP  
By Mr. Daniel R. Conway  
6 41 South High Street  
Columbus, Ohio 43215-6194

7  
On behalf of the Applicants.

8  
Vorys, Sater, Seymour and Pease, LLP  
9 By Mr. M. Howard Petricoff  
Mr. Stephen M. Howard  
10 Ms. Gretchen L. Petrucci  
52 East Gay Street  
11 Columbus, Ohio 43216

12 On behalf of Constellation NewEnergy,  
Inc., Exelon Generating Company, LLC, and  
13 Retail Energy Supply Association.

14 FirstEnergy Service Corporation  
By Mr. Mark A. Hayden  
15 Mr. Jacob A. McDermott  
Mr. Scott J. Casto  
16 76 South Main Street  
Akron, Ohio 44308

17  
On behalf of FirstEnergy Solutions Corp.

18 Carpenter, Lipps & Leland, LLP  
19 By Ms. Kimberly W. Bojko  
Ms. Rebecca L. Hussey  
20 280 North High Street, Suite 1300  
Columbus, Ohio 43215

21  
On behalf of Ohio Manufacturers  
22 Association.

23

24

25

1 APPEARANCES: (Continued)

2 Bruce J. Weston, Ohio Consumers' Counsel  
3 By Ms. Maureen R. Grady  
4 Mr. Joseph P. Serio  
5 Mr. Edmund "Tad" Berger  
6 Assistant Consumers' Counsel  
7 10 West Broad Street, Suite 1800  
8 Columbus, Ohio 43215-3485  
9  
10 On behalf of the Residential Ratepayers  
11 of Ohio Power Company.

12 Ohio Partners for Affordable Energy  
13 By Ms. Colleen L. Mooney  
14 231 West Lima Street  
15 Findlay, Ohio 45839  
16  
17 On behalf of Ohio Partners for Affordable  
18 Energy.

19 Duke Energy Ohio, Inc.  
20 By Ms. Elizabeth H. Watts  
21 155 East Broad Street, 21st Floor  
22 Columbus, Ohio 43215

23 Duke Energy Ohio, Inc.  
24 By Mr. Rocco D'Ascenzo  
25 139 East Fourth Street, 1303-Main  
Cincinnati, Ohio 45202

On behalf of Duke Energy Ohio.

Bricker & Eckler, LLP  
By Mr. Thomas J. O'Brien  
Mr. Dylan F. Borchers  
100 South Third Street  
Columbus, Ohio 43215-4291

Ohio Hospital Association  
By Mr. Richard L. Sites  
155 East Broad Street, 15th floor  
Columbus, Ohio 43215-3620

On behalf of Ohio Hospital Association.

1 APPEARANCES: (Continued)  
2 Boehm, Kurtz & Lowry  
3 By Mr. David F. Boehm  
4 Mr. Michael L. Kurtz  
5 Mr. Kurt Boehm  
6 36 East Seventh Street, Suite 1510  
7 Cincinnati, Ohio 45202  
8  
9 On behalf of the Ohio Energy Group.  
10  
11 Thompson Hine, LLP  
12 By Mr. Philip B. Sineneng  
13 41 South High Street, Suite 1700  
14 Columbus, Ohio 43215-6101  
15  
16 On behalf of Duke Energy Retail and Duke  
17 Energy Commercial Asset Management, Inc.  
18  
19 McNees, Wallace & Nurick, LLC  
20 By Mr. Samuel C. Randazzo  
21 Mr. Frank P. Darr  
22 Mr. Matthew R. Pritchard  
23 Fifth Third Center, Suite 1700  
24 21 East State Street  
25 Columbus, Ohio 43215-4288  
26  
27 On behalf of the Industrial Energy  
28 Users - Ohio.  
29  
30 Whitt Sturtevant LLP  
31 By Mr. Mark A. Whitt  
32 Mr. Andrew J. Campbell  
33 Mr. Gregory L. Williams  
34 88 East Broad Street, Suite 1590  
35 Columbus, Ohio 43215  
36  
37 On behalf of the Interstate Gas Supply,  
38 Inc.  
39  
40 The Dayton Power and Light Company  
41 By Ms. Judi L. Sobecki  
42 1065 Woodman Drive  
43 Dayton, Ohio 45432  
44  
45 On behalf of The Dayton Power and Light  
46 Company.  
47  
48  
49  
50

1 APPEARANCES: (Continued)

2 Environmental Defense Fund  
3 By Mr. John Finnigan  
4 128 Winding Brook Lane  
5 Terrace Park, Ohio 45174  
6  
7 On behalf of Ohio Environmental Defense  
8 Fund.

9 Ohio Environmental Council  
10 By Mr. Trent Dougherty  
11 1207 Grandview Avenue, Suite 201  
12 Columbus, Ohio 43215-3449  
13  
14 On behalf of Ohio Environmental Council.

15 Taft Stettinius & Hollister, LLP  
16 By Mr. Mark S. Yurick  
17 Mr. Zachary D. Kravitz  
18 65 East State Street, Suite 1000  
19 Columbus, Ohio 43215  
20  
21 On behalf of Kroger Company.

22 Direct Energy  
23 By Mr. Joseph M. Clark  
24 21 East State Street, 19th floor  
25 Columbus, Ohio 43215  
26  
27 On behalf of Direct Energy Services, LLC  
28 and Direct Energy Business, LLC.

29 Environmental Law & Policy Center  
30 By Mr. Nicholas McDaniel  
31 1207 Grandview Avenue, Suite 201  
32 Columbus, Ohio 43212  
33  
34 On behalf of Environmental Law & Policy  
35 Center.

36 Bricker & Eckler, LLP  
37 By Mr. J. Thomas Siwo  
38 100 South Third Street  
39 Columbus, Ohio 43215-4291  
40  
41 On behalf of Paulding Wind Farm II LLC.

42

1 APPEARANCES: (Continued)

2 Spilman Thomas & Battle, PLLC  
3 By Mr. Derrick Price Williamson  
4 1100 Bent Creek Boulevard, Suite 101  
5 1233 Main Street, Suite 4000  
6 Mechanicsburg, Pennsylvania 17050  
7 On behalf of Wal-Mart Stores East, LP  
8 and Sam's East, Inc.

9 Spilman Thomas & Battle, PLLC  
10 By Ms. Tai C. Shadrick  
11 300 Kanawha Boulevard East  
12 Charleston, West Virginia 25301  
13 On behalf of Wal-Mart Stores East, LP  
14 and Sam's East, Inc.

15 Ohio Poverty Law Center  
16 By Mr. Michael R. Smalz  
17 555 Buttles Avenue  
18 Columbus, Ohio 43215-1137  
19 On behalf of Appalachian Peace and  
20 Justice Network.

21 Thompson Hine, LLP  
22 By Ms. Stephanie M. Chmiel  
23 41 South High Street, Suite 1700  
24 Columbus, Ohio 43215-6101  
25 On behalf of Border Energy Electric  
Services, Inc.

26 Mike DeWine, Ohio Attorney General  
27 By Mr. William Wright, Section Chief  
28 Mr. Devin Parram  
29 Ms. Katherine Johnson  
30 Mr. Werner L. Margard III  
31 Assistant Attorneys General  
32 Public Utilities  
33 180 East Broad Street, 6th floor  
34 Columbus, Ohio 43215  
35 On behalf of the Staff of the Public  
Utilities Commission.

36 - - -

1 APPEARANCES: (Continued)

2 EnerNOC, Inc.  
3 By Mr. Gregory J. Poulos  
4 471 East Broad Street, Suite 1520  
5 New Albany, Ohio 43215

6 On behalf of the EnerNOC, INC.

7 - - -

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

			1370
1	INDEX		
2	- - -		
3	WITNESS		PAGE
4	Steve W. Chriss		
	Direct Examination by Mr. Williamson		1375
5	Cross-Examination by Mr. Conway		1377
6	Louis M. D'Alessandris		
	Direct Examination by Mr. Casto		1387
7	Cross-Examination by Mr. Darr		1390
	Cross-Examination by Mr. Berger		1392
8	Cross-Examination by Mr. Satterwhite		1398
	Cross-Examination by Mr. Parram		1416
9	Thomas Pearce		
10	Direct Examination by Ms. Johnson		1420
	Cross-Examination by Mr. Nourse		1422
11	James D. Williams		
12	Direct Examination by Mr. Serio		1435
	Cross-Examination by Mr. Smalz		1438
13	Cross-Examination by Ms. Petrucci		1439
	Cross-Examination by Ms. Bojko		1459
14	Cross-Examination by Mr. Satterwhite		1463
	Redirect Examination by Mr. Serio		1502
15	Kevin M. Murray		
16	Direct Examination by Mr. Darr		1506
	Cross-Examination by Mr. Berger		1510
17	Cross-Examination by Mr. Nourse		1516
	Redirect Examination by Mr. Darr		1551
18	Recross-Examination by Mr. Nourse		1553
19	- - -		
20	OCC EXHIBIT	IDFD	ADMTD
21	11 - Direct Testimony of		
	James D. Williams	1436	1504
22	- - -		
23			
24			
25			



			1371
1	INDEX (Continued)		
2	- - -		
3	IEU EXHIBITS	IDFD	ADMTD
4	1A - Direct Testimony of Kevin M. Murray		
5	(Confidential)	II-553	1554
6	1B - Direct Testimony of Kevin M. Murray -		
7	Public Version	1507	1554
8	- - -		
9	STAFF EXHIBIT	IDFD	ADMTD
10	11 - Direct Testimony of Thomas Pearce	1420	1435
11	- - -		
12	WAL-MART EXHIBIT	IDFD	ADMTD
13	1 - Direct Testimony of Steve W. Chriss	1376	1386
14	- - -		
15	FES EXHIBIT	IDFD	ADMTD
16	1 - Direct Testimony of Louis M. D'Alessandris	1388	1419
17	- - -		
18			
19			
20			
21			
22			
23			
24			
25			

1 Tuesday Morning Session,  
2 June 10, 2014.

3 - - -

4 EXAMINER PARROT: Let's go on the record.  
5 Good morning, everyone. Let's begin with brief  
6 appearances starting with the company and we'll work  
7 our way around.

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

11 MR. SERIO: Good morning, your Honor. On  
12 behalf of OCC, Maureen R. Grady, Joseph P. Serio, Tad  
13 Berger.

14 MR. YURICK: Good morning, your Honor.  
15 Mark Yurick on behalf of the Kroger Company.

16 MR. DARR: Good morning. On behalf of  
17 Industrial Energy Users of Ohio, Frank Darr and Matt  
18 Pritchard.

19 MS. JOHNSON: Good morning. On behalf of  
20 the staff of the Public Utilities Commission of Ohio,  
21 Devin Parram, Katie Johnson, and Werner Margard.

22 MR. K. BOEHM: Good morning, your Honor.  
23 On behalf of the Ohio Energy Group, Kurt Boehm.

24 MR. WILLIAMSON: Morning, your Honor.  
25 Derrick Williamson and Tai Shadrick on behalf of

1 Wal-Mart and Sam's East.

2 MS. BOJKO: Good morning, your Honor. On  
3 behalf of OMA, Kim Bojko and Rebecca Hussey.

4 MR. CASTO: Good morning. On behalf of  
5 FirstEnergy Solutions Corp., Scott Casto, Jacob  
6 McDermott, and Mark Hayden.

7 MS. PETRUCCI: On behalf of the Retail  
8 Energy Supply Association, Constellation NewEnergy,  
9 and Exelon Generation, M. Howard Petricoff, Steve  
10 Howard, and Gretchen Petrucci.

11 MR. POULOS: Good morning, your Honors.  
12 Greg Poulos on behalf of EnerNOC.

13 MR. SMALZ: Your Honors, Michael Smalz on  
14 behalf of the Appalachian Peace and Justice Network.

15 MR. WILLIAMS: Good morning, your Honors.  
16 On behalf of IGS, Mark Whitt, Andrew Campbell, and  
17 Greg Williams.

18 EXAMINER PARROT: Let's go off the  
19 record.

20 (Discussion off the record.)

21 EXAMINER SEE: Let's go back on the  
22 record, please.

23 MR. BORCHERS: Good morning, your Honor.  
24 On behalf of the Ohio Hospital Association, Tom  
25 O'Brien and Dylan Borchers.

1                   EXAMINER SEE: Is there counsel for any  
2 other parties seated beyond the table?

3                   (No response.)

4                   EXAMINER SEE: Let's take a moment and go  
5 off the record to discuss some scheduling issues.

6                   (Discussion off the record.)

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

9                   EXAMINER PARROT: The parties have  
10 briefly discussed the upcoming schedule. An e-mail  
11 will be forthcoming to counsel setting that forth.

12                   At this point I think our next witness is  
13 from Wal-Mart.

14                   MR. WILLIAMSON: Yes, your Honors.  
15 Wal-Mart would call Steve W. Chriss to the stand.

16                   EXAMINER PARROT: Please raise your right  
17 hand.

18                   (Witness sworn.)

19                   EXAMINER PARROT: Please have a seat.

20   - - -

21

22

23

24

25

1 STEVE W. CHRISS

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

4 DIRECT EXAMINATION

5 By Mr. Williamson:

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

8 A. My name is Steve W. Chriss.

9 Q. Put your mic on.

10 A. There we go. My name is Steve W. Chriss.  
11 My business address is 2001 Southeast 10th Street,  
12 Bentonville, Arkansas.

13 Q. By whom are you employed and in what  
14 capacity?

15 A. I'm employed by Wal-Mart Stores,  
16 Incorporated. I am Senior Manager, Energy Regulatory  
17 Analysis.

18 Q. And have you previously submitted  
19 testimony before this Commission?

20 A. Yes.

21 Q. Did you cause to be filed in this case  
22 the direct testimony and exhibits of Steve W. Chriss?

23 A. Yes.

24 MR. WILLIAMSON: Your Honors, I have  
25 provided to the court reporter and all other parties

1 were served with the direct testimony and exhibits of  
2 Steve Chriss. I would ask that that be marked for  
3 identification as Wal-Mart Exhibit 1.

4 EXAMINER PARROT: So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. Mr. Chriss, was Wal-Mart Exhibit 1  
7 prepared by you or under your direct supervision?

8 A. Yes.

9 Q. Do you have any corrections or changes to  
10 that testimony as you testify here today?

11 A. No.

12 MR. WILLIAMSON: Your Honor, I would move  
13 the admission of Wal-Mart Exhibit 1 subject to the  
14 cross-examination of the parties and would tender the  
15 witness for such examination.

16 EXAMINER PARROT: Thank you,  
17 Mr. Williamson.

18 Mr. Williams, any cross-examination?

19 MR. WILLIAMS: No, thank you, your Honor.

20 EXAMINER PARROT: Mr. Smalz?

21 MR. SMALZ: No questions, your Honor.

22 EXAMINER PARROT: Mr. Poulos?

23 MR. POULOS: No questions, your Honor.

24 EXAMINER PARROT: Ms. Petrucci?

25 MS. PETRUCCI: No questions.

1 EXAMINER PARROT: FES?  
2 MR. CASTO: No questions.  
3 EXAMINER PARROT: Mr. Borchers?  
4 MR. BORCHERS: No questions, your Honor.  
5 EXAMINER PARROT: Ms. Bojko?  
6 MS. BOJKO: No questions, your Honor.  
7 EXAMINER PARROT: Mr. Boehm?  
8 MR. K. BOEHM: No questions, your Honor.  
9 EXAMINER PARROT: Mr. Darr?  
10 MR. DARR: No questions, your Honor.  
11 EXAMINER PARROT: Mr. Yurick?  
12 MR. YURICK: No questions, your Honor,  
13 thank you.  
14 EXAMINER PARROT: OCC?  
15 MR. SERIO: No questions, your Honor.  
16 EXAMINER PARROT: Mr. Conway?  
17 MR. CONWAY: Thank you, your Honor, just  
18 a few.  
19 - - -  
20 CROSS-EXAMINATION  
21 By Mr. Conway:  
22 Q. Good morning, Mr. Chriss.  
23 A. Good morning.  
24 Q. I'm Dan Conway, one of the lawyers for  
25 the company.

1                   If you could turn to your testimony at  
2 page 7, in the question and answer that starts on  
3 line 7 you state that the distribution investment  
4 rider that the company has proposed provides a  
5 reduction in regulatory lag for AEP Ohio; is that  
6 right?

7                   A.     That is correct.

8                   Q.     And, in your view, that reduction in  
9 regulatory lag reduces AEP Ohio's risk; is that  
10 correct?

11                  A.     That's correct.

12                  Q.     You have not identified in your testimony  
13 any instances where AEP Ohio faces increased risks,  
14 have you?

15                  A.     I have not.

16                  Q.     And you did not identify any  
17 circumstances of OPCo's business operations or any  
18 aspect of its regulation by the PUCO that creates  
19 specific heightened risks for the company, have you?

20                  A.     My testimony focuses in this part on the  
21 DIR and that, as I state above, it could potentially  
22 account for the collection of approximately  
23 27 percent of OPC's revenues that would otherwise be  
24 collected through base rates and that's fairly  
25 significant.



1           Q.    So is your answer to my prior question  
2    "that is correct," along with the explanation you  
3    just provided?

4           A.    Let's revisit your question quickly just  
5    so I make sure I'm answering the correct question  
6    again.

7           Q.    Okay.  In your testimony you did not  
8    identify any circumstances of AEP Ohio's business  
9    operations or any aspect of its regulation by the  
10   PUCO that creates heightened risks for the company.

11          A.    That is correct that -- that's what I  
12    answered.

13          Q.    And do you know of any such circumstances  
14    affecting Ohio Power's -- AEP Ohio's business  
15    operations or any regulatory circumstances that  
16    increase the risks that the company faces?

17          A.    Well, I haven't identified any as such,  
18    however, ultimately the Commission in its  
19    determination of an appropriate return on equity for  
20    OPC will look at the, I'm assuming will look at the  
21    entirety of all risks and benefits that the company  
22    sees and will make a determination as such.

23          Q.    So I take it from your last answer that  
24    if there were such circumstances that caused  
25    increased risks for AEP Ohio, you would recommend

1 that the Commission adjust the company's authorized  
2 return on equity to recognize the increased risks.

3 A. Again, the Commission will have to look  
4 at the balance of all of the risks. To the extent  
5 that they believe that there are some that would  
6 require an increase in the awarded ROE, they could do  
7 as such per their discretion, however, the DIR does  
8 constitute a significant amount of revenue.

9 Q. And in your testimony, as I read it, I  
10 concluded that -- I took from it that you're not  
11 actually preparing in your testimony a point estimate  
12 of what the company's cost of equity is; is my  
13 understanding correct of your testimony?

14 A. That's correct.

15 Q. Now, if you could turn to the bottom of  
16 page 8 of your testimony, and I'm looking at the  
17 portion of your answer that starts at line 10, the  
18 portion of that answer actually at lines 18 through  
19 20, you reference at that point returns on equity or  
20 ROEs approved by other utility regulatory commissions  
21 in 2012, 2013, and so far in 2014; is that right?

22 A. That is correct.

23 Q. When did the ROEs approved by those other  
24 utility regulatory commissions for 2012 actually go  
25 into effect? And it's not -- I don't mean to make it

1 difficult. Let me rephrase the question.

2 The ROEs that were approved by the other  
3 utility regulatory commissions in 2012 went into  
4 effect in 2012; is that right?

5 A. It's going to depend on the case and what  
6 the effective dates of the rates are. There are --  
7 if you look on page 1 of Exhibit SWC-2, there's quite  
8 a few cases in 2012 that span from January to  
9 December.

10 Q. Yeah.

11 A. And there are actually a significant  
12 number that were done in December, so.

13 Q. So the ones in December might have  
14 spilled over as far as their effectiveness in 2013;  
15 is that your understanding?

16 A. That could entirely be the case, sure.

17 Q. Okay. You don't have any understanding  
18 that those approved ROEs from 2012 didn't go into  
19 effect until some substantially later time than  
20 early-2013, do you?

21 A. It would depend on the case. I'm sure  
22 some went into effect in 2013.

23 Q. And most of them, in your understanding,  
24 went into effect in 2012; is that right?

25 A. Again, that depends on the case. Go back

1 and look at the effective date of rates for each of  
2 the cases, I don't have that data with me.

3 Q. Do you have any expectation about when  
4 the, generally speaking, those effective dates of  
5 those rate orders were?

6 A. If I -- I'm sorry. I thought I heard  
7 something.

8 I mean, if I'm -- based on experience, if  
9 I had to guess, I would say everything up to  
10 September or October probably went into effect in  
11 2013 and anything past that probably went into effect  
12 Jan 1 -- I'm sorry, anything from January to  
13 September of '12 probably went into effect in '12 and  
14 then anything past that went into effect for '13 or  
15 effectively '13 so maybe it went into effect in  
16 December but, again, it depends on the case.

17 Q. Okay. If I asked you the same question  
18 with regard to the authorized ROEs that you report  
19 for the year 2013, would your answer be similar?

20 A. Yes. Again, ultimately there's an  
21 decision date, an effective date, and there is time  
22 between those so it just depends on the case.

23 Q. So the 2013 authorized ROEs probably went  
24 into effect mostly in 2013 and maybe for the last  
25 quarter some of them might have gone into effect in

1 early-2014?

2 A. Sure. Just depends on the case.

3 Q. And then with regard to the authorized  
4 ROEs that were approved in the first quarter or the  
5 early part or I guess you used the words "so far," so  
6 far in 2014, those would go into effect in 2014,  
7 right?

8 A. Yeah. As far as I know, the ones that  
9 have been authorized so far in '14 will go into  
10 effect in '14.

11 Q. Now, let's turn back to the case before  
12 us today, the company's ESP case, the third ESP that  
13 the company has proposed under the law, the law  
14 referred to as SB 221. When do you -- well, first of  
15 all, when do you expect the company will get an order  
16 in this case approving or approving and modifying its  
17 proposed ESP?

18 A. Off the top of my head I'm not sure of  
19 the statutory time frame of this docket or when an  
20 order would be required, so I don't know.

21 Q. Do you expect it will be sometime in  
22 2014?

23 A. I would imagine so.

24 Q. Okay. And then as part of that order,  
25 you would expect the Commission to settle on, to

1 approve the use of a particular ROE for the company's  
2 rate proposals in this case that depend, in part, on  
3 an ROE?

4 A. Could you repeat that?

5 MR. CONWAY: Could you have the question  
6 reread, please?

7 (Record read.)

8 A. That's correct.

9 Q. And what's your understanding of when  
10 rates approved by the Commission as a result of this  
11 ESP will go into effect first?

12 A. My understanding is that they go into  
13 effect June 1 of '15.

14 Q. And for what period of time, then, are  
15 those rates going to be effective, if you know?

16 A. From '15 to '18.

17 Q. So the rates that will be approved as a  
18 part of this ESP from an order that's issued by the  
19 Commission in 2014 will be in effect for a period  
20 that starts in June of 2015 and continues through May  
21 of 2018; is that your understanding?

22 A. That's my understanding.

23 Q. So you would -- would you agree with me  
24 that there will be a lag in the time when the  
25 Commission decides an authorized ROE in this case and

1 when the rates that depend upon, at least in part,  
2 that authorized ROE are in effect?

3 A. There will be.

4 Q. And would you agree with me that that is  
5 a type of regulatory lag?

6 A. I would.

7 Q. And if equity costs increase from where  
8 they are determined to be in this case to a higher  
9 level by June of 2015, would you agree with me that  
10 AEP Ohio won't be able to factor such an increase  
11 into the ESP rates that are going to go into effect  
12 at that time in June of 2015?

13 A. Well, while they, AEP, wouldn't be able  
14 to change the ESP rates, they could file a base rate  
15 case and as part of the base rate case put a return  
16 on equity request in there.

17 Q. But as part of the ESP, there won't be  
18 any change, right?

19 A. There wouldn't be as part of the ESP, but  
20 to the extent that costs that are ESP riders, if  
21 those costs can get moved into base rates, then you  
22 could reask for a different level of equity in the  
23 base rate case and move those costs into base rates.

24 MR. CONWAY: That's all the questions I  
25 have, your Honor.

1 Thank you, Mr. Chriss.

2 THE WITNESS: You're welcome.

3 EXAMINER PARROT: Mr. Clark, I'm sorry, I  
4 didn't mean to skip you earlier, did you have  
5 questions?

6 MR. CLARK: No questions, your Honor.

7 EXAMINER PARROT: Okay, thank you.  
8 Staff?

9 MR. PARRAM: No questions, your Honor.

10 EXAMINER PARROT: Any redirect,  
11 Mr. Williamson?

12 MR. WILLIAMSON: No, ma'am.

13 EXAMINER PARROT: Thank you.

14 THE WITNESS: Thank you.

15 EXAMINER PARROT: Mr. Williamson has  
16 already moved for the admission of Wal-Mart Exhibit  
17 1. Are there any objections?

18 MR. CONWAY: No, your Honor.

19 EXAMINER PARROT: Hearing none, it is  
20 admitted.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 EXAMINER PARROT: FES. Next witness.

23 MR. CASTO: Your Honor, Mr. D'Alessandris  
24 just went to the bathroom.

25 EXAMINER PARROT: Okay. Let's take a



1 brief, five-minute break.

2 (Recess taken.)

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

5 FES?

6 MR. CASTO: Yes, your Honor,  
7 Mr. D'Alessandris is already on the stand.

8 EXAMINER PARROT: Please raise your right  
9 hand.

10 (Witness sworn.)

11 EXAMINER PARROT: Please have a seat.

12 - - -

13 LOUIS M. D'ALESSANDRIS

14 being first duly sworn, as prescribed by law, was  
15 examined and testified as follows:

16 DIRECT EXAMINATION

17 By Mr. Casto:

18 Q. Good morning, Mr. D'Alessandris. Can you  
19 please state your name for the record.

20 A. Louis D'Alessandris.

21 Q. And by whom are you employed?

22 A. FirstEnergy Solutions Corp.

23 Q. And what is your position with  
24 FirstEnergy Solutions Corp.?

25 A. I am an advisor in the State & EDC group.

1           Q.    Did you cause to be prepared at your  
2           direction your direct testimony in this case?

3           A.    I did.

4           Q.    Do you have a copy of that testimony with  
5           you?

6           A.    I do.

7                   MR. CASTO:  Your Honors, at this time I'd  
8           like to mark as FES Exhibit 1 the testimony of Louis  
9           D'Alessandris.

10                   EXAMINER PARROT:  So marked.

11                   (EXHIBIT MARKED FOR IDENTIFICATION.)

12           Q.    Do you have any changes to your  
13           testimony?

14           A.    I do.  I have one correction.

15           Q.    Can you please make that now.

16           A.    Yes.  It's on page 6, lines 4 and 5,  
17           starting on line 4 with the word "given," strike the  
18           rest of that line and continue striking line 5 up  
19           through and including "disincentive to shop" and so  
20           "and" replace with the word "this" so the new  
21           sentence reads "This is likely to negatively affect a  
22           customer's shopping experience."

23           Q.    Do you have any other changes?

24           A.    I do not.

25                   MR. CASTO:  Your Honors, subject to

1 cross-examination I'd like to offer FES Exhibit 1  
2 into evidence, and Mr. D'Alessandris is available for  
3 cross-examination.

4 EXAMINER PARROT: Thank you, Mr. Casto.  
5 Mr. Williams?

6 MR. WILLIAMS: No questions, your Honor.

7 EXAMINER PARROT: Mr. Smalz?

8 MR. SMALZ: No questions, your Honor.

9 EXAMINER PARROT: Mr. Poulos?

10 MR. POULOS: No cross, your Honor.

11 EXAMINER PARROT: Ms. Petrucci?

12 MS. PETRUCCI: No questions.

13 EXAMINER PARROT: Mr. Borchers?

14 MR. BORCHERS: No questions, your Honor.

15 EXAMINER PARROT: Ms. Bojko?

16 MS. BOJKO: No questions, your Honor.

17 EXAMINER PARROT: Mr. Williamson?

18 MR. WILLIAMSON: No questions, your

19 Honor.

20 EXAMINER PARROT: Mr. Boehm?

21 MR. K. BOEHM: No questions, your Honor.

22 EXAMINER PARROT: Mr. Clark?

23 MR. CLARK: No cross, your Honor.

24 EXAMINER PARROT: Mr. Darr?

25 MR. DARR: Very briefly, your Honor.

1 CROSS-EXAMINATION

2 By Mr. Darr:

3 Q. Turning your attention to page 3 of your  
4 testimony, you indicate that FES generally supports  
5 AEP's proposed nonbypassable transmission rider,  
6 correct?

7 A. That's correct.

8 Q. If the Commission approves AEP's proposed  
9 nonbypassable transmission rider, it's also correct  
10 that FES would transfer its responsibility for  
11 nonmarket-based transmission charges to AEP Ohio,  
12 correct?

13 A. That's correct.

14 Q. Once that transfer occurs, will FES  
15 revise its current contracts to back out the  
16 nonmarket-based transmission charges from the total  
17 charges that are currently embedded in contracts?

18 A. For contracts moving forward I can tell  
19 you how the market would react. The reduction in  
20 cost would be seen in rates that customers would see.  
21 As far as existing contracts, that would be a  
22 provision subject to the contract and the agreement  
23 between the customer and the supplier.

24 Q. Are you aware of anything in the current  
25 contracts, and I'm speaking sort of globally now

1 since I know each of the contracts may vary, that  
2 specifically provides for a renegotiation or  
3 resetting of either a fixed or variable price  
4 contract?

5 A. I don't know generally of any provisions  
6 such as that. I think it's important to note that  
7 FES, when they sign a contract, it is a -- to the  
8 extent that NITS is included in that price, it's  
9 included in our price, however, FES contracts are  
10 not -- it's not like a utility where you can point to  
11 a rider and pull something out. It is a price that  
12 covers all of the costs and risks associated with it.

13 Q. So as it currently stands, you can't  
14 point to anything specifically that would prevent the  
15 possibility of a double bill if the -- a  
16 double-billing of the nonbypassable portion of the  
17 transmission costs if the Commission approves FES's  
18 proposal -- or, excuse me, AEP's proposal.

19 A. There's nothing that I can point to but I  
20 don't -- I wouldn't agree that it's a double-billing  
21 of costs.

22 Q. If the NITS is included in the bill of  
23 FES currently, and assuming that that contract  
24 continues forward, and NITS is also included as a  
25 portion of the nonbypassable charge, how is that not

1 a double bill?

2 A. Again, I think it points to how FES  
3 prices their contracts. If there's a market rate, if  
4 FES's collection of costs and risk premiums are below  
5 that market rate, FES can make an offer in the  
6 marketplace. It's not easily split out into  
7 individual components.

8 Q. You're not suggesting that FES would not  
9 attempt to recover its NITS costs under the current  
10 arrangement, correct?

11 A. I believe if it's -- unless it's  
12 separately priced in the contract, it would be  
13 included to the extent that it's a full requirements  
14 contract.

15 MR. DARR: Thank you. Nothing further.

16 EXAMINER PARROT: Mr. Yurick?

17 MR. YURICK: No questions, your Honor,  
18 thank you.

19 EXAMINER PARROT: Mr. Berger?

20 MR. BERGER: Just a few questions, thank  
21 you.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Berger:

25 Q. Good morning, Mr. D'Alessandris.

1           A.    Good morning, Mr. Berger.

2           Q.    On page 4 of your testimony you talk  
3 about the generation deactivation charges.

4           A.    Yes.

5           Q.    Which are really the charges for  
6 reliability must-run requirements --

7           A.    Correct.

8           Q.    -- by PJM.

9                    Now, if the generation deactivation  
10 charges are treated as market-based charges for which  
11 CRES suppliers or SSO auction participants are  
12 responsible, would you agree that these suppliers  
13 will have to include in their pricing their estimates  
14 of what these charges would be?

15                   THE WITNESS:  Could I have the question  
16 reread, please?

17                   (Record read.)

18           A.    To the extent that they are treated as a  
19 market-based charge, which they are not, they are not  
20 market-based charges, yes, there would have to be --  
21 there would be a risk premium.

22           Q.    How do you define "market-based charges,"  
23 Mr. D'Alessandris?

24           A.    Market-based charges are anything that I  
25 would say are set by the market.  A nonmarket-based

1 charge, on the other hand, is something where it's  
2 tariff based rather than set by the market. As a  
3 result of not having a market available, there's no  
4 trading instrument available to help a CRES provider  
5 manage that risk.

6 Q. But if the availability of generating  
7 capacity is sufficient to meet demand is what's  
8 driving these reliability must-run charges, don't you  
9 agree that that's driven by market-based factors in  
10 terms of the availability of generating capacity?

11 A. No. I believe it's a transmission charge  
12 and it's a nonmarket-based transmission charge.  
13 These reliability must-run obligations that certain  
14 suppliers have, a CRES provider has zero knowledge or  
15 ability to hedge that. If you think about all of the  
16 things that go into a reliability must-run and how  
17 little CRES providers know about that, they don't  
18 know what generation plants are going to close, when  
19 they're going to close, if PJM will determine that  
20 they're needed for reliability, if they are, the CRES  
21 provider doesn't know how much the charge will be,  
22 what load zones it will be spread over, when the  
23 charge will start, when the charge will finish.

24 There are so many uncertainties it's not  
25 really a market-based charge, it's a tariff charge



1 that comes from PJM.

2 Q. Now, just to clarify, you tie this zero  
3 percent discount with respect to the offering of  
4 purchase of receivables program to the bad debt  
5 rider; is that right?

6 A. AEP made that proposal.

7 Q. Right. But you're not necessarily  
8 opposed to charging CRES suppliers a discount rate on  
9 their -- on the receivables if the bad debt rider is  
10 set to only recover a portion of the receivables or  
11 is eliminated entirely; isn't that correct?

12 A. I believe my testimony said we wouldn't  
13 be opposed to the recovery of additional POR-related  
14 charges through the discount rate. We still think  
15 the most important thing with the POR program is that  
16 it's optional participation for a CRES provider.

17 Q. So you don't have a problem with having a  
18 discount rate greater than zero?

19 A. As AEP has defined it, that there would  
20 be a discount rate of zero, however, Witness Gabbard  
21 stated that it could be something other than zero as  
22 a result of POR program enhancement costs, he stated  
23 that in his direct testimony and then on the stand he  
24 mentioned that other general supplier enhancements  
25 could fall into the POR discount rate.

1           I think it's critical for suppliers to  
2           have the optionality of being able to participate or  
3           not participate in a POR program considering that the  
4           discount rate could be something other than zero  
5           percent in the future.

6           Q.    Well, in the absence of a bad debt rider  
7           are you opposed to AEP collecting the receivables  
8           that are attributable to CRES supplier customers  
9           through a discount rate to the purchase of  
10          receivables program?

11          A.    If the participation is mandatory by CRES  
12          providers to utilize utility consolidated billing, I  
13          would be very opposed. In that scenario, if you have  
14          a supplier that has a outstanding credit and  
15          collections process, their historic uncollectible  
16          percentage would likely be below the AEP discount  
17          rate that's set. So, in effect, if a CRES provider  
18          was forced to participate in a purchase of  
19          receivables program under that scenario, they would,  
20          in effect, be subsidizing their direct competitors  
21          who don't have such efficient credit and collections  
22          processes.

23          Q.    But you would require -- you would  
24          require AEP, then, to purchase the receivables  
25          without charging anything, effectively, for the fact

1 that some of the CRES suppliers' customers would not  
2 be paying their entire bill; is that correct? That's  
3 what you would do?

4 THE WITNESS: Could I have that question  
5 reread, please?

6 (Record read.)

7 A. I apologize, I'm not sure I follow the  
8 question.

9 Q. This is assuming there is no bad debt  
10 rider.

11 A. Okay.

12 Q. And I'm asking you whether in the absence  
13 of a bad debt rider you would prohibit AEP from  
14 collecting CRES supplier customer receivables through  
15 a discount to the POR, would you be opposed to that?

16 A. Again, if it was mandatory participation,  
17 so in other words if purchase of receivables was  
18 directly tied to utility consolidated billing, FES  
19 would be opposed to that for the very nature that FES  
20 under that scenario would be forced to subsidize our  
21 competitors that don't have as favorable of a credit  
22 and collections process.

23 Q. But if it was tailored to your customers  
24 in particular, you wouldn't be opposed to it.

25 A. If I understand your question, if it was

1 a discount rate specific to FES?

2 Q. Yes. If it was calculated to reflect the  
3 uncollectibles associated with your customers.

4 A. I would say we still would want it to be  
5 optional and not tied to consolidated billing. I  
6 think the party with the most direct economic  
7 incentive to collect on FES receivables is FES. I  
8 don't know anything about AEP's credit and  
9 collections processes, I know Witness Bossart, Staff  
10 Witness Bossart, has said a few things about it. I  
11 still believe in your scenario it should still be  
12 optional, and a CRES provider could choose to use  
13 their own credit and collections processes and not  
14 pay the discount rate to AEP.

15 MR. BERGER: Thank you.

16 THE WITNESS: Thank you, Mr. Berger.

17 EXAMINER PARROT: Mr. Satterwhite?

18 MR. SATTERWHITE: Thank you, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Satterwhite:

22 Q. Good morning. How are you doing?

23 A. Good morning, Mr. Satterwhite.

24 Q. Let me write one note down here.

25 Going back to a conversation you had with

1 Mr. Darr about the nonmarket-based transmission  
2 charges that would be transferred to AEP --

3 A. Yes.

4 Q. -- do FES contracts have a provision that  
5 you referred to as pass-through events?

6 A. Pass-through events are fairly standard  
7 risk mitigation language in this industry, it allows  
8 a CRES provider to offer a lower price in exchange  
9 for the possibility that there could be a  
10 pass-through -- pass-through event that occurs.

11 Q. And a pass-through event can work both  
12 ways, correct? You could pass through a credit if  
13 something came to FES where you wouldn't have to pay  
14 for something anymore because of a change in the  
15 industry, correct?

16 A. That depends, I would assume, on how the  
17 contract is written and what the language is in  
18 there.

19 Q. But a general pass-through event as you  
20 defined it deals with a change in the industry if  
21 there's a need to pass through something to  
22 effectuate that change, correct?

23 MR. CASTO: Your Honor, at this point I'd  
24 like to object. Relevance of this question.

25 MR. SATTERWHITE: Your Honor, we were

1 talking about whether there was going to be double  
2 charges, what's going to happen, and I'm just  
3 exploring the option of how customers may not have to  
4 pay this to FES and what changes can occur in the  
5 industry if the Commission were to approve AEP's  
6 plan. This is directly on point with what Mr. Darr  
7 was asking earlier, and I'm just trying to understand  
8 FES's contracts and the ability for the Commission to  
9 ensure customer protections.

10 MR. CASTO: Your Honor, this has  
11 absolutely nothing to do with the questions Mr. Darr  
12 asked. Just because it's in FES's contract does not  
13 mean it's tied to Mr. Darr's question.  
14 Mr. Satterwhite has done nothing to tie it to  
15 Mr. D'Alessandris's testimony.

16 MR. SATTERWHITE: I'm tying it to the  
17 testimony he's already given today. The question was  
18 if there were charges that were transferred to AEP  
19 that Mr. Darr asked, how would FES react to that.  
20 And I'm just trying to explore if there's mechanisms  
21 within FES's contracts, and I think I've already  
22 heard there are, that customers could be protected  
23 with that.

24 EXAMINER PARROT: The objection's  
25 overruled. I'll allow the question.

1 THE WITNESS: If I could have the  
2 question reread, please?

3 (Record read.)

4 A. Again, I think I would have to go back to  
5 it depends on how the language is written in the  
6 customer contract.

7 Q. Can you give an example of a pass-through  
8 event in the past that you're aware of that's been  
9 flowed through to customers in FES?

10 A. I'm familiar that in -- recently Met-Ed  
11 and Penelec, two Pennsylvania utilities, it may have  
12 included West Penn Power and Penn Power, I'm not  
13 100 percent sure on that, but at least in those two  
14 utilities there was a change from -- a change in  
15 responsibility of TEC, which I believe stands for  
16 transmission enhancement charge, and RTEP charges  
17 that move from the utility to the customer and FES in  
18 accordance with contract provisions made those  
19 changes.

20 Q. Can you think of any examples where FES  
21 has used the pass-through mechanism to give a credit  
22 back to customers?

23 A. That would have been a credit back.

24 Q. That would have been a credit.

25 A. Yes.

1 Q. Okay. So it is possible to use the  
2 pass-through as a credit to customers if there's a  
3 change in the industry, correct?

4 A. It's possible. I think it depends on the  
5 contract language, and it's also a business decision.

6 Q. Now, you mentioned in some questions with  
7 counsel for OCC that you were opposed to mandatory  
8 consolidated billing because a supplier with  
9 outstanding credit and collections will be  
10 subsidizing other CRES providers. Do you remember  
11 that conversation?

12 A. Yes. I believe that was relevant when  
13 there was a discount, uniform discount percentage,  
14 something other than zero that was provided.

15 Q. And that's my question. So in the  
16 program proposed by AEP you're not asserting that  
17 FES's credit and collection is better than the zero  
18 discount rate that's proposed by AEP, correct?

19 A. FES's credit and collections is not  
20 better than zero.

21 Q. Okay.

22 A. I would point out that there's no  
23 guarantee that the discount rate is going to be zero  
24 in the future. As Witness Gabbard stated in his  
25 testimony as well as on the stand, there could be



1 other costs that flow into the discount percentage.  
2 There are several intervenors who have raised other  
3 points in this case that the discount rate should be  
4 something other than zero percent.

5 If the Commission were to adopt their  
6 recommendations, FES would want to make sure that  
7 they were protected by having the optionality or the  
8 availability to utilize utility consolidated billing.

9 Q. And you give those conditions for  
10 potential changes to the discount rate in the future  
11 on page 5 of your testimony, correct?

12 A. That's correct. And that was based  
13 on our understanding of Witness Gabbard's testimony  
14 where -- his filed testimony in this case where that  
15 was only going to be for POR program enhancements.

16 Q. Right.

17 A. On the stand he certainly expanded that  
18 to the possibility to include other general supplier  
19 enhancements.

20 Q. If you don't object to the possibility, I  
21 believe you said that earlier, your conditions are  
22 really premised on making sure there's a process that  
23 goes into determining if there's going to be a change  
24 in that discount rate, correct?

25 A. To the extent that it's a POR

1 program-related discount, yes. I think it's bad  
2 policy to include general supplier activities or  
3 enhancements into the POR discount.

4 Q. And your conditions that you place in  
5 your testimony don't stand for the proposition that  
6 the company should take a loss to offer the purchase  
7 of receivables program, and when I say "company," I  
8 mean the utility, correct?

9 A. Correct.

10 Q. You also talked about the credit and  
11 collections and you mentioned Staff Witness Bossart's  
12 testimony and that you weren't sure about the process  
13 that AEP uses other than what you've read in  
14 Miss Bossart's testimony. Do you remember those  
15 questions?

16 A. Yes.

17 Q. Does FES have a benchmark that they use  
18 for collections done by outside third-party vendors  
19 that seek to collect on behalf of FES?

20 A. I'm not aware. I have no personal  
21 knowledge of that.

22 Q. Okay. What are you aware of with FES's  
23 credit and collection policy? What's your  
24 interaction with that and understanding?

25 A. Generally, I'm aware that, I'll use an

1 example of in 2010-'11, in that time frame, Duke  
2 Energy had a discount -- had a POR program with a  
3 discount. FES evaluated it at that time and  
4 determined that the discount rate was too high and,  
5 thus, FES chose not to participate in that program.

6 So there are -- if given -- the exception  
7 in Duke was that we were given the optional of still  
8 using the utility consolidated billing without being  
9 tied to the POR program.

10 Q. All right. My question, though, was on  
11 the credit and collection of FES in the box of FES  
12 dealing with its customers. You're not aware of the  
13 day-to-day benchmarks that FES uses to guide its  
14 credit and collection policies, correct?

15 A. I am not aware of that.

16 Q. Since we're on page 5 of your testimony,  
17 in the next paragraph starting on line 22 you talk  
18 about the 77-cent charge for CRES providers, and it  
19 goes from 5 to the top of 6. Do you see that?

20 A. I do.

21 Q. And I believe you state in your testimony  
22 that you do not think that CRES providers should be  
23 charged for consolidated billing because AEP  
24 currently already offers consolidated billing,  
25 correct?

1           A.    Correct.

2           Q.    Is it your understanding that that 77  
3 cents is paying for consolidated billing?

4           A.    The 77 cents, I believe, are program  
5 costs of AEP, the difference being there is no way to  
6 utilize consolidated billing without paying that. I  
7 don't see how you can call it something other than a  
8 consolidated billing charge if you're not able to  
9 utilize consolidated billing without paying that  
10 77-cent fee.

11          Q.    But you're not opposed to charges for  
12 purchase of receivables, setting up a purchase of  
13 receivable program, that are beyond the costs to just  
14 perform consolidated billing, correct?

15                   THE WITNESS:  Could I have that reread,  
16 please?

17                           (Record read.)

18          A.    No.  The company should be able to  
19 recover their costs.

20          Q.    Now, below that on page 6 right before  
21 the part you changed in your testimony you talk about  
22 customer deposits.  Do you see that?

23          A.    I do.

24          Q.    Does FES currently charge a deposit to  
25 its customers?

1           A.    I don't know.

2           Q.    So when you mention an additional deposit  
3    on line 3, you have no awareness whether FES is  
4    currently charging its customers a deposit, that that  
5    would be an additional deposit, correct?

6           A.    I'm not aware.  I think that the concern  
7    is just the optics of if AEP had credited back this  
8    deposit two years ago and now all of a sudden a  
9    customer sees that deposit on their bill, I have  
10   concerns about their -- that they wouldn't  
11   necessarily remember receiving that credit back two  
12   years ago, they would just be seeing the charge on  
13   their bill.

14          Q.    But you sat through part of this hearing  
15   off and on, lucky you --

16          A.    Yes.

17          Q.    -- this past week, correct?

18          A.    Off and on, yes.

19          Q.    You've heard some of the conversations  
20   about deposits and whether customers would have to --  
21   let me strike that.

22                    You were in the room when AEP Witness  
23   Gabbard testified, correct?

24          A.    I was for the first part.

25          Q.    And do you remember any of the questions

1 dealing with whether CRES providers were charging  
2 deposits and, therefore, there would be a double  
3 charge of deposits if AEP were to charge a deposit as  
4 well?

5 A. I don't believe I was in the room for  
6 that section of questioning.

7 Q. Do you remember any conversations at all  
8 or any cross-examination when you had been in the  
9 room where there's been a discussion of deposits and  
10 whether a CRES provider charged deposits as well as  
11 an EDU?

12 A. Not that I can recall, no.

13 Q. If FES did charge deposits in its  
14 contracts, would that be another potential  
15 pass-through event that the contracts that are  
16 existing could be changed and customers could receive  
17 their deposits back due to the change in the  
18 regulatory scheme?

19 A. I don't know. I think it would depend on  
20 the contract.

21 Q. So it's the same answer as we were  
22 talking about earlier, if a pass-through allows a  
23 refund, FES would do it but it depends on the  
24 contract language; is that correct?

25 A. Yeah, I think it depends on the contract

1 language.

2 Q. But you're not aware of any pass-through  
3 clauses in contracts that are intended only to  
4 capture increases in charges and exclude credits to  
5 customers, are you?

6 A. You know, the contract language -- I'm  
7 not familiar with the nuances of the contract  
8 language, I think that would probably be a legal  
9 interpretation.

10 Q. All right. But in your testimony on page  
11 1 to 2 you talk about how you're an Advisor for State  
12 & EDC Competitive Market Policies, correct?

13 A. Correct.

14 Q. You coordinate initiatives in state  
15 commissions as part of the Ohio electric security  
16 plan and market rate offer proceedings, correct?

17 A. Correct.

18 Q. Are you saying you're not involved at all  
19 in the development of the strategy for designing  
20 contracts and attracting customers in Ohio?

21 A. The team may offer input, but we have a  
22 contracts team that actually writes the contracts,  
23 and it's reviewed with Legal.

24 Q. But my question is really overall from  
25 the policy level that you operate at. There's --

1 you're not aware of the -- of a policy that has  
2 developed the pass-through clause in a contract to  
3 only capture increases in charges and exclude  
4 potential credits for customers if there's a  
5 pass-through event, correct?

6 A. Correct.

7 Q. And I believe you filed your testimony on  
8 May 6th; is that correct?

9 A. That sounds -- sounds correct.

10 Q. And you're aware of an interview with  
11 FirstEnergy's CEO Anthony Alexander on June 6th,  
12 2014, correct?

13 A. I am aware of that.

14 Q. And you reviewed that interview that  
15 appeared in Energy Daily, correct?

16 A. I have read the article, yes.

17 Q. Okay. And in that interview  
18 Mr. Alexander stated that he's considered the PPA  
19 approach because customers are seeing impossible  
20 volatility to manage their retail -- on a retail  
21 basis and the only way to stabilize prices in Ohio is  
22 to assure some generation remains in Ohio, and it  
23 might be that the PUCO takes some action to try to  
24 provide a base supply at some level, correct?

25 MR. CASTO: Objection, your Honor.



1 Grounds of relevance and foundation. Simply because  
2 Mr. D'Alessandris is employed by a subsidiary of the  
3 holding company that Mr. Alexander was speaking on  
4 behalf of does not lay the proper foundation for  
5 questioning in this manner. And also there is no  
6 relevance to AEP's case, at least as it relates to  
7 the article in question. Just because  
8 Mr. D'Alessandris has read the article doesn't mean  
9 that he has any knowledge or foundation to answer  
10 questions on it.

11 MR. SATTERWHITE: If I may, your Honor.

12 EXAMINER PARROT: You may.

13 MR. SATTERWHITE: If you look at page 7  
14 of the testimony, the testimony of FES in this case  
15 is that there is insufficient information for FES to  
16 take a position at this time on the PPA proposal.  
17 That was filed May 6th.

18 On June 6th there's a very extensive  
19 article with the CEO of FirstEnergy that deals with  
20 using FES's assets through the exact same thing or  
21 something very similar to what AEP is proposing in  
22 this case. So I think it's very relevant that in the  
23 month since filing this testimony when there was  
24 insufficient information to make a decision that  
25 now -- that this gentleman's CEO is proposing a PPA

1 very similar and now there is sufficient information  
2 so it's an obvious change from what's there in the  
3 testimony. I think I have a right to explore what  
4 that change is.

5 MR. CASTO: Your Honor, just because  
6 Mr. Satterwhite believes there is now more evidence  
7 for Mr. D'Alessandris to have a position on the PPA  
8 does not mean that Mr. D'Alessandris has a position.  
9 If Mr. Satterwhite wants to question  
10 Mr. D'Alessandris on if his position has changed, I  
11 would have no problem with that question, but instead  
12 of inserting irrelevant questions into the record, I  
13 think that if the proper foundation for relevance  
14 were laid, at that point I would not -- have no issue  
15 with it.

16 MR. SATTERWHITE: Your Honor, I think  
17 I've already laid the foundation. He's aware of the  
18 article, he's read the article, and now I'm asking  
19 him questions about what the article dealt with so  
20 that I can ask the exact questions that we're asking  
21 about here. They're not irrelevant at all when they  
22 deal with the same type of mechanism that's proposed  
23 here.

24 EXAMINER PARROT: You may answer the  
25 question, if you know.

1 THE WITNESS: Could I have the question  
2 reread, please?

3 EXAMINER PARROT: We will do that.

4 THE WITNESS: Thank you.

5 (Record read.)

6 A. That seems to -- I don't know if it's an  
7 exact quote from in there, but it seems to generally  
8 be the spirit of the article.

9 Q. Would it help if I provided you a copy of  
10 the article so you could verify?

11 A. Please.

12 MR. SATTERWHITE: Your Honor, may I  
13 approach?

14 EXAMINER PARROT: You may.

15 Q. I don't know if you wanted to refresh  
16 your recollection and look at that. I believe you  
17 answered that sounds like the tenor of the article,  
18 correct?

19 A. Yes.

20 Q. Isn't it true Mr. Alexander also  
21 described the hedge concept as providing the  
22 stability that could manifest as a charge or credit  
23 to customers?

24 A. Mr. Alexander did say it could be a  
25 charge or credit to customers.

1 Q. And he also stated that overall it's  
2 perhaps the only way you can provide some assurance  
3 and some hedge against what could be some very  
4 volatile markets and ultimately volatile markets will  
5 result in much higher retail prices, correct?

6 A. Is there a point -- a place in the  
7 article that you could point me to?

8 Q. I have page 2, the middle column.

9 A. And could you reread the question or --

10 Q. Sure. Mr. Alexander stated "Overall,  
11 it's not an uncomplicated kind of thought process,  
12 but it is perhaps the only way you can provide some  
13 assurance and some hedge against what could be some  
14 very volatile markets, and ultimately volatile  
15 markets will result in much higher retail prices,"  
16 correct?

17 A. That's the quote in the article, yes.

18 Q. So FES, do you agree, personally -- let  
19 me ask this first. Strike that.

20 Do you agree it's important to have  
21 stable prices in the market for customers?

22 A. I don't know.

23 Q. You have no opinion on whether stability  
24 is important for customers or not?

25 A. I think stability is -- might even be in

1 the PUCO mission statement.

2 Q. So if it's in the PUCO mission statement,  
3 you would agree that it's important, correct?

4 A. Important to the Public Utilities  
5 Commission of Ohio, yes.

6 Q. Is that not important to FES, just the  
7 Commission?

8 A. I -- I don't know.

9 Q. Okay. And this article also talks about  
10 the merchant division of FirstEnergy and that's  
11 indicated to be FirstEnergy Solutions, correct?

12 A. I believe Mr. Alexander referenced the  
13 merchant division. I believe FirstEnergy Solutions  
14 was mentioned by an industry analyst.

15 Q. So FirstEnergy Solutions and the  
16 FirstEnergy Company may be involved or may be  
17 proposing a PPA similar to what AEP Ohio has proposed  
18 in this case, correct?

19 A. I haven't seen anything other than this  
20 article on the -- what FirstEnergy Corporate or some  
21 entity is -- may or may not be planning. I don't  
22 know that I can compare the two.

23 Q. But you wouldn't argue with the quotes  
24 from Anthony Alexander, the CEO of FE, correct?

25 A. That's usually not a good idea to argue

1 with Mr. Alexander.

2 MR. SATTERWHITE: Thank you very much.

3 That's all I have, your Honor.

4 THE WITNESS: Thank you, Mr. Satterwhite.

5 EXAMINER PARROT: Staff?

6 MR. PARRAM: Just a couple questions,  
7 your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Parram:

11 Q. Good morning, Mr. D'Alessandris.

12 A. Good morning.

13 Q. You indicated in response to counsel for  
14 AEP that you are generally aware of FirstEnergy  
15 Solutions' collection practices; is that correct?

16 A. I would say generally aware that we have  
17 instituted processes to our credit and collections  
18 group that has been tied into our customer management  
19 system.

20 Q. And you indicated that you're not  
21 specifically aware if FirstEnergy Solutions has any  
22 benchmarks as it relates to their collection programs  
23 practices?

24 A. I'm not aware.

25 Q. Although you're not aware of any

1 benchmarks you would agree with me that FirstEnergy  
2 Solutions does have an incentive to properly police  
3 its collection practices; is that correct?

4 A. Yes, correct.

5 Q. And you would agree with me that market  
6 forces may be one of the incentives for FirstEnergy  
7 Solutions to properly police its collection  
8 practices; is that correct?

9 A. I'm not sure what you mean by "market  
10 forces."

11 Q. Well, if FirstEnergy Solutions is not  
12 properly policing its collection practices, what  
13 would happen?

14 A. FES would not be price competitive.

15 Q. And you would agree with me that  
16 FirstEnergy Solutions wouldn't be able to implement  
17 any type of bad debt rider to recover all of its  
18 collection costs similar to what AEP is proposing in  
19 this case.

20 A. Correct.

21 MR. SATTERWHITE: Objection, now we're  
22 into friendly cross of the witness. FES's ability to  
23 put in a bad debt rider is not on trial here and this  
24 is not attacking this witness. It's seeking to  
25 collaterally attack the AEP case. It's friendly

1 cross.

2 MR. PARRAM: I'm asking the witness  
3 questions specifically in response from questions  
4 from Mr. Satterwhite about benchmarks as it relates  
5 to the collection practices and the comparison of  
6 FirstEnergy Solutions, who is in the competitive  
7 market, as opposed to AEP Ohio who is not and why  
8 it's not proper to compare AEP Ohio's collection  
9 practices as opposed to FirstEnergy Solutions'  
10 collection practices.

11 MR. SATTERWHITE: Which appear to be  
12 friendly cross and redirect versus something opposing  
13 to this witness. He's trying to attack the AEP case  
14 through this witness, not this witness's testimony.

15 MR. PARRAM: Just one more response, my  
16 last question, it was just a clarifying question and  
17 if there's a concern which relates to friendly cross,  
18 I think there's been a certain amount of liberty  
19 given on friendly cross so I would ask for the same  
20 extension here.

21 EXAMINER PARROT: I'm going to allow the  
22 particular question that's been asked.

23 THE WITNESS: Could -- it's been a while,  
24 could I have that read?

25 EXAMINER PARROT: We'll reread it.



1 THE WITNESS: Thank you.

2 (Record read.)

3 A. Yes. We're not a utility.

4 MR. PARRAM: That's all I have, your  
5 Honor.

6 EXAMINER PARROT: Thank you, Mr. Parram.  
7 Any redirect, Mr. Casto?

8 MR. CASTO: No, your Honor.

9 EXAMINER PARROT: Thank you very much.

10 THE WITNESS: Thank you, your Honor.

11 EXAMINER PARROT: I believe that FES  
12 Exhibit 1 has already been moved. Are there any  
13 objections to its admission?

14 MR. SATTERWHITE: No objection.

15 EXAMINER PARROT: Hearing none, it is  
16 admitted.

17 (EXHIBIT ADMITTED INTO EVIDENCE.)

18 EXAMINER PARROT: Let's go off the  
19 record.

20 (Discussion off the record.)

21 EXAMINER PARROT: Let's go back on the  
22 record. Let's take a brief, five-minute break.

23 (Recess taken.)

24 EXAMINER PARROT: Let's go back on the  
25 record. Please raise your right hand.

1 (Witness sworn.)

2 EXAMINER PARROT: All right. Very good.

3 EXAMINER PARROT: Ms. Johnson.

4 - - -

5 THOMAS PEARCE

6 being first duly sworn, as prescribed by law, was  
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 By Ms. Johnson:

10 Q. Good morning, Mr. Pearce.

11 A. Good morning.

12 Q. Could you please state your name and your  
13 business address for the record.

14 A. My name is Thomas Pearce. I'm employed  
15 by the Public Utilities Commission of Ohio as a staff  
16 member at 180 East Broad Street, Columbus, Ohio  
17 43215.

18 Q. And you filed direct testimony in this  
19 case?

20 A. I did.

21 MS. JOHNSON: At this time I'd like to  
22 mark Mr. Pearce's testimony as Staff Exhibit No. 11.

23 EXAMINER PARROT: So marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 Q. And is the testimony that you filed in

1 the case before you on the stand?

2 A. Yes.

3 Q. And was this testimony written by you or  
4 under your direction?

5 A. It was written by me.

6 Q. And if I were to ask you the questions  
7 that are contained in your direct testimony today,  
8 would your answers be the same?

9 A. They would.

10 Q. And do you have any additions,  
11 modifications, or deletions to your testimony?

12 A. No.

13 MS. JOHNSON: Your Honors, at this time  
14 I'd like to tender the witness for cross-examination.

15 EXAMINER PARROT: Mr. Williams?

16 MR. WILLIAMS: No cross, your Honor,  
17 thank you.

18 EXAMINER PARROT: Mr. Smalz?

19 MR. SMALZ: No questions, your Honor.

20 EXAMINER PARROT: Ms. Petrucci?

21 MS. PETRUCCI: No questions, your Honor.

22 EXAMINER PARROT: FES?

23 MR. McDERMOTT: No questions, your Honor.

24 EXAMINER PARROT: Mr. Borchers?

25 MR. BORCHERS: No questions, your Honor.

1 EXAMINER PARROT: Ms. Bojko?  
2 MS. BOJKO: No questions, your Honor.  
3 EXAMINER PARROT: Mr. Clark?  
4 MR. CLARK: No questions, your Honor.  
5 EXAMINER PARROT: Ms. Shadrick?  
6 MS. SHADRICK: No questions, your Honor.  
7 EXAMINER PARROT: Mr. Boehm?  
8 MR. K. BOEHM: No questions, your Honor.  
9 EXAMINER PARROT: Mr. Darr?  
10 MR. DARR: No questions.  
11 EXAMINER PARROT: Mr. Yurick?  
12 MR. YURICK: No questions, thank you,  
13 your Honor.  
14 EXAMINER PARROT: OCC, Mr. Serio?  
15 MR. SERIO: No questions, your Honor.  
16 EXAMINER PARROT: Mr. Nourse?  
17 MR. NOURSE: Thank you.  
18 - - -  
19 CROSS-EXAMINATION  
20 By Mr. Nourse:  
21 Q. Good morning --  
22 A. Good morning.  
23 Q. -- Mr. Pearce. I want to talk to you  
24 about the NERC compliance and cybersecurity rider.  
25 Can we refer to that as the NCCR to save a few words?

1           A.    All right.

2           Q.    First, let's turn to page 5 of your  
3    testimony, down at line 18 you make the statement  
4    "When the Company experiences actual, measurable  
5    costs associated with NERC compliance and is better  
6    able to quantify its requisite investments in prudent  
7    cybersecurity measures, the Staff will be better able  
8    to assess the appropriateness and adequacy of such  
9    expenditures." Do you see that?

10          A.    Yes, sir.

11          Q.    Okay. So are you saying that staff does  
12    not oppose the company being able to come in and ask  
13    for a cost recovery after the costs are actually  
14    identified?

15          A.    In a similar rider; is that what you're  
16    suggesting? Or through some other means?

17          Q.    Well, I guess I'm trying to clarify what  
18    you're saying so we can get to that. If you want to  
19    try to explain it now, that's fine.

20          A.    I guess the bottom line is the company  
21    was not able to quantify or identify current, past,  
22    or anticipated expenditures that would be associated  
23    with this rider. And as I articulated in my  
24    testimony, I believe that such a rider is premature  
25    until the company can better quantify and identify

1 these costs.

2 Now, if your question goes to as these  
3 costs do materialize and are identified, would staff  
4 be opposed at that time, I don't believe that we,  
5 staff, desire AEP or any company to be in a position  
6 of noncompliance with regards to NERC, especially  
7 NERC SIP. Nor do we wish any utility in our  
8 jurisdiction to be anything less than as robust as  
9 possible given the costs that are associated with it.

10 Q. Yes. So let's start there. So if I were  
11 to ask you -- if I were taking a survey and asked you  
12 to rate the importance of NERC compliance and  
13 cybersecurity, you know, would it be somewhat  
14 important? Would it be important? Or would it be  
15 very important?

16 A. I believe it ranks up there with being  
17 very important.

18 Q. And so staff certainly does not want to  
19 pursue recommendations, does it, that would  
20 discourage investment or compliance spending in  
21 relationship to NERC and cybersecurity; is that  
22 accurate?

23 A. Prudent investment --

24 Q. Yes.

25 A. -- that's correct.

1           Q.    Now, does it make a difference to you  
2           whether there's -- on the subject of prudent  
3           investment, does it make a difference to you whether  
4           there's sort of an up-front audit like you seem to be  
5           suggesting at the bottom of page 5, you know, looking  
6           at costs after they're identified, on the one hand,  
7           versus having a prudence audit after the fact to  
8           determine whether expenses that were actually  
9           incurred were prudently incurred?

10          A.    At this time I would suggest that staff  
11          is not attempting to dictate to the company the  
12          manner or method in which it believes such audit  
13          should take place, nor to the Commission, but the  
14          company was not able to identify or articulate even  
15          an order of magnitude of costs associated with this  
16          and that's where some of the reticence occurs.

17          Q.    Okay. Let me ask you a different way,  
18          though. Would you agree that regardless of whether  
19          an audit is done up front or after the fact, at least  
20          in theory, you should reach the same conclusion in  
21          either audit as to whether particular costs were  
22          prudently incurred?

23          A.    One would hope so.

24          Q.    Okay.

25          A.    Yes.

1           Q.    And did you understand the company's  
2           proposal as asking for preapproval of particular  
3           costs before they were identified?

4           A.    I understood the company's proposal to be  
5           putting into place a placeholder for costs that it  
6           expects to incur.

7           Q.    By that, by your understanding of  
8           "placeholder," does that mean that the company would  
9           have to come back and identify costs and get approval  
10          prior to being recovered or converting the rider from  
11          zero to nonzero value?

12          A.    I believe there was some interpretation  
13          associated with exactly how that might take place,  
14          but I believe that it would be -- tell you what, why  
15          don't you restate your question.

16          Q.    Okay. Yes. Were you interpreting the  
17          company's proposal in its application and testimony  
18          as requesting authorization for preapproval for  
19          recovery of certain costs?

20          A.    I think there was such interpretation  
21          there.

22          Q.    Okay. And if -- okay. So if the company  
23          were proposing or if the Commission were to clarify  
24          that the placeholder would only be converted from a  
25          zero value to a nonzero value for this rider upon



1 subsequent Commission decision approving specific  
2 costs that had been identified for recovery, does  
3 that help address your concerns?

4 A. Not at this time.

5 Q. Okay. So earlier you said that you  
6 believe -- I think you're saying this rider is  
7 premature? Is that the term you used?

8 A. Yes.

9 Q. And at the bottom of page 4 you also  
10 refer to a blank check concept as well on line 22,  
11 right?

12 A. Uh-huh.

13 Q. Okay. And so I'm trying to understand  
14 your perspective on that if the -- if the Commission  
15 has to, in a separate proceeding subsequent to  
16 approval of the placeholder rider, review specific  
17 costs that the company would identify and establish  
18 that they're incremental new costs that weren't in  
19 place or, you know, occurring today as we sit here  
20 today, how that -- how you consider that a blank  
21 check.

22 A. The company through the data request  
23 responses that I received when I submitted data  
24 requests to the company did not even order an  
25 indicator -- or, order a magnitude associated with

1 the costs that were expected to be incurred. So I  
2 suggested it's premature because the company I think  
3 has yet to fully understand and appreciate the  
4 magnitude of the costs that may be associated with  
5 NERC SIP compliance and cybersecurity.

6 Q. Okay. Well, so we're hung up on that,  
7 and I know you mentioned that earlier a couple times,  
8 that we've not given an order of magnitude. So let  
9 me back up.

10 A. Okay.

11 Q. Do you understand the proposal is for  
12 recovery, future recovery, of future costs that are  
13 new costs that are not known today; is that your  
14 understanding?

15 A. That's what the company has suggested,  
16 yes.

17 Q. Okay.

18 A. That is my understanding.

19 Q. So how is it that you would expect the  
20 company to identify either a specific estimate or an  
21 order of magnitude costs that relate to new  
22 requirements that aren't in existence today? Is that  
23 something you could do?

24 A. Well, there are requirements that have  
25 been approved by the FERC presently that may not be

1 fully implemented yet, but I think there at least is  
2 some opportunity for the company and those that will  
3 be subject to version 5, for example, of NERC SIP or  
4 other standards, to begin to understand and  
5 appreciate what may be necessary in terms of  
6 litigation measures or costs associated to comply  
7 with these new standards.

8 Now, certainly because we're talking  
9 about version 5 there have been in place prior  
10 versions that have been more fully realized by  
11 transmission companies and other asset-type owners.  
12 But the company has affiliates in that business as  
13 well. So I believe that there is some reasonable  
14 expectation as to what may be necessary with some new  
15 standards that are coming down the road.

16 Q. Okay. So you refer to NERC SIP version 5  
17 in your answer. That's something --

18 A. Correct.

19 Q. -- that exists today, correct?

20 A. It's yet to be fully implemented. It's  
21 been approved by the FERC, yes.

22 Q. So is your issue with the definition of  
23 what would be considered new for purposes of the  
24 NCCR?

25 A. No.

1           Q.    Okay.  So, again, I ask you, if it only  
2           encompasses new requirements that are issued in the  
3           future and not yet exist today, how is it you would  
4           expect a cost estimate to be attached to this  
5           proposal?

6           A.    And I guess, again, I put it back to you,  
7           Mr. Nourse, that it's premature at this point in time  
8           if the company's not able to identify or quantify  
9           costs associated with things that are intended to be  
10          put in this rider.  If there are items that come  
11          about with regards to new standards that are put into  
12          place, that are expected to be put into place, then  
13          as you either more fully realize and recognize what  
14          those standards are you can better appreciate what's  
15          going to be necessary on the company's end to  
16          implement measures necessary to come into compliance  
17          or to be in a more secure state with regards to the  
18          cyber operations of the company such that at that  
19          time costs will be -- an order of magnitude of costs  
20          I believe will be better able to be identified.

21          Q.    So you would agree with me that there is  
22          no way to currently estimate or include an order of  
23          magnitude costs associated with future regulations;  
24          is that correct?

25          A.    If there are items that have not even

1       been put into existence yet, if they're standards  
2       that have not yet been written, then yes, I would  
3       agree with you.

4               Q.    Okay. Now, do you know whether, when you  
5       characterized this as being premature, do you know  
6       whether there's a practice or a precedent by the  
7       Commission to approve zero placeholder riders in  
8       electric security plans?

9               A.    The Commission has put into place other  
10       riders, yes.

11              Q.    Okay. So your recommendation against it  
12       as being premature is not necessarily supported by  
13       the Commission's existing precedent, correct?

14              A.    I don't believe my recommendation  
15       necessarily is against Commission precedent, but the  
16       Commission will speak for the Commission. I'm  
17       speaking for staff.

18              Q.    Okay. And so you're -- but you're coming  
19       up with this premature concept and I'm trying to  
20       understand what it's based on. So it's not based on  
21       the fact that there was no cost estimate because we  
22       just agreed that that's impossible at this point.

23              A.    Well, Mr. Nourse, at some point in time  
24       there will be costs that the company would identify  
25       that would be associated with this type of a rider,

1 and at that point in time I believe as those costs  
2 start to be realized, as new standards come into  
3 place, as the company can better appreciate and  
4 estimate what the costs associated with that may be,  
5 that may be a better point in time in which to  
6 address this issue.

7 Q. Okay. Well, is it your understanding  
8 that if the Commission denies the placeholder rider,  
9 as you're referring to it, they deny that in this  
10 decision approving the ESP that goes through 2018,  
11 that the company could nonetheless come in and ask  
12 for subsequent approval once costs are identified in  
13 the manner that you describe?

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

15 Q. Is it staff's position that a company can  
16 go back in and add in riders during the term of an  
17 ESP if the rider is not approved in the Commission  
18 order adopting the ESP?

19 A. I don't believe I spoke to that.

20 Q. I'm asking you that question.

21 A. May be beyond my level of expertise.

22 Q. Okay. But isn't that an important  
23 component of the fact that you're saying come back  
24 later during the ESP term and ask later?

25 A. I am suggesting that there are

1 appropriate times and places for putting costs before  
2 the Commission, and if the company cannot identify  
3 whether we are talking about tens of thousands of  
4 dollars or tens of millions of dollars, then yes,  
5 staff does have pause at suggesting that such a rider  
6 would be appropriate.

7 Q. Okay. So if it were the case that the  
8 company were precluded from coming back during the  
9 ESP term and asking for a new rider, does that change  
10 your recommendation?

11 A. Well, unless we expect these costs to  
12 materialize overnight, I'm not sure it does.

13 Q. And by "overnight" do you mean sometime  
14 prior to May 2018?

15 A. By "overnight" I mean by the next day or  
16 two or the next month or two. I'm not suggesting  
17 that the company may not recognize costs by 2018.

18 Q. So does it -- I'm sorry. Go ahead.

19 A. But the company has not identified any  
20 costs that it would be incurring or expect to incur  
21 today or tomorrow.

22 Q. Well, that's correct. And you've said  
23 that several times. And we didn't ever claim to  
24 identify specific costs in the application or the  
25 testimony, did we?

1 A. No, sir.

2 Q. No, okay.

3 And that's -- the premise of this rider  
4 was to prepare or have a contingency should that  
5 arise; is that your understanding?

6 A. That's my understanding.

7 Q. And your recommendation is to come back  
8 later during the term of the ESP and ask for recovery  
9 once you know what the costs are; is that correct?

10 A. My recommendation is that as the costs  
11 are identified or more identifiable, there would be a  
12 more appropriate point at that time to come in.

13 MR. NOURSE: Thank you, Mr. Pearce.

14 That's all I have, your Honor.

15 EXAMINER PARROT: Any redirect?

16 MS. JOHNSON: Could we have a couple of  
17 minutes to discuss?

18 EXAMINER PARROT: Yes.

19 (Recess taken.)

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

22 Any redirect, Ms. Johnson?

23 MS. JOHNSON: Staff has no redirect.

24 EXAMINER PARROT: Thank you.

25 Thank you very much, Mr. Pearce.



1 MS. JOHNSON: At this time we'd like to  
2 move for the admission of Staff Exhibit No. 11.

3 EXAMINER PARROT: Are there any  
4 objections?

5 MR. NOURSE: No objection.

6 EXAMINER PARROT: Staff Exhibit 11 is  
7 admitted.

8 (EXHIBIT ADMITTED INTO EVIDENCE.)

9 EXAMINER SEE: And OCC can call its next  
10 witness.

11 MR. SERIO: Thank you, your Honor, we  
12 call Jim Williams to the stand.

13 EXAMINER SEE: Mr. Williams, if you'd  
14 raise your right hand.

15 (Witness sworn.)

16 EXAMINER SEE: Have a seat and cut your  
17 mic on, please.

18 THE WITNESS: Thank you.

19 - - -

20 JAMES D. WILLIAMS

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

23 DIRECT EXAMINATION

24 By Mr. Serio:

25 Q. Would you please state your name and your

1 position for the record.

2 A. Yes. My name is James Williams. My  
3 position is I'm a Consumer Protection Research  
4 Analyst with the Office of the Ohio Consumers'  
5 Counsel.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Do you have in front of you what I marked  
8 for purposes of identification as OCC Exhibit 11?

9 A. Yes, I do.

10 Q. Would you identify that document?

11 A. This is the direct testimony that I've  
12 prepared for this case.

13 MR. SERIO: Your Honors, do you need a  
14 copy?

15 Does anybody need a copy?

16 Q. And did you prepare your direct  
17 testimony?

18 A. Yes, I did.

19 Q. If I was to ask you the same questions  
20 that are in your testimony, would your answers today  
21 be the same?

22 A. Yes.

23 Q. Do you have any corrections or changes to  
24 make to your testimony?

25 A. I have two corrections. The first

1 correction is on page 7, line 11, and the "140"  
2 should be changed to 117.

3 The second correction is on page 24 and  
4 it's the footnote 48 which --

5 Q. I'm sorry. Did you mean page 21?

6 A. Page 21, and on footnote 48, and the case  
7 number should be changed from "12-351" to 12-3151.

8 Q. And should the heading of the case also  
9 be corrected to reflect the 3151 docket?

10 A. Yes, the heading of the case should also  
11 be changed to In the Matter of the Commission's  
12 Investigation of Ohio's Retail Electric Service  
13 Market.

14 Q. The correction that you made on page 7,  
15 the change from 140 million to 117, that simply  
16 reflects the change of a number that Mr. Wilson,  
17 another OCC witness, provided to you, correct?

18 A. That is correct.

19 MR. SERIO: With that, your Honor,  
20 Mr. Williams is available for cross-examination. I  
21 would move his testimony into the record pending  
22 cross-examination.

23 EXAMINER SEE: Mr. Williams?

24 MR. WILLIAMS: No questions, your Honor.

25 EXAMINER SEE: Mr. Smalz?





1 customer's service; am I correct?

2 A. I don't know what all the conditions are  
3 when the company disconnects service and when they  
4 specifically don't. I suspect that the disconnection  
5 amount, whether or not, you know, it's economically  
6 prudent to disconnect, you know, roll the truck would  
7 weigh into those kind of decisions.

8 Q. Won't some customers enter into a payment  
9 program or a payment plan with the company?

10 A. Yes, they do.

11 Q. Do you know what percentage of customers  
12 go into a payment plan versus those that are actually  
13 shut off?

14 A. No, I don't.

15 Q. Now, if the customer is a shopping  
16 customer, isn't it true also today that AEP can  
17 threaten to shut the customer off if they have not  
18 paid the consolidated bill?

19 A. They can threaten to disconnect. That  
20 is, they'll render a disconnection notice, things  
21 like that. But they can't disconnect the service for  
22 nonpayment of CRES charges.

23 Q. Do you know what percentage in this  
24 situation with the shopping customers of those that  
25 go into a payment plan versus those that would be

1 shut off?

2 A. No, I don't.

3 Q. And I think this is what you alluded to  
4 just a moment ago, but if it were a shopping customer  
5 who's receiving a consolidated bill, if that customer  
6 makes a partial payment, that partial payment will go  
7 to the past due CRES charges and then will go to the  
8 past due utility charges; isn't that correct?

9 A. There is a partial payment priority rule  
10 in Ohio Administrative Code 1-10-33 that specifies  
11 the allocation of payments, partial payments, and I  
12 believe that it is true that payments would be  
13 applied to the CRES provider first.

14 Q. To the past due CRES charges as opposed  
15 to the current CRES charges?

16 A. I'm not a hundred percent sure of the  
17 order as I sit here today.

18 Q. Okay. Then I'll ask you to assume that a  
19 partial payment under that payment priority rule  
20 would go to the past due CRES charges, and isn't it  
21 correct that pursuant to that rule a customer owing  
22 more than a month's worth of CRES charges -- well,  
23 let me start again.

24 Let's just assume that the partial  
25 payment made by a customer is applied to the past due

1       CREC charges, and let's also assume that the customer  
2       has more than -- that CREC shopping customer has more  
3       than a month's worth of past due charges. Isn't it  
4       correct that the partial payment rule is designed to  
5       avoid the customer being able to game, so to speak,  
6       and avoid a shutoff when owing more than one month of  
7       CREC charges?

8               A.     I don't know if that's what that was  
9       designed for. I suspect it was designed for that  
10      reason -- in that manner for lots of reasons. One of  
11      those reasons could be so that customers always have  
12      the option to go back to the standard offer service  
13      and could continue to maintain their service there,  
14      and then, you know, the issue of the collection of  
15      any money that was owed to the CREC provider would be  
16      dictated by the contract between the customer and the  
17      CREC provider.

18               MS. PETRUCCI: Your Honor, I'll move to  
19      strike, he began his answer by he did not know; then  
20      he proceeded to speculate in response to the  
21      question.

22               MR. SERIO: Your Honor, he speculated to  
23      a hypothetical question. I thought that's what you  
24      generally do when you respond to a hypothetical  
25      question.



1 MS. PETRUCCI: But the first part of his  
2 answer was he did not know. That's really the  
3 answer.

4 EXAMINER SEE: The objection is  
5 overruled.

6 Q (By Ms. Petrucci) Now, you just -- I  
7 believe you just stated that if the company, if that  
8 shopping customer does fall more than several months  
9 behind, they will be dropped back to standard  
10 service; am I correct? Is that what you just  
11 answered?

12 A. I don't know if it's several months, but  
13 after some period of time when, according to the  
14 rules, they go into default, they would then return  
15 to the standard offer.

16 Q. And at that time the CRES provider has  
17 the ability to pursue collections from the former  
18 customer; isn't that correct?

19 A. Depending upon the specific contract  
20 between the CRES provider and the customer, I would  
21 think that those types of -- whatever type of remedy  
22 would exist would exist within the contract.

23 Q. Well, when they pursue collections, do  
24 they typically file a lawsuit and obtain a judgment  
25 against the nonpaying customer? Is that your

1 understanding?

2 A. I don't have an understanding of all the  
3 methods that are available to CRES providers to  
4 collect bad debt.

5 Q. Okay. I'm not asking --

6 A. I'm inferring that if a CRES provider,  
7 for example, had a deposit, the CRES provider would  
8 perhaps apply that deposit to part of the money the  
9 customer owed, they might send that to an outside  
10 collection agency. They may. I don't know what all  
11 the options may be.

12 Q. I wasn't asking you about all the  
13 options. I'm asking if one of the options were to  
14 file a collection lawsuit and obtain a judgment  
15 against the customer. Isn't that a possibility?

16 A. If that was a possibility, yes. I don't  
17 know.

18 Q. Does the office of the Consumers' Counsel  
19 advise at-risk residential customers not to pay the  
20 CRES providers because the CRES providers cannot shut  
21 off the utility service?

22 A. Not that I'm aware of.

23 Q. Are you aware that the Public Utilities  
24 Commission has previously granted to Duke the  
25 authority to disconnect for unregulated CRES charges?

1           A.    I'm not aware of that.

2           Q.    Did the PUCO authorize the institution of  
3 a purchase of receivables program in Duke's  
4 territory?

5                   MR. SERIO:  Objection as to the form of  
6 the question.  The Commission didn't impose it.  It  
7 was a stipulated agreement on the parties.

8                   EXAMINER SEE:  Do you want to rephrase,  
9 Ms. Petrucci?

10                   MS. PETRUCCI:  I'm sorry.  Mr. Serio  
11 objected because it was a stipulation?  Is that --  
12 and you asked me to rephrase?

13                   MR. SERIO:  The question was did the  
14 Commission order it, and I'm pointing out that the  
15 Commission didn't order it.  It was a stipulation  
16 among the parties.

17                   MS. PETRUCCI:  Sure, I'll rephrase.

18           Q.    (By Ms. Petrucci) Did the Commission  
19 issue an opinion and order in which it accepted a  
20 stipulation in which -- which included a purchase of  
21 receivables, the institution of a purchase of  
22 receivables program in Duke's service territory?

23           A.    Yes.  It's my understanding that there  
24 was a stipulation, it was approved by the Commission,  
25 that approved purchase of receivables with Duke.

1           Q.    And the Commission issued a decision,  
2    isn't that correct, that actually gave the utility  
3    the authority to institute the purchase of  
4    receivables program?

5           A.    There was eventually some type of an  
6    order.

7           Q.    Let's turn to page 5 of your testimony,  
8    please.  And actually 5 carrying over to 6.  In the  
9    response to that ESP question you've indicated your  
10   opinion that several portions of the proposed ESP  
11   plan will make electric service less affordable.  Do  
12   you see that?

13          A.    Yes, I do.

14          Q.    And then just below one of the reasons  
15   you've indicated is that the proposed purchase of  
16   receivables program would make electric service less  
17   affordable; am I correct?

18          A.    That is correct.

19          Q.    And given our earlier conversation, I  
20   guess I want to make sure, you agreed with me that  
21   service can be disconnected for nonpayment currently  
22   by AEP, correct?

23          A.    For nonpayment of regulated debt, the  
24   standard offer service.

25          Q.    I thought earlier you agreed with me that

1 the company has the ability to threaten a shutoff for  
2 customers who do not pay a consolidated bill.

3 A. I believe that you just asked me if there  
4 was a disconnection. I believe there's a difference  
5 between a threatened disconnection and a  
6 disconnection, that the rules do not support the  
7 disconnection of customers for nonpayment of  
8 unregulated debt.

9 Q. Does a threat of disconnection make  
10 electric service less affordable?

11 A. I don't know that the threat necessarily  
12 makes it less affordable.

13 Q. Do you know which currently costs  
14 customers more, the SSO or CRES offers in AEP's  
15 territory? Generally speaking.

16 A. Generally speaking, I know at this time  
17 that the SSO appears to be higher than many of the  
18 offers that I see on the Energy Choice Ohio website.

19 Q. And would you advise an at-risk customer  
20 to take the higher-priced SSO service rather than a  
21 lower-price CRES service because of the shutoff  
22 policy that we've been discussing?

23 MR. SERIO: Objection, your Honor. OCC  
24 does not advise the residential customers in Ohio.  
25 In fact, we don't have, by statute, the ability to

1 talk to our clients anymore, so.

2 EXAMINER SEE: Do you want to respond,  
3 Ms. Petrucci?

4 MS. PETRUCCI: I'll rephrase.

5 Q. The OCC is advocating for -- on behalf of  
6 residential customers in AEP's service territory,  
7 correct?

8 A. That's correct.

9 Q. So it's acting as a representative of  
10 those residential customers.

11 A. That is correct.

12 Q. Is it OCC's position that a customer  
13 should take a higher-priced SSO service rather than  
14 the lower-cost CRES service because of the AEP -- of  
15 the shutoff policy? Excuse me.

16 A. We don't advise customers one way or the  
17 other. We simply make the information available to  
18 the extent that we can to customers and let customers  
19 decide themselves whether or not they want to be on  
20 the SSO or with a CRES provider.

21 Q. Okay. But my question was reworded.  
22 This time I wasn't asking if you advised the  
23 customer. My question was: Is it OCC's position  
24 that a customer should take that higher-priced SSO  
25 service because of or rather than the lower-cost CRES

1 service because of the shutoff policy? What position  
2 given the differential between the pricing?

3 A. OCC simply informs customers about what  
4 the options are. Customers decide themselves whether  
5 or not they choose to participate with a CRES  
6 provider or to stay with the SSO.

7 Q. However, in this case you're presenting a  
8 position with regard to the purchase of receivables  
9 program and how it interacts with the shutoff policy;  
10 am I right?

11 A. Yes. We're opposed to the purchase of  
12 receivables program as the purchase of receivables  
13 program has been proposed. And I believe that my  
14 testimony addresses those concerns.

15 Q. Isn't it also true that CRES providers  
16 can terminate their nonpaying shopping customers?

17 A. Yes. If customers aren't paying the  
18 bill, the CRES providers can also have the customer  
19 returned to the standard offer service.

20 Q. Has the Public Utilities Commission  
21 authorized and approved of bad debt riders for  
22 competitive service for other companies?

23 A. I believe that they have.

24 Q. And do you recall if Duke is one of those  
25 companies that has an electric bad debt rider?

1           A.    I believe there is.

2           Q.    And are you familiar with the style of  
3    their bad debt rider?

4           A.    No, I'm not.

5           Q.    Does that -- so does that mean that you  
6    do not know if in Duke's service territory the bad  
7    debt rider applies only to the SSO customers or to  
8    a -- to the participating CRES providers in the POR  
9    program?

10          A.    I don't know specifically.

11          Q.    Isn't it true that the Public Utilities  
12    Commission has also approved of bad debt riders for  
13    several other regulated entities, regulated  
14    utilities?

15          A.    I believe that's true.

16          Q.    Would that include Dominion East Ohio,  
17    Columbia Gas, Vectren, and Northeast Ohio Natural Gas  
18    Corp.? Do you know?

19          A.    Not a hundred percent sure on Northeast  
20    Ohio, but for the others I believe that to be  
21    correct.

22          Q.    And do you know how long ago the  
23    Commission approved of those bad debt riders?

24          A.    I don't know the dates.

25          Q.    Do you know if it's been many -- if those



1 bad debt riders have been in place for many years?

2 A. I seem to recall that it goes back a  
3 while.

4 Q. And isn't it also true that currently  
5 AEP's distribution rates include a component for bad  
6 debt currently?

7 A. That is my understanding.

8 Q. And isn't it correct that all AEP  
9 customers pay, to a certain extent, for the other AEP  
10 customers' bad debt as a result?

11 A. Whatever's included within that component  
12 of the rates.

13 Q. Now, shopping residential customers also  
14 pay in their distribution rates a component for the  
15 bad debt of the SSO customers; isn't that correct?

16 A. I believe that's correct.

17 Q. Do the standard service customers of AEP  
18 pay for the bad debt of the shopping customers?

19 A. I don't believe so.

20 Q. So isn't it correct if your position that  
21 you've advocated to reject the proposed bad debt  
22 rider were to be accepted, that shopping customers  
23 would pay a disproportionate share of bad debt  
24 because they contribute to the bad debt of the  
25 standard service customers?

1           A.    Can you repeat the question, please?

2           Q.    Sure.  If your position on the bad debt  
3 rider was accepted, isn't it correct that the  
4 shopping customers would continue to pay a  
5 disproportionate share of bad debt, specifically  
6 including the bad debt of the standard service offer  
7 customers?

8           A.    Again, I don't know.

9           Q.    Okay.  But you did agree with me, am I  
10 right, that currently shopping customers pay for the  
11 bad debt of standard service customers?

12          A.    I believe that to be the case.

13          Q.    And that would continue to be the case if  
14 the proposed bad debt rider is not accepted.

15          A.    Except that, again, I would think that  
16 the CRES offers would recognize whatever the level of  
17 expected bad debt would be in the rates.  And so if  
18 customers are expected to have higher collection risk  
19 than others, some collection -- that the rates would  
20 generally reflect that.

21          Q.    Okay.  But the CRES customer contracts  
22 aren't involved when it comes to paying the bad debt  
23 in distribution rates of these standard service  
24 customers; isn't that correct?

25          A.    But I believe this, the rates are

1 involved in the collection of CRES debt because the  
2 particular rate that CRES providers can offer a  
3 customer would likely factor the collection risk  
4 associated with a particular customer.

5 Q. Okay. Let's go back to the -- an earlier  
6 question. In AEP's customer -- distribution customer  
7 rates there is a component of the bad debt for the  
8 standard service customers; isn't that correct?

9 A. That's correct. For the standard service  
10 as well as the distribution part of the bill for CRES  
11 customers.

12 Q. And all of AEP's customers pay that bad  
13 debt through the distribution rates.

14 A. I believe that that's embedded in the  
15 rates that everybody pays.

16 Q. Is bad debt a cost of doing business?  
17 Generally speaking.

18 A. I believe that to be a cost of business.

19 Q. And would you agree that it's a cost of  
20 business for AEP and it would be a cost of business  
21 for CRES providers?

22 A. Yes. It's a cost of business for AEP as  
23 a regulated company; it's a cost to the CRES  
24 providers as an unregulated service.

25 Q. If we were to assume that the CRES prices

1 stay below the standard service offer cost as you  
2 mentioned earlier that that's the way it is  
3 currently, let's just assume it continues that way,  
4 over time would -- wouldn't the standard service have  
5 a disproportionate share of residential customers  
6 with histories of nonpayment?

7 A. I don't know that to be true. I believe  
8 that people stay on the standard service offer for  
9 lots of reasons, not necessarily associated with bad  
10 debt.

11 Q. If the price for CRES service stayed  
12 below the standard service offer cost over, let's  
13 just assume we're over a longer period of time,  
14 wouldn't you expect customers to move to CRES  
15 service?

16 A. I would expect some customers would move.  
17 There could be other customers that don't move, they  
18 don't want to, you know, for whatever reason  
19 particularly get involved with a CRES. We think  
20 that's one reason that it's very important to  
21 maintain a standard offer service, so that customers  
22 have that choice.

23 Q. Isn't it also likely that the customers  
24 that choose to move to CRES service under that  
25 scenario, if they have nonpayment -- let me start

1 again.

2 If those customers did move, and I  
3 understand you're saying you don't expect a hundred  
4 percent to move but let's say some do, the customers  
5 that do move to CRES service, wouldn't it also be  
6 expected that the customers that then, therefore,  
7 remained with CRES service would be those that are  
8 the paying customers and don't have histories of  
9 nonpayment?

10 THE WITNESS: I'm sorry. Could you  
11 reread the question for me, please?

12 (Record read.)

13 A. I'm not sure I understand the question.  
14 Could you rephrase that?

15 Q. I can understand why.

16 We're going to assume that the price of  
17 CRES service stays below the standard service cost  
18 and that some customers would switch to CRES service.  
19 Over time would those that remained with the CRES  
20 service be typically the customers with histories  
21 of -- good histories of payment versus customers with  
22 not so good payment histories?

23 A. I don't see the relationship between the  
24 two.

25 Q. If we can turn to page 24 in your

1 testimony, lines 12 and 13, at that point you state  
2 that an additional deposit will now be required if  
3 the AEP POR proposal was approved; am I correct?

4 A. That is correct.

5 Q. Are you saying that every shopping  
6 customer will have to pay an additional deposit?

7 A. No, I'm not saying that at all.

8 Q. Is it true that in Mr. Gabbard's  
9 testimony, whom I believe you cited, and it's in  
10 footnote 54 there, that it's possible some customers  
11 could be required an additional deposit in some  
12 circumstances?

13 A. Yes. I believe Mr. Gabbard's testimony  
14 was that an additional deposit may be required from  
15 some customers.

16 Q. Okay. So then isn't it correct that not  
17 necessarily an additional deposit will be required?  
18 It depends on the circumstances; am I right?

19 A. That is correct.

20 Q. And isn't it also true that AEP holds  
21 deposits today for customers?

22 A. Yes. My understanding is, is that  
23 customers have multiple options to demonstrate  
24 creditworthiness, one of those options is payment of  
25 a deposit, and that AEP could hold a deposit for

1 customers that are on the standard offer service, or  
2 the distribution part of customers that have shopped.

3 Q. Isn't it also true that the deposits that  
4 AEP holds are generally refunded to customers with  
5 interest after a certain period of time?

6 A. I believe that the law requires the  
7 provision of interest payments to customers that are  
8 held for a certain period of time.

9 Q. And don't the Commission's rules also  
10 require that if AEP holds a deposit for an SSO  
11 customer that applies to the generation service  
12 component and then that customer goes with a CRES  
13 supplier, that AEP does not have to return the  
14 deposit, that instead it can apply the deposit with  
15 interest to the customer bill?

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

18 Q. I can restate it if it's easier.

19 A. That might be easier.

20 Q. Isn't it true that currently the  
21 Commission's rules state that if AEP holds a deposit  
22 for an SSO customer and that deposit applies to the  
23 generation service component, and that customer then  
24 selects a CRES supplier, AEP doesn't return the  
25 deposit, instead it applies the deposit along with

1 interest to the customer's bill.

2 A. I don't know if deposits are credited to  
3 the bill or returned to customers. I don't know the  
4 procedures.

5 Q. Earlier we talked about the Office of  
6 Consumers' Counsel representing the residential  
7 customers of AEP. Included in that group are  
8 shopping customers, correct?

9 A. That is correct.

10 Q. And do you recall the percentage,  
11 roughly, the percentage of those customers,  
12 residential customers, that are shopping? Do you  
13 know?

14 A. I believe I have an exhibit in my  
15 testimony. In JDW-7, in terms of residential sales,  
16 as of December 31st, 2013, I believe it was  
17 27.215 percent.

18 MS. PETRUCCI: I have no further  
19 questions. Thank you.

20 THE WITNESS: Thank you.

21 EXAMINER SEE: Mr. Borchers?

22 MR. BORCHERS: No questions, your Honor.

23 EXAMINER SEE: On behalf of FES?

24 MR. CASTO: No questions.

25 EXAMINER SEE: Ms. Bojko?



1 MS. BOJKO: Yes, thank you, your Honor.

2 Briefly.

3 - - -

4 CROSS-EXAMINATION

5 By Ms. Bojko:

6 Q. Good afternoon -- or -- good afternoon,  
7 Mr. Williams.

8 A. Good afternoon.

9 Q. I just have a couple clarification  
10 questions on page 30 of your testimony if you want to  
11 turn there. Are you there?

12 A. Yes, I am.

13 Q. Okay. Starting on line, response to the  
14 Q -- question 19 and the answer set forth there,  
15 you're discussing the implementation of the DIR rider  
16 and the company including those improvements through  
17 their plans filed at the Commission; is that correct?

18 A. That is correct.

19 Q. And the plans that you're referencing  
20 there are what's been called DIR work plans and  
21 those, as you mention on line 16, have been filed  
22 with the Commission. The two you listed are the most  
23 recent DIR work plans; is that correct?

24 A. That is correct.

25 Q. Were you -- are you familiar that AEP

1 Witness Dias testified earlier, last week, that those  
2 work plans could include geographical areas that had  
3 been slated for investments or where upgrades  
4 actually occurred and that those work plans were the  
5 place where you would see the details of the DIR  
6 plan?

7 A. No, I wasn't here when Mr. Dias  
8 testified.

9 Q. Okay. Is it your understanding or to  
10 your knowledge do you know whether that level of  
11 detail has actually been included in the DIR work  
12 plans filed with the Commission in those two cases  
13 that you mention there?

14 A. Yes, I know that that level of detail was  
15 not included in the DIR work plans, that it's very  
16 summary information. I mean, the level of detail  
17 might be that this could improve reliability or that  
18 this particular investment has no impact whatsoever  
19 on reliability.

20 Q. So it's your understanding that that  
21 information is not currently, at least in the case  
22 that's pending before the Commission, provided in  
23 that level of detail.

24 MR. SATTERWHITE: Objection, your Honor.  
25 In earlier questions of Mr. Dias it was very clear

1 from the questions of OMA that they are looking for  
2 more information, and now they have friendly cross  
3 here trying to get the OCC's witness to agree with  
4 OMA which is OCC's position as well. So this is  
5 friendly cross, inappropriate.

6 MS. BOJKO: Well, the statements of  
7 counsel are just clearly incorrect. There's  
8 discussion in the witness's testimony about the work  
9 plans and I'm trying to understand his understanding  
10 of what is or isn't included in the work plans, and  
11 his knowledge is actually directly contradictory to  
12 the testimony provided by the AEP witness so it is  
13 very relevant in this case.

14 MR. SATTERWHITE: Case in point, your  
15 Honor. She's trying to attack the AEP case rather  
16 than do probative cross of this witness which is the  
17 purpose of cross-examination. She was able to ask  
18 Mr. Dias the questions she wanted to ask him. If she  
19 wants to ask OCC questions about their positions that  
20 are probative and against OMA's interests, that's the  
21 purpose of cross-examination, not a Hey, you agree  
22 with me, let's talk about that some more, which is  
23 essentially what's being asked here.

24 MS. BOJKO: I asked him, he specifically  
25 referenced this on line 18 and I'm asking his

1 understanding of what is or isn't included in those  
2 plans, period.

3 EXAMINER SEE: And I'll allow the  
4 question.

5 THE WITNESS: Could you repeat the  
6 question for me?

7 (Record read.)

8 A. That is correct. That level of detail is  
9 not provided and, in fact, the Commission just  
10 rendered a finding and order in the 2014 case in the  
11 last couple weeks that in essence said the same  
12 thing, that there's very limited detail provided in  
13 the work plan.

14 MS. BOJKO: Thank you. I have no further  
15 questions, your Honor.

16 EXAMINER SEE: Mr. Clark?

17 MR. CLARK: No questions, your Honor.

18 EXAMINER SEE: Ms. Shadrick?

19 MS. SHADRICK: No questions.

20 EXAMINER SEE: Mr. Darr?

21 MR. DARR: No questions, your Honor.

22 EXAMINER SEE: Mr. Yurick?

23 MR. YURICK: No questions, thank you,  
24 your Honor.

25 EXAMINER SEE: Mr. Satterwhite?

1 MR. SATTERWHITE: Is staff going to go  
2 before the company? Is the company going last? I  
3 didn't know if you asked staff, I missed that.

4 EXAMINER SEE: I didn't. I skipped over  
5 staff.

6 Does staff have any questions?

7 MR. PARRAM: No, your Honor.

8 MR. SATTERWHITE: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Satterwhite:

12 Q. Good early afternoon, Mr. Williams. Good  
13 to see you again.

14 A. Hi, Mr. Satterwhite.

15 Q. Now, you cite in your testimony starting  
16 on page 4 a couple of the policy statutes from  
17 4928.02, correct?

18 A. That is correct.

19 Q. And just so we're all -- just to clear up  
20 any objections or anything, this was provided to you  
21 at the advice of counsel but your testimony is a  
22 policy position for OCC interpreting the terms of  
23 those statutes, correct?

24 A. Yes. In reviewing these statutes, these  
25 two statutes seem to apply to the issue of

1     affordability as related to this ESP, then I was also  
2     advised by counsel in terms of use of the statutes.

3             Q.     And your testimony, using the terms that  
4     are included in those statutes, really relate to your  
5     position as a policy individual on behalf of OCC  
6     testifying to their meaning and application, correct?

7             A.     Yes, that is correct.

8             Q.     And on page 4, line 18, you discuss  
9     4928.02(A) -- or, I guess line 20 is where you  
10    include that definition, and you define "reasonably  
11    priced" in 4928.02(A) as prices that are in line with  
12    prices charged by others and costs that are passed on  
13    that are reasonable, correct?

14            A.     Yes.   That's one benchmark is how prices  
15    compare with other utilities across the state.

16            Q.     And the second part of your definition is  
17    costs that are passed on that are reasonable,  
18    correct?   To customers.

19            A.     Yes.

20            Q.     But you also agree that there could be  
21    differences in rates for different certified  
22    territories in Ohio, correct?

23            A.     Yes, that's correct.   That's correct.

24            Q.     In fact, ratemaking in Ohio is meant to  
25    tie to the specific costs of each utility even if

1 those are different, correct?

2 A. The costs can be different.

3 Q. And ratemaking in Ohio is designed to tie  
4 to the specific costs of each utility even if they're  
5 different amongst the different territories, correct?

6 A. That's correct.

7 EXAMINER SEE: Mr. Williams, can you  
8 slide the mic just a little closer to you as you turn  
9 to Mr. Satterwhite.

10 THE WITNESS: There we go. Sorry.

11 EXAMINER SEE: Thank you.

12 Q. Now, in the second part of your  
13 definition that determining that costs that are  
14 passed on to customers are reasonable, part of that  
15 definition, you believe that if a utility could  
16 propose a program that increases rates but does not  
17 pursue that program, that helps the rates become more  
18 reasonable, correct?

19 A. I believe that there's certain prices  
20 that are under the control of the utility, there are  
21 other prices that are perhaps not under the control  
22 of the utility, and that, you know, all that needs to  
23 be looked at as part of the affordability of these  
24 types of proposals.

25 Q. Would the most reasonable price for a

1 utility be free service?

2 A. No.

3 Q. So you agree that service should not be  
4 free to be reasonable, correct?

5 A. Yes.

6 Q. But you believe to be reasonable a  
7 company needs to work with customers and provide  
8 payment arrangements and work with customers to help  
9 them pay, correct?

10 A. To be reasonable that the cost structure  
11 includes items that are absolutely necessary, that,  
12 you know, if costs can be avoided, that those costs  
13 are avoided. If there's savings, you know, if as a  
14 result of implementing different proposals there's  
15 also cost savings to customers, that those cost  
16 savings be passed on. I think all those things would  
17 contribute to affordability.

18 Q. All right. But you also believe that the  
19 Commission needs to require payment plans for some  
20 customers and other assistance to at-risk customers  
21 to have reasonable rates, correct?

22 A. Yes. We've advocated for payment plans.

23 Q. Now, "reasonably priced" that you use in  
24 the definition on page 4 is in a list of items -- let  
25 me start that over.



1                   Now, "reasonably priced" that you have  
2                   bolded on line 21 of page 4 is among a list of items  
3                   in that policy statute, correct?

4                   A.     That is correct.

5                   Q.     And you agree that each of the items in  
6                   that policy statement are equally important and  
7                   weighed equally, correct?

8                   A.     Yes.  I don't see any weighting one as  
9                   opposed to another.  Of course, if service isn't  
10                  reasonably priced, some of the others, you know,  
11                  regardless of how efficient or reliable other aspects  
12                  that the policy could be, if it's not reasonably  
13                  priced, customers are going to have difficulty  
14                  affording the service.

15                  Q.     But within the confines of the statute  
16                  that you cite here, there's no weighting.  They're  
17                  all equally weighed, correct?

18                  A.     That is correct.

19                  Q.     Now, you also discuss 4928.02(L) which is  
20                  the protection of at-risk customers in your  
21                  testimony, correct?

22                  A.     That is correct.

23                  Q.     Would you agree that the at-risk  
24                  populations you define in your testimony provide a  
25                  higher credit risk for nonpayment?

1           A.    I don't know that they necessarily would  
2           present a higher credit risk because customers are  
3           lower income, I don't know that that necessarily  
4           translates to not paying bills.  In fact, for  
5           customers that are on the Percentage of Income  
6           Payment Plan there's been recent reviews that have  
7           showed really good payment patterns of those  
8           customers.  So I don't know that you can necessarily  
9           correlate those two.

10          Q.    And customers that are on the Percentage  
11          of Income Payment Plan by definition are paying a set  
12          percentage of their income only, not the entire bill  
13          that they're responsible for, correct?

14          A.    That is correct.

15          Q.    But you include at-risk, in your  
16          definition, your discussion of at-risk throughout  
17          your testimony, customers beyond customers on the  
18          PIPP program, correct?

19          A.    It's customers that are at the federal  
20          poverty level, and in my testimony I also expanded  
21          that to include, I call it the working poor, but it's  
22          those customers that are up to perhaps 200 percent of  
23          the federal poverty level and the percentage of those  
24          customers across the state.

25          Q.    So do you believe that those customers

1 that are not on PIPP but are around the federal  
2 poverty level are at higher risk for nonpayment than  
3 other customers not in the at-risk population?

4 A. They have less income, if that translates  
5 to higher collection risk, but I don't know that I  
6 ever have seen anything that would represent that.

7 Q. But they certainly have less that they  
8 can pay their bill with, correct?

9 A. That's correct. A higher percentage of  
10 their income is going to be spent on utilities than  
11 customers at higher income levels.

12 Q. And that's typically how, in your  
13 experience, credit agencies, if you're signing up for  
14 a credit card or something, it's a matter of how much  
15 you make versus the exposure you could have, correct?

16 A. I assume that's correct.

17 Q. At page 9 of your testimony you talk a  
18 little bit about gridSMART and you discuss a  
19 demonstration of quantifiable benefits for customers  
20 through the previous gridSMART charges. Do you see  
21 that on the top?

22 A. Yes, I do.

23 Q. You agree that the Commission's already  
24 approved those costs from Phase 1 of the gridSMART  
25 project and that they are ready for recovery versus

1 some extra prudence review, correct?

2 A. Yes. I'm not addressing any additional  
3 review from -- beyond what the Commission has already  
4 approved. I don't know whether or not all the  
5 gridSMART Phase 1 costs have underwent audits and  
6 prudence reviews and those types of things, but I'm  
7 not advocating anything beyond what the Commission  
8 has done.

9 Q. But you agree the Commission's already  
10 approved those costs, correct?

11 A. They've approved the gridSMART Phase 1  
12 program.

13 Q. And you're not suggesting there needs to  
14 be some secondary prudence review beyond what's  
15 already occurred, correct?

16 A. No, I'm not.

17 Q. You're also not testifying that it's  
18 improper regulatory treatment to request items like  
19 late-payment charges, distribution improvements, and  
20 purchase of receivables in an ESP proceeding,  
21 correct?

22 THE WITNESS: Could you repeat the  
23 question, please?

24 (Record read.)

25 A. I believe that distribution improvements

1 and PORs have perhaps been addressed in ESPs. I'm  
2 not a hundred percent sure whether or not a  
3 late-payment charge has occurred as a result of an  
4 ESP. Seems as though that's probably more common for  
5 a rate case.

6 Q. But you're not testifying that it's  
7 improper regulatory treatment to request these items  
8 in an ESP, correct?

9 A. I suspect an ESP could include those. In  
10 fact, yours does.

11 Q. And they could be approved within an ESP  
12 as well, correct?

13 A. I believe they can be approved.

14 Q. Now, in your testimony you did not look  
15 at the rate impacts presented by the company and the  
16 impact it would have on the at-risk populations and  
17 the working poor, correct?

18 A. I'm not sure -- I don't understand the  
19 question.

20 Q. Sure. For purposes of analysis in your  
21 testimony you didn't really look at the rate impacts  
22 presented by the company and the impact it would have  
23 on the at-risk populations and the working poor,  
24 correct?

25 A. Yes. My testimony was structured more

1 towards those particular distribution charges where  
2 the company has more control than other charges, for  
3 example, some of the market-based charges, and I  
4 looked at those -- those distribution charges and  
5 riders and what the impact could be on customers.  
6 But I did not look at like a total bill for something  
7 like that.

8 Q. And you're aware the company took into  
9 account the overall plan and rate impacts, but you  
10 didn't factor that into your testimony, you just  
11 factored what potentially individual riders might  
12 have as a piece-part of that overall impact for your  
13 testimony, correct?

14 A. I believe that the company presented  
15 information on overall impacts. I believe that  
16 that's certainly subject to discussion here.

17 Q. But for purposes of your testimony and  
18 looking at the at-risk populations, I believe you  
19 stated you focused on the impact of the individual  
20 piece-parts of the riders versus applying the overall  
21 rate impact presented by the company, correct?

22 A. Yes. Mine was specific to some riders.

23 Q. Let's go to page 15 and 16 of your  
24 testimony where you include Chart 1. Let me know  
25 when you're there.

1           A.    I'm there.

2           Q.    Now, Chart 1 shows that the former CSP  
3           and Ohio Power collected significantly less rates for  
4           many years than other -- compared to other utilities,  
5           correct?

6           A.    That's correct.  At least in 2004 when I  
7           started this comparison.

8           Q.    Now, judging your earlier definition of  
9           "reasonable rates" and they have to be comparable to  
10          others, are you saying that the lower rates in 2004  
11          of the AEP Ohio companies was an unreasonable rate  
12          because it was so far lower than the other utilities?

13          A.    And I think if you look in context with  
14          all the other things that I looked at in my testimony  
15          now in terms of poverty levels today, I didn't look  
16          at poverty levels in 2004, try to do any kind of a  
17          qualitative analysis of that.

18          Q.    Right.  But I'm just focusing on your  
19          policy definition for OCC of what a reasonable rate  
20          would be.  And earlier you stated that it has to be  
21          comparable to other utilities.  Do you remember that  
22          conversation?

23          A.    Yes, I do.

24          Q.    And so is it your testimony that OCC  
25          believed that in 2004 AEP Ohio company's rates were

1 unreasonable because they were so far below the other  
2 utilities' rates?

3 A. I don't believe that's the policy.

4 Q. And you would agree it's important to  
5 look at the circumstances of the utility at the time  
6 of the rate to determine the reasonableness of that  
7 rate, correct?

8 A. That is correct.

9 Q. Now, you include a number of percentage  
10 increases under your table on 16 and 17 describing  
11 the increase in rates over time. But if a rate was  
12 lower to start with and it rises, it's a mathematical  
13 truism that that percentage increase will be higher,  
14 correct?

15 A. That's true.

16 Q. Let's go to page 18 of your testimony.

17 A. I'm there.

18 Q. And is this table based on all AEP Ohio  
19 distribution customers?

20 A. Yes. This is combined -- if the question  
21 is does this combine the former CSP and OP, the  
22 answer is yes.

23 Q. And this includes those that are SSO and  
24 CRES providers, that are served by CRES providers,  
25 correct?



1           A.    Yes.  Although some, for example, some  
2 customers, for example PIPP customers, would not be  
3 with CRESSs.  They would only be with the SSO.

4           Q.    You note in the chart the number of  
5 disconnections that have increased for nonpayment  
6 between 2011 and 2013.  Is it your opinion that Ohio  
7 Power should not disconnect nonpaying customers?

8           A.    No.

9           Q.    And if notices are provided and the  
10 company's working with the customer, it's appropriate  
11 to disconnect a customer for nonpayment, correct?

12          A.    The rules specify certain payment plans,  
13 other options that have to be made available to a  
14 customer, notices, depends upon the time of the year,  
15 additional consumer protections.  At a certain point  
16 in time, though, the rules would support AEP Ohio  
17 disconnecting customers for not paying.

18          Q.    Were you present for the testimony of  
19 Company Witness Andrea Moore discussing the AEP  
20 policy not to disconnect customers when the  
21 temperature's below 25 or above 90 degrees?

22          A.    Yes, I was here.

23          Q.    Does OCC support that company policy, to  
24 not disconnect customers at those times?

25          A.    I don't know that we've ever -- that OCC

1 has ever made any kind of a -- that there's a  
2 particular policy statement. I know that we have  
3 advocated for moratoriums on disconnections during  
4 inclement weather in some of the different rulemaking  
5 cases that I've been involved in.

6 Q. So is that a longer way of saying yes,  
7 you're supportive of AEP's efforts not to disconnect  
8 below 25 and above 90 degrees customers?

9 A. I don't know about those specific  
10 temperatures. I just note that we have supported  
11 positions for avoiding disconnection during inclement  
12 weather but I don't know what the specific  
13 temperature thresholds were in those cases.

14 Q. That's fair, so you don't want to  
15 identify a specific number but generally the policy  
16 of not disconnecting customers when it's cold or  
17 when's hot is something supported by OCC, correct?

18 A. Very concerned about the health and  
19 safety aspects of that.

20 Q. Is that an example of AEP Ohio working  
21 with customers that I believe you discussed earlier  
22 that the company should be doing?

23 A. Yes, it is.

24 Q. Now, you also note in your table that  
25 there are less customers on payment plans, correct?

1           A.    Yes.

2           Q.    But this table just includes the formal  
3 one-third, one-sixth, and one-ninth payment plan that  
4 you were able to find in these, harvest in these rule  
5 filings, correct?

6           A.    I don't know if it's specifically just  
7 those three. I believe that a customer that would be  
8 on a one-twelfth payment plan, that's required in  
9 certain situations when there's back bills, or just  
10 payment plans that the company provides customers  
11 would also be included. It doesn't include customers  
12 that are on budget bill.

13          Q.    Okay. That was my question.

14                   Does that include average monthly payment  
15 plans as well? Do you consider those budget bills as  
16 well?

17          A.    I consider that budget.

18          Q.    Okay. And you would agree that the  
19 company has less customers eligible for payment plans  
20 on the entire electric bill due to an increase in  
21 customers receiving generation from CRES providers,  
22 correct?

23          A.    I'm not sure I understand what you mean.

24          Q.    Is the company able to offer payment  
25 plans for CRES services? AEP Ohio.

1           A.    My understanding is yes, that the company  
2           can offer payment plans.

3           Q.    All the payment plans that are available,  
4           budget, one-sixth, one-third, one-ninth, can be  
5           provided for --

6           A.    I don't know.

7           Q.    Let me finish, I'm sorry.

8                   -- can be provided for CRES provided  
9           services?

10          A.    I don't know if all of the payment  
11          options can be provided but I believe some can.

12          Q.    I want to talk for a second about the  
13          late-payment charge you discuss in your testimony.  
14          AEP's in the minority as far as regulated utilities  
15          in Ohio for not having a late-payment charge,  
16          correct?

17          A.    That is correct.

18          Q.    And you agree that there could be some  
19          benefits of a late-payment fee if there's incentive  
20          for payment, correct?

21          A.    I think if that incentive was -- if there  
22          was some method to quantify that and there was  
23          studies or analysis that showed that the late-payment  
24          charge would, indeed, incent customers to pay, that  
25          might be true.

1           Q.    So absent a subcommittee and a bunch of  
2 studies showing there's an incentive for payment you  
3 can't give an opinion that a late-payment charge  
4 could incent customers to pay on time?

5           A.    I suspect it provides some incentive.  
6 How much incentive I don't know.  Again, I haven't  
7 seen any information that would support that.

8           Q.    Let's move on to purchase of receivables.  
9 You're familiar, in fact, you cite the Commission's  
10 discussion of POR -- you understand what I mean when  
11 I say "POR," correct?

12          A.    Yes, I do.

13          Q.    -- in the 12-3151 docket, correct?

14          A.    Yes, I do.

15          Q.    And is it your understanding that the  
16 Commission encouraged EDUs to develop and file  
17 purchase of receivable plans as a result of its  
18 market study in that case?

19          A.    Yes.  I believe that the order encouraged  
20 utilities to file for PORs to, you know, through a  
21 regulatory proceeding to justify the POR and all the  
22 other aspects that would go with it.  I don't believe  
23 that I read that order to be a blanket authority from  
24 the Commission for POR, bad debt riders, late-payment  
25 charges, disconnecting customers for nonpay, those

1 types of things.

2 Q. But that order didn't come out from the  
3 Commission saying, EDUs, make sure you don't ever  
4 give us a purchase of receivables filing, correct?

5 A. That's correct.

6 Q. In fact, what that order said is, EDU, we  
7 encourage you to file a purchase of receivables  
8 program in your next ESP or base rate case, correct?

9 A. Yes. It referenced to the next base rate  
10 case or ESP.

11 Q. At the top of page 23 of your testimony  
12 you mention that nonpayment of CRES charges must not  
13 be a problem as evidenced by the number of CRES  
14 suppliers that are in the market, correct?

15 A. Yes.

16 Q. And that testimony is dependent upon the  
17 belief that CRES providers are already marketing to  
18 at-risk customers that can pose a greater credit  
19 risk, correct?

20 A. No. I believe that the context of this  
21 sentence is that for this many CRES providers to be  
22 offering service to customers, that there must not be  
23 payment troubles, otherwise I don't think that we  
24 would see this many CRES providers continuing to  
25 offer service.

1 Q. And an assumption you're making in that  
2 is that CRES providers are marketing to all customers  
3 in Ohio, correct?

4 A. All customers with the exception of the  
5 PIPP customers.

6 Q. So you don't believe that there is a --  
7 let me rephrase that.

8 So you don't believe there's a current  
9 lack of marketing to at-risk customers from CRES  
10 suppliers; is that your testimony?

11 A. I'm not aware of any.

12 Q. You're not aware of any CRES providers  
13 that are marketing towards at-risk providers -- or,  
14 at-risk customers? I apologize.

15 A. Yeah, I'm not aware of where CRES  
16 providers target -- which particular customers are  
17 targeted for service with CRESs.

18 Q. Okay.

19 A. I believe that it could be any customer  
20 that's not PIPP or that's not on a payment plan.

21 Q. Okay. So just to clear it up, so you're  
22 not aware of any marketing efforts of CRES providers  
23 one way or another focused on at-risk customers other  
24 than their customers, correct?

25 A. No, I'm not.

1           Q.    Now, on page 23, lines 17 to 19, you  
2 discuss the public policy -- one second. Let me make  
3 sure.

4                    You discuss the public policy of not  
5 disconnecting customers for CRES charges, correct?

6           A.    That's correct.

7           Q.    And you agree that if the Commission's  
8 going to approve a purchase of receivables program,  
9 it will have to weigh its encouragement of purchase  
10 of receivables programs against this rule, correct?

11          A.    I know that a waiver of this rule is --  
12 was mentioned within the application.

13          Q.    And if the Commission were to approve the  
14 waiver of that rule, it would then be appropriate to  
15 disconnect for the nonpayment of CRES charges,  
16 correct?

17          A.    If the Commission waives the rule, it  
18 would be, you know, and would no longer be a rule.  
19 But I think it's important also to weigh that. What  
20 I addressed within my testimony was that these CRES  
21 charges are not rate regulated by the PUCO. I think  
22 the PUCO needs to think very long and hard about  
23 approving a POR when it doesn't also regulate the  
24 rate of the CRES providers.

25          Q.    Right, I understand that's the policy



1 position overall, but if the Commission were to  
2 approve a purchase of receivables program and grant  
3 this waiver, it would be appropriate and right for  
4 the company to disconnect for nonpayment of those  
5 receivables, correct?

6 A. The company would have the authority to  
7 disconnect.

8 Q. And there are a number of examples in the  
9 industry where the EDU provides services to the CRES  
10 provider that have been approved by the Commission,  
11 correct?

12 A. Could you be a little more specific?

13 Q. Sure. You're familiar with consolidated  
14 billing?

15 A. Yes.

16 Q. And that's something that the CRES  
17 provider can avoid a cost for that's paid for by the  
18 EDU, correct?

19 A. I believe it could be paid for by the  
20 EDU. I'm not aware of whether or not there are  
21 charges for performing those services.

22 Q. And the call center that the EDU  
23 maintains to answer questions from customers, that  
24 can benefit CRES providers as well, correct?

25 A. In what particular way?

1 Q. If a customer calls with questions about  
2 their bill, questions can be handled by the EDU call  
3 center, correct?

4 A. Yes.

5 Q. And Commission rules require EDUs to  
6 provide access to certain information, lists of  
7 customers to CRES providers, and provide them that  
8 information, correct?

9 A. That is correct.

10 Q. So the Commission's already approved a  
11 number of items where the EDU was assisting in the  
12 operation of the CRES suppliers' business, correct?

13 A. The Commission's approved it but, again,  
14 I don't know at what cost. I believe that you  
15 mentioned the enrollment list, for example, I believe  
16 there could be fees associated with that. I seem to  
17 recall that in a rule, but --

18 Q. But the initial rule -- the initial list  
19 that the CRES provider receives is a free list,  
20 correct?

21 A. I'm not a hundred percent sure.

22 Q. The overall point, though, is there are  
23 Administrative Code rules that deal with services  
24 that need to be provided to CRES providers from EDUs  
25 to assist in the market, correct?

1           A.    Yes.

2           Q.    Okay.  Let's talk about deposits for a  
3           second.  You do not have any firsthand knowledge if  
4           CRES providers are charging deposits or not, correct?

5           A.    I don't have any firsthand knowledge of  
6           whether or not deposits are collected or not.  I  
7           believe that in the testimony of Mr. Gabbard, though,  
8           is that he mentioned that if CRES providers were  
9           charging deposits, and the POR was approved as the  
10          company has applied for, there could be customers  
11          that are having to pay an additional deposit.

12          Q.    And to clear one thing up that you were  
13          talking about with Ms. Petrucci earlier, when you  
14          were talking about whether a deposit would be either  
15          refunded to a customer or applied to the bill, you  
16          weren't insinuating that the customer wasn't going to  
17          get the money back, it would just be whether it was  
18          applied to a bill versus an actual check which is a  
19          credit, correct?

20          A.    No.  I just don't know how that  
21          transaction is handled.

22          Q.    Now, at the bottom of 26 and the top of  
23          27 of your testimony you discuss \$3.5 million in CRES  
24          bad debt and assert that that will be added -- could  
25          be added to the AEP baseline and added to the bad

1 debt rider, correct?

2 A. Yes.

3 Q. You make that assumption assuming that  
4 there are no deposits collected by the CRESs that  
5 could offset the unrecovered \$3.5 million before it  
6 was applied to the bad debt rider, correct?

7 A. Yes. There could be offsets to this, I'm  
8 not aware of them.

9 Q. In fact, there could be \$3.5 million in  
10 deposits that could be offset and therefore this  
11 would never touch the bad debt rider, correct?

12 A. That's correct.

13 Q. Now, your argument on page 25, line 4,  
14 about deposits being fundamentally unfair, what  
15 you're referring to there is paying the double  
16 deposit for the same service would be unfair,  
17 correct?

18 A. Can you show me where you're at?

19 Q. Yeah, page 25, line 4, "It is  
20 fundamentally unfair to require customers" --

21 A. Thank you.

22 Q. -- that statement. And your testimony  
23 really deals with the concern that customers might  
24 pay two deposits for the same service, correct?

25 A. Two deposits or securing service in

1 different ways because customers -- CRES customers  
2 could also secure their service with the rate that  
3 they're providing to a CRES provider, or they could  
4 pay a deposit. Both of those situations would  
5 involve the contract between themselves and the CRES  
6 provider.

7 Q. And is it your understanding if the  
8 Commission were to approve a purchase of receivables  
9 program, it could put certain conditions on that  
10 program for eligibility for CRES providers?

11 A. I don't know what type of eligibility  
12 you're referring to.

13 Q. Let's talk about the DIR and  
14 quantification a little bit which I know you love to  
15 talk about. I want to discuss what options the  
16 company has to satisfy the quantification of  
17 reliability that you discuss in your testimony and  
18 the positions in this case, all right?

19 A. Okay.

20 Q. Now, you believe two ways to quantify  
21 reliability improvement from something like the DIR  
22 is through the CAIDI and SAIFI performance standards  
23 that we've talked about in this testimony so far, in  
24 this hearing so far, correct?

25 A. Those are the two different reliability

1 standards that are approved by the Commission that  
2 the company has to demonstrate its performance  
3 against.

4 Q. And I'm just going to move through and  
5 try to get a list of the possible quantifications  
6 that the company can use to satisfy the concern that  
7 there's not quantifications. So those are the first  
8 two types of quantification that you would say can be  
9 used to show the results of the DIR investment,  
10 correct?

11 A. Yes.

12 Q. You also believe the number of outages is  
13 a quantification that could be used to quantify the  
14 benefits of a DIR-type mechanism, correct?

15 A. Number of avoided outages, yes.

16 Q. You also believe that customer minutes  
17 interrupted and the number of customers -- customer  
18 minutes interrupted and the number of customers  
19 interrupted could be used to quantify the reliability  
20 benefits of a DIR, correct?

21 A. Both of those measures are used to  
22 calculate the CAIDI and the SAIFI.

23 Q. So you don't believe those independently  
24 could be used to quantify reliability, those can only  
25 be part of what goes to a CAIDI and SAIFI number in

1 order to quantify reliability improvements? Is that  
2 your testimony?

3 A. I think ultimately it's applied -- how  
4 it's applied to an overall system performance as  
5 measured by SAIFI and CAIDI.

6 Q. Okay.

7 A. And I believe that also to be supported  
8 in the Commission order in the DIR case that requires  
9 AEP to quantify the reliability benefits and to also  
10 demonstrate how it focuses spending on those  
11 particular investments that are going to have the  
12 greatest impact towards reliability across its entire  
13 service territory.

14 Q. I understand your position on other cases  
15 in the past. But right now I'm just trying to make  
16 sure I can satisfy your appetite for quantification,  
17 and I'm trying to figure out exactly what criteria  
18 could be applied. Think of it as a road map for AEP  
19 right now so we can have something that we satisfied  
20 reliability. My question was: Do you believe  
21 whether customer minutes interrupted and number of  
22 customers interrupted could be used to prove the  
23 benefits of reliability in a DIR program?

24 A. They both fit into the reliability  
25 measures we've talked about.

1 Q. Okay. And this is important because --  
2 can they be used to quantify reliability on their own  
3 or only as part of what leads up to a CAIDI and SAIFI  
4 number for the reliability standards? That's my  
5 question.

6 A. I believe that there's a possibility that  
7 they can be looked at separately as well as as part  
8 of what the overall impact is on the numbers, if  
9 that's what you're asking me.

10 Q. Okay. And in deciding where to invest  
11 dollars in a DIR program you believe the Commission  
12 should approve DIR plans that get the biggest bang  
13 for the buck towards providing improvements in  
14 reliability, correct?

15 A. I believe that's what the Commission  
16 required.

17 Q. I'm asking if that's what you believe for  
18 OCC.

19 A. I don't believe that OCC supported the  
20 DIR to begin with, but the fact that it was approved,  
21 the Commission put additional requirements on it that  
22 the reliability benefits be quantified and that  
23 thereby a demonstration of how the reliability  
24 impacts the entire service territory.

25 Q. But you believe that the explanation of



1       why an EDU invests what it invests in the system is a  
2       proper option for quantification of reliability  
3       improvement also, correct?

4               A.    I'm not sure I know what you mean.

5               Q.    We talk about the DIR plan filings, you  
6       discuss those in your testimony, correct?

7               A.    Yes, I do.

8               Q.    And you would agree that an explanation  
9       of why an EDU is investing certain dollars as part of  
10      that program in their plan is another quantification  
11      possibility for a discussion of increasing  
12      reliability, correct?

13              A.    I think if there was that type of  
14      quantification within the plan, that that's the type  
15      of information that doesn't appear to be available.

16              Q.    I'm asking -- we're back to creating the  
17      list now and future looking so that we can make sure  
18      that we're quantifying properly in the future for  
19      OCC's preference, and my question is, is a further  
20      description of how the company and what decisions  
21      were made of how to apply the dollars to the DIR  
22      program also a quantification of the reliability as  
23      part of a DIR plan?

24              A.    I suspect that could contribute.  If I  
25      was reviewing a work plan and it included that

1 information, that would be helpful.

2 Q. And other than that, those are -- let me  
3 rephrase.

4 Those are all the quantifications you can  
5 think of for AEP to show in relation to reliability  
6 of a DIR plan, correct?

7 A. There are other measures. There are not  
8 measures that are specifically approved by the  
9 Commission, but there are other performance metrics  
10 that can be used and, in fact, the Commission  
11 requires the utilities to file reports that show, I  
12 believe it to be, the 8 percent worst performing  
13 circuits on an annual basis and based upon the SAIDI,  
14 which is the system average interruption duration  
15 index, and so it takes 8 percent worst performing  
16 circuits and then, you know, I suspect something like  
17 that can be used as well if you were looking at  
18 trying to quantify reliability benefits.

19 Q. And really there were two things there,  
20 it was SAIDI, which is system average interruption  
21 duration --

22 A. Yes, index.

23 Q. -- index and how SAIDI is used for the --  
24 is it Rule 9? Rule 11?

25 A. I believe it to be the Rule 11, but

1 that's subject to check.

2 Q. Which is the 8 percent worst performing  
3 circuit list, correct?

4 A. That's correct.

5 Q. So those are two more metrics that could  
6 be used to quantify the reliability performance of a  
7 program like the DIR, correct?

8 A. Those are two additional ones that can be  
9 looked at.

10 Q. Can you think of anything else?

11 A. Sitting here today, those are the ones  
12 that would come to me.

13 Q. And you did not consider as part of your  
14 analysis how you would quantify the prevention of  
15 failed equipment in the quantification of the DIR,  
16 correct?

17 A. No, I did not.

18 Q. And you agree that absent funds to  
19 replace aging equipment, equipment will fail,  
20 correct?

21 A. I believe equipment has a life cycle and  
22 that AEP replaced equipment before, long before, the  
23 DIR was approved when it was, you know, outdated or  
24 subject to fail.

25 Q. And so there is a reliability aspect to

1 replacing aging infrastructure, correct?

2 A. I believe that's an ongoing routine  
3 aspect that has to be addressed.

4 Q. It's routine if the same amount of  
5 equipment was prone to failure every year, correct?

6 A. Routine to me means routine in base rates  
7 as opposed to separate funding through something like  
8 a DIR.

9 Q. But wasn't the basis of the initial  
10 approval of the Commission of the DIR to address the  
11 aging infrastructure of AEP Ohio?

12 A. I believe that was at least one of the  
13 criteria.

14 Q. So is it your preference that the company  
15 let things fail so that there is an impact on  
16 reliability and then replace it through the DIR so  
17 that it can be shown there is an improvement in  
18 reliability, or is it the preference of you and OCC  
19 to have the company replace those before they fail so  
20 there's no interruption in reliability to begin with?

21 A. My response I believe that's directly  
22 related to the state policy that we started this  
23 discussion originally where both reliability and  
24 affordability were addressed in the state policy.  
25 And there has to be effective balance and trade-off

1 between the two.

2 Q. I'm sorry, I didn't hear an answer to  
3 what your preference would be in that.

4 A. My preference would be that -- I believe  
5 that's addressed by the state policy that's addressed  
6 in my testimony, that there needs to be a balance  
7 between affordability and reliability.

8 Q. I deposed you on May 28th, 2014,  
9 correct?

10 A. Yes.

11 Q. At the offices of Porter Wright; is that  
12 correct?

13 A. That is correct.

14 Q. And there was a court reporter present  
15 that day; is that correct?

16 A. That's correct.

17 Q. And you were sworn in by that court  
18 reporter, correct?

19 A. That's correct.

20 Q. And you gave -- you told the truth to the  
21 questions I asked you on that day, correct?

22 A. Yes.

23 MR. SATTERWHITE: Your Honor, may I  
24 approach?

25 EXAMINER SEE: Yes.

1 Q. I'm placing in front of you a copy of a  
2 deposition taken that day. Could you open that  
3 deposition to page 57 for me.

4 A. I'm there.

5 Q. Could you read the question that's asked  
6 starting on line 7 and the answer that you give that  
7 ends on line 15 for me, please, into the record?

8 A. Yes. "Is it your preference that the  
9 company let things fail so that there is an impact on  
10 reliability and then replace it through the DIR so  
11 that it can be shown there's an improvement in  
12 reliability, or is it the preference of you and OCC  
13 to have the company replace those before they fail so  
14 there's no interruption in reliability to begin  
15 with?"

16 The answer: "Well, I mean, I think we  
17 would support trying to replace items before they  
18 fail."

19 Q. Thank you.

20 Now, you're aware of the vast variety of  
21 potential outage codes in the AEP system, correct?

22 A. Yes, I am.

23 Q. You're aware that there's an outage code  
24 for animals, animal-caused outages?

25 A. Yes.

1 Q. And vehicle crashes, correct?

2 A. I believe that attached to my testimony  
3 is kind of a list of each of those, the ones that I'm  
4 aware of, from the different quotes that were filed.

5 Q. That would include theft from stolen  
6 copper too, correct?

7 A. If that's vandalism, that's addressed in  
8 here.

9 Q. And trees out of the right-of-way would  
10 be another outage code that causes --

11 A. That's true.

12 Q. -- outages, correct? There's even  
13 outages due to other utilities or even customers  
14 digging in the lines or landscaping, weekend  
15 landscapers, correct?

16 A. Yes.

17 Q. And each of these outages are figured  
18 into the CAIDI and SAIFI overall grand standard from  
19 Rule 10, correct?

20 A. Yes, that's my understanding.

21 Q. And these outages can be different every  
22 year depending on who turns 16 driving cars or other  
23 factors, correct?

24 A. That's correct.

25 Q. Now, on page 32 of your testimony you

1 begin to discuss the ESRR that -- what we call the  
2 tree trimming rider in this case so far. Are you  
3 familiar with that, what I'm talking about when I say  
4 that?

5 A. Yes, I am.

6 Q. And OCC participates in the ESRR filings  
7 each year looking into the cost invested, correct?

8 A. I don't know if I would say every year.  
9 I know some years we've requested intervention in  
10 those cases.

11 Q. And, in fact, most recently in Case  
12 13-1063, in the matter of the application of Ohio  
13 Power Company to update its enhanced service  
14 reliability rider, OCC did intervene, correct?

15 A. I believe that to be correct.

16 Q. And in that docket there was the right  
17 for parties to file comments, correct?

18 A. Yes.

19 Q. And OCC conducted discovery on the  
20 figures included by the company in its filing,  
21 correct?

22 A. Yes, we did.

23 Q. And the same holds true for the DIR  
24 audits, correct? Let me rephrase that.

25 OCC also participated in the recent audit



1 of the DIR in Case 13-419, correct?

2 A. That's -- if that's the case that  
3 involved the initial part of DIR, I believe it was  
4 August 2011 through 2012.

5 Q. And the caption, if it helps, In the  
6 Matter of the Distribution of the Investment Rider  
7 Contained in the Tariffs of Ohio Power Company?

8 A. That's correct.

9 Q. And in that case OCC moved to intervene,  
10 correct, and was granted intervention?

11 A. Yes.

12 Q. OCC conducted discovery in that case,  
13 correct?

14 A. Yes.

15 Q. And OCC filed comments on August 2nd of  
16 its opinion of that, the elements of that case,  
17 correct?

18 A. I don't know the dates, but I know that  
19 we filed comments.

20 Q. And there was also a hearing in that case  
21 where OCC had the opportunity to present its views,  
22 correct?

23 A. I believe that's correct.

24 Q. And each of those cases deal with the  
25 respective cost applied in either the DIR or the

1 ESRR, correct?

2 A. Yes.

3 Q. And OCC and the public has an opportunity  
4 to investigate the costs associated with that and  
5 move to intervene, ask questions, do discovery just  
6 like OCC did in those cases, correct?

7 A. Yes.

8 Q. At page 33 of your testimony you talk  
9 about the time-of-use tariff. Do you see that?

10 A. Yes, I do.

11 Q. And you believe it makes sense for  
12 AEP Ohio as an EDU without generation to keep its  
13 time-of-use tariff because you think it is a  
14 transitional item needed as Ohio evolves to a  
15 mature, complete market, correct?

16 A. I believe "if" customers are saving money  
17 on time-of-use rates and there's no other options  
18 available for them to get this type of service, that  
19 that makes a lot of service for AEP to continue to  
20 provide that.

21 Q. But it's your belief that this is a  
22 legacy issue that needs to still be in place as  
23 there's a transition to market; is that your  
24 testimony?

25 A. There's two different aspects of it.

1 There's the legacy programs, kind of the standard  
2 time-of-use program that residential customers are  
3 on, and then I also address the experimental time  
4 differentiated programs, there are customers that  
5 have smart meters, for example, can participate in.  
6 And for both of those programs I believe that if the  
7 potential exists for customers to save money, that  
8 these are options that ought to continue into the  
9 future. And especially until a market is developed  
10 for offering these kinds of programs by CRES  
11 providers.

12 Q. But you believe the market is still  
13 evolving and needs to mature more before the EDU  
14 would stop offering a time-of-use tariff, correct?

15 A. I believe that to be correct.

16 Q. And that's due to the legacy nature of  
17 the offering, correct?

18 A. Yes, it is, for this particular tariff.  
19 For customers that are on the experimental, you know,  
20 the gridSMART, you know, Phase 1 is just finishing  
21 up. Those types of programs may accompany gridSMART  
22 Phase 2.

23 MR. SATTERWHITE: Thank you,  
24 Mr. Williams.

25 Thank you, your Honor, that's all I have.

1 EXAMINER SEE: Mr. Serio, any redirect?

2 MR. SERIO: Just a couple of questions,  
3 your Honor.

4 - - -

5 REDIRECT EXAMINATION

6 By Mr. Serio:

7 Q. Mr. Williams, do you remember the  
8 discussion you had with Mr. Satterwhite regarding  
9 whether it was legal for a POR or other riders to be  
10 in an ESP case?

11 A. Yes, I do.

12 Q. You weren't offering any kind of legal  
13 opinion as to whether that's appropriate or not, were  
14 you?

15 A. No, I was not.

16 Q. With regard to the DIR, did the PUCO in  
17 any order ever require OCC or any other party to show  
18 a quantification of the service reliability  
19 improvements as a result of the DIR?

20 A. Didn't require OCC. I believe it  
21 required the company.

22 Q. And then one last question.  
23 Mr. Satterwhite asked you a question and pointed to  
24 your deposition about whether it was OCC's preference  
25 that equipment be replaced before it goes bad so

1 that -- rather than letting it go bad and then  
2 showing an improvement. In making that  
3 recommendation is cost a consideration that should  
4 also be considered?

5 A. Absolutely.

6 MR. SERIO: That's all I have, your  
7 Honor. Thank you.

8 EXAMINER SEE: Any recross of this  
9 witness, Mr. Williams?

10 MR. WILLIAMS: No, your Honor.

11 EXAMINER SEE: Mr. Smalz?

12 MR. SMALZ: No, your Honor.

13 EXAMINER SEE: Ms. Petrucci?

14 MS. PETRUCCI: Nothing.

15 EXAMINER SEE: Mr. Casto?

16 MR. CASTO: No, your Honor.

17 EXAMINER SEE: Mr. Clark?

18 MR. CLARK: No, thank you, your Honor.

19 EXAMINER SEE: Ms. Bojko?

20 MS. BOJKO: No, thank you, your Honor.

21 EXAMINER SEE: Ms. Shadrick?

22 MS. SHADRICK: No, your Honor.

23 EXAMINER SEE: Mr. Boehm?

24 MR. K. BOEHM: No, your Honor.

25 EXAMINER SEE: Mr. Darr?

1 MR. DARR: No, your Honor.

2 EXAMINER SEE: Mr. Yurick?

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

5 EXAMINER SEE: Mr. Parram?

6 MR. PARRAM: No, your Honor.

7 EXAMINER SEE: Mr. Satterwhite?

8 MR. SATTERWHITE: Nothing, your Honor,  
9 thank you.

10 EXAMINER SEE: Thank you very much,  
11 Mr. Williams.

12 THE WITNESS: Thank you, your Honor.

13 EXAMINER SEE: Mr. Serio?

14 MR. SERIO: Your Honor, I'd previously  
15 asked for the admission of Mr. Williams' testimony,  
16 OCC No. 11.

17 EXAMINER SEE: Are there any objections  
18 to the admission of OCC Exhibit 11?

19 MR. SATTERWHITE: No objection, your  
20 Honor.

21 EXAMINER SEE: Hearing none, OCC 11 is  
22 admitted into the record.

23 MR. SERIO: Thank you, your Honor.

24 (EXHIBIT ADMITTED INTO EVIDENCE.)

25 EXAMINER SEE: It's now 12:46, let's take

1 a lunch break before we continue with Mr. Murray.

2 MR. DARR: Mr. Murray appreciates that,  
3 your Honor.

4 EXAMINER SEE: I'm sorry?

5 MR. DARR: If nobody else does,  
6 Mr. Murray appreciates that, we already talked.

7 EXAMINER SEE: Let's take a lunch recess  
8 until 1:30.

9 MR. DARR: Thank you, your Honor.

10 (Thereupon, at 12:46 p.m., a lunch recess  
11 was taken.)

12 - - -

13

14

15

16

17

18

19

20

21

22

23

24

25

1 Tuesday Afternoon Session,  
2 June 10, 2014.

3 - - -

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

6 IEU, would you like to call your next  
7 witness?

8 MR. DARR: Thank you, your Honor. IEU  
9 calls Kevin M. Murray.

10 EXAMINER SEE: Mr. Murray, if you'd raise  
11 your right hand.

12 (Witness sworn.)

13 EXAMINER SEE: Thank you. Have a seat,  
14 cut your mic on, please.

15 EXAMINER SEE: Go ahead, Mr. Darr.

16 MR. DARR: Thank you, ma'am.

17 - - -

18 KEVIN M. MURRAY

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

21 DIRECT EXAMINATION

22 By Mr. Darr:

23 Q. Please state your name.

24 A. My name is Kevin Murray.

25 Q. By whom are you employed?



1 A. I'm employed by McNees, Wallace & Nurick.

2 Q. What do you do for McNees, Wallace &  
3 Nurick?

4 A. I'm a technical specialist which provides  
5 technical support to attorneys at the firm.

6 Q. What's the business address that you use?

7 A. 21 East State Street, 17th Floor,  
8 Columbus, Ohio 43215.

9 MR. DARR: I request that two exhibits  
10 are marked as IEU Exhibit 1A, that being the  
11 confidential direct testimony of Kevin M. Murray, and  
12 as IEU Exhibit 1B, the public version of the  
13 testimony which was initially filed on May 6th and  
14 then refiled June 6th --

15 MR. NOURSE: Friday. Yeah.

16 MR. DARR: -- 2014.

17 EXAMINER SEE: We've already reserved IEU  
18 1.

19 MR. DARR: Yes.

20 EXAMINER SEE: Hold on. Let me find 1A.  
21 Okay. The exhibits are so marked.

22 (EXHIBITS MARKED FOR IDENTIFICATION.)

23 MR. DARR: Thank you, your Honor.

24 Q (By Mr. Darr) Do you have in front of you  
25 what's been marked as IEU Exhibits 1A and 1B?

1           A.    Yes.

2           Q.    Could you identify those for us, please?

3           A.    Exhibit 1A is the confidential version of  
4 my testimony that was filed on May 6th, 2014.

5 Exhibit 1B is the public version of my testimony that  
6 was filed on May 6th, 2014, that was refiled last  
7 Friday by AEP Ohio making certain information that  
8 was previously designated as confidential public.

9           Q.    Do you have any corrections for Exhibits  
10 1A and 1B?

11          A.    Yes, I do.

12          Q.    Could you outline those for us, please?

13          A.    Yes. For Exhibit 1A, on page 17, line  
14 23, the word "of" should be "on." There is a second  
15 correction to Exhibit 1A on page 28, that correction  
16 is on line 19, the reference to "Exhibit AEM-E"  
17 should be a reference to "Exhibit AEM-3."

18                I have the same corrections to Exhibit  
19 1B, but just for clarity on Exhibit 1B on page 17,  
20 line 23, the word "of" should be changed to "on."  
21 And on page 28, line 19, the reference to "Exhibit  
22 AEM-E" should be "Exhibit AEM-3."

23          Q.    Did you prepare what's been identified as  
24 IEU Exhibits 1A and 1B?

25          A.    Yes.

1           Q.    If asked the questions contained in IEU  
2 Exhibits 1A and 1B, would your answers be the same?

3           A.    They would.

4           MR. DARR:  The witness is available for  
5 cross-examination, your Honor.

6           EXAMINER SEE:  Mr. Williams?

7           MR. WILLIAMS:  Thank you, your Honor, no  
8 questions.

9           EXAMINER SEE:  Ms. Petrucci?

10          MS. PETRUCCI:  No questions.

11          EXAMINER SEE:  Mr. Casto?

12          MR. CASTO:  No questions, your Honor.

13          EXAMINER SEE:  Mr. Clark?

14          I'm sorry, Mr. O'Brien?

15          MR. O'BRIEN:  No questions, your Honor.

16          EXAMINER SEE:  Ms. Bojko?

17          MS. BOJKO:  No questions, your Honor.

18          EXAMINER SEE:  Ms. Shadrick?

19          MS. SHADRICK:  No questions.

20          EXAMINER SEE:  Mr. Boehm?

21          MR. K. BOEHM:  No questions, your Honor.

22          EXAMINER SEE:  Ms. Johnson?

23          MS. JOHNSON:  No questions, your Honor.

24          EXAMINER SEE:  Mr. Darr?

25          MR. DARR:  My witness, your Honor.

1 EXAMINER SEE: I'm sorry.

2 Mr. Yurick?

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

5 EXAMINER SEE: Mr. Serio or Mr. Berger?

6 MR. BERGER: Yes, just a couple of  
7 questions.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. Berger:

11 Q. Good afternoon, Mr. Murray.

12 A. Good afternoon.

13 Q. Mr. Murray, would it be fair to say that  
14 your position on the basic transmission cost recovery  
15 rider is that both CRES customers and CRES suppliers  
16 should be able to get the benefit of the bargain that  
17 they contracted for with respect to a contract that's  
18 currently in effect and that changing -- changing the  
19 transmission cost recovery rider into a nonbypassable  
20 or adding a nonbypassable component would undermine  
21 that agreement?

22 MR. NOURSE: I object to the form of the  
23 question and to it being friendly cross-examination.

24 MR. BERGER: No. Well, it's not friendly  
25 cross-examination, your Honor. We're just trying to

1 determine what his position is.

2 MR. NOURSE: I think it was a compound  
3 question, that maybe I misunderstood it for that  
4 reason.

5 EXAMINER SEE: Mr. Berger, could you  
6 rephrase your question, please.

7 MR. BERGER: Yes.

8 Q (By Mr. Berger) Mr. Murray, would you  
9 agree with me, first of all, that your position on  
10 the basic transmission cost recovery rider is that  
11 CRES suppliers and CRES customers should receive the  
12 benefit of the bargain that they contracted for with  
13 respect to any contract that's currently in effect?

14 A. My position identifies that for customers  
15 that have contracted with a competitive retail  
16 electric supplier, the terms and conditions of that  
17 contract reflect the fact that currently transmission  
18 costs are paid through the CRES provider and if AEP's  
19 application as proposed would approve, and it would  
20 have a consequence of potentially interfering with  
21 the anticipated outcomes of those contracts.

22 Q. And basically that position is that --  
23 those costs are currently paid by the CRES supplier  
24 on behalf of their customers; is that correct?

25 A. That's correct.

1 Q. And under the company's proposal to make  
2 the nonmarket-based transmission costs payable as a  
3 nonbypassable charge, that would alter that  
4 arrangement; is that correct?

5 A. That's correct. My understanding is if  
6 the company's proposal was approved, the competitive  
7 retail electric suppliers would no longer be billed  
8 for the nonmarket-based transmission costs by PJM.

9 Q. And the customer would then have to --  
10 would then pay them directly to AEP, and the CRES  
11 supplier would not pay those charges to AEP, correct?

12 A. The customer would not -- the customer  
13 would, if AEP's application is approved, pay for  
14 transmission charges to AEP. CRES providers  
15 presently actually pay for transmission charges to  
16 PJM who turns around and remits revenues back to AEP.

17 Q. Okay. Thank you for that correction.

18 And this would just be -- this impact is  
19 just during the current -- the term of an existing  
20 contract; would you agree with that? That if a new  
21 contract is entered after this goes into effect, and  
22 if the nonbypassable charge is in effect at the time  
23 a new contract is entered, that would not impact upon  
24 the relationship between the CRES customer and the  
25 CRES supplier. It would not impact on the benefit of

1 the bargain that's contracted for.

2 MR. DARR: Objection, your Honor. Again,  
3 it's as to form. I counted at least three questions  
4 there, and I'm not sure which one he's supposed to  
5 answer.

6 EXAMINER SEE: Do you want to rephrase,  
7 Mr. Berger?

8 MR. BERGER: Sure. Thank you.

9 Q. Let me try and ask it this way: If the  
10 AEP tariff is adopted by the Commission and there is  
11 a nonbypassable component to the transmission cost  
12 recovery rider, if a new contract is entered  
13 thereafter between the CRES supplier and a CRES  
14 customer, would you agree with me that it would not  
15 reflect any of the charges that are being directly  
16 charged to the customer at that point?

17 EXAMINER SEE: I'm sorry, Mr. Berger,  
18 move your mic further away.

19 MR. BERGER: Okay. Thank you.

20 Q. Did you understand the question?

21 A. Well, I believe you're asking me a  
22 hypothetical question, but I will answer it as  
23 follows: It would be my expectation that once a  
24 Commission order was issued, either approving or  
25 disapproving AEP's proposed charge, that any

1 contracts entered into on or after that date would  
2 reflect whatever the outcome of the Commission's  
3 order would be.

4 Q. Yes. And would you agree that the  
5 contract entered between CRES suppliers and CRES  
6 customers after that date would not reflect any of  
7 the charges that are -- any of the nonbypassable  
8 transmission charges being billed directly to the  
9 CRES customer?

10 A. I don't -- I'm not really following your  
11 question because providers -- contracts with CRES  
12 providers typically reflect a negotiated price.  
13 What's in or not in that price may or may not be  
14 explicitly identified as part of the contract.

15 Q. Right. But if the CRES supplier is not  
16 incurring a charge, then the competitive market is  
17 not going to really allow them to recover a charge  
18 they're not incurring. Would you agree with that?

19 A. Again, competitive suppliers are free to  
20 agree to whatever price they ultimately agree to with  
21 a customer. What we're referring to is a cost that  
22 is presently --

23 EXAMINER SEE: Let's go off the record  
24 for just a second.

25 (Discussion off the record.)



1                   EXAMINER SEE: Let's go back on the  
2 record. There didn't appear to be a question  
3 pending.

4                   Q. Had you completed your answer,  
5 Mr. Murray?

6                   A. I'm not sure.

7                   EXAMINER SEE: Let's read the question  
8 and the part of the answer back.

9                   (Record read.)

10                  A. It's a cost that's presently incurred by  
11 competitive retail electric suppliers that they  
12 presumably reflect in their price, but unless that's  
13 explicitly defined in the contract, you really have  
14 no way of specifically identifying that.

15                  Q. But in my hypothetical they're no longer  
16 incurring that cost. Did you understand that to be  
17 the hypothetical?

18                  A. I understand that, but part of what I've  
19 pointed out in my testimony is just because of the  
20 fact the competitive supplier is not incurring that  
21 cost doesn't mean they have to adjust their contract  
22 price.

23                  Q. Right. But in my hypothetical the  
24 current contract is no longer in effect, and they can  
25 enter into a new contract. We've come to the end of

1 the term of the contract in other words.

2 A. And as I previously indicated, I would  
3 expect that if the Commission would issue an order  
4 approving AEP Ohio's proposal, that future contracts  
5 would reflect the outcome of that decision.

6 Q. Would you be opposed to a result where  
7 suppliers are permitted -- or, these charges, these  
8 charges, these nonmarket-based transmission charges  
9 are permitted to be continued to be collected by PJM  
10 from CRES suppliers until the end of existing  
11 contracts and then when the existing contract between  
12 a CRES supplier and their customer ends, that the  
13 nonbypassable charge would then be imposed?

14 A. That is perhaps one way to avoid some of  
15 the negative consequences I've identified in my  
16 testimony. I don't know if it's practical to  
17 implement that.

18 MR. BERGER: Okay. Thank you. That's  
19 all I have.

20 EXAMINER SEE: Mr. Nourse?

21 MR. NOURSE: Thank you, your Honor.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Nourse:

25 Q. Good afternoon, Mr. Murray.

1           A.    Good afternoon.

2           Q.    Let's stay on the same subject while  
3 we're talking about the basic transmission cost rider  
4 as proposed by the company.  And were you here  
5 earlier for the testimony of FES Witness  
6 D'Alessandris?

7           A.    I was.

8           Q.    Okay.  And do you recall that he  
9 discussed contracts that involve pass-through event  
10 provisions?

11          A.    I recall that discussion.

12          Q.    Okay.  And you recall that  
13 Mr. D'Alessandris testified that it's possible to  
14 pass through credits to reflect industry changes  
15 under those provisions?

16          A.    I recall he testified to that.

17          Q.    Okay.  Now, your testimony seems to  
18 indicate or perhaps presume that the contracts that  
19 exist, the contracts exist that require CRES  
20 providers to pass through transmission charges even  
21 if they're not incurring the costs associated with  
22 that.  Is that your testimony?

23          A.    I don't explicitly say that in my  
24 testimony.  I can -- I can tell you that I have  
25 reviewed a number of competitive retail electric

1 supplier contracts, some of them are structured in  
2 which they have certain costs that are treated as a  
3 pass-through. In some cases that's explicit, it's  
4 required under the terms of the contract. In other  
5 cases it's permissive, there's a -- the word "may"  
6 appears in the contract so it's permissive of the  
7 supplier but not necessarily required.

8 And there are other contracts I have  
9 reviewed in which there's no identification of any  
10 pass-through cost. There's -- it's a fixed-price  
11 contract and regardless of what happens in the  
12 regulatory environment the costs stay constant under  
13 the contract.

14 Q. So the type that you mentioned in that  
15 answer of permissive pass-through, does that mean  
16 that the CRES provider has the ability to either pass  
17 through certain transmission charges or not pass  
18 through transmission charges?

19 A. Yes. Generally, most contracts that have  
20 what I would call a regulatory out clause in them are  
21 structured in which they are permissive and entitles  
22 the competitive retail electric supplier the  
23 opportunity to adjust a price in exchange for some  
24 change in regulation or market rules, but doesn't  
25 necessarily require that as an outcome.

1           Q.    So you said most contracts have that kind  
2           of regulatory out.

3           A.    It's pretty typical to see those -- that  
4           type of regulatory out clause in contracts for  
5           particularly commercial and industrial customers.  I  
6           would say it's much less common for what I would  
7           characterize as mass market residential or small  
8           commercial customers.

9           Q.    Okay.  But the customers you're here  
10          today representing, you would agree that it would be  
11          common or -- and the majority of the contracts for  
12          your members of IEU, for example, to have that kind  
13          of regulatory out provision?

14          A.    I have not attempted to do a  
15          comprehensive survey of all the contracts that our  
16          various members have entered into.  I've simply  
17          identified that in my work I have reviewed a number  
18          of contracts and there's a variety of flavors.  It's  
19          pretty common for most suppliers, particularly for  
20          commercial and industrial clauses -- customers to  
21          have a clause in their contract dealing with the  
22          change in law or regulation.

23          Q.    Yeah.  And that was actually going to be  
24          a related question I had.  By the way, Mr. Murray,  
25          none of my questions are intended to disclose any

1 confidential information, so if you feel you have to  
2 respond with confidential information, please let me  
3 know and we'll try to work around that.

4 But have you done a review of IEU  
5 members' contracts to determine whether your  
6 objection you're raising here is an academic or  
7 hypothetical problem?

8 A. I am privy to some IEU member contracts  
9 with facilities served by AEP. I have not attempted  
10 to do a comprehensive inventory of those, so in some  
11 cases, yes; in other cases I'm not familiar with the  
12 contracts.

13 Q. Okay. But have you identified specific  
14 contracts among IEU members that would require that  
15 the CRES provider charge for these transmission  
16 charges, pass them through, even if the CRES provider  
17 is not incurring those costs?

18 A. Well, again, without getting into  
19 specifics, I can recall a particular supplier  
20 contract that is permissive. Again, it affords the  
21 supplier the discretion as to whether or not it is  
22 going to pass through a change -- it is going to  
23 alter the price to reflect some change resulting from  
24 law or regulation. So it's permissive, not required.

25 Q. Okay. But it's not -- it doesn't

1 obligate the CRES provider to charge or pass through  
2 a charge for a cost it's not incurring, correct?

3 THE WITNESS: Could I have the question  
4 reread, please?

5 (Record read.)

6 A. That's correct. It's permissive.

7 Q. Okay. And are these pass-through event  
8 clauses, and I'm using that term generically, it is  
9 not necessarily related to FES or the testimony of  
10 Mr. D'Alessandris, are those kinds of provisions  
11 involved relative to CRES providers passing through  
12 charges that are new charges that weren't in place or  
13 different charges that weren't in place when the  
14 contract was signed?

15 A. Well, again, each contract has the  
16 potential to be different. In general terms the  
17 regulatory out clauses typically have language that  
18 is tied to some identified change in law or market  
19 rule that triggers the right to alter the price under  
20 the contract.

21 Q. Okay. And on behalf of your IEU members  
22 and the work that you do there have you dealt with,  
23 and again I'm not asking you for specifics, but have  
24 you dealt with disputes or issues in connection with  
25 the polar vortex from the first quarter of this year

1 where CRES providers are attempting to pass through  
2 charges relating to the polar vortex?

3 MR. DARR: Objection. Relevance.

4 MR. NOURSE: Your Honor, I think it's  
5 relevant because, again, we're talking about the same  
6 kinds of provisions and how they work.

7 EXAMINER SEE: Was that how they work or  
8 how they --

9 MR. NOURSE: How they work, not just with  
10 the one example he's providing here.

11 EXAMINER SEE: And I will allow the  
12 question.

13 A. I believe the response I would be  
14 required to provide would delve into information  
15 that's deemed confidential.

16 Q. Okay. And, again, my question was not  
17 intended to do that and I think it would be -- I'm  
18 just asking you for a "yes" or "no" or an affirmative  
19 or negative response, not identifying any specifics.

20 MR. DARR: Again, objection, your Honor.  
21 Not only is it irrelevant but now it's been  
22 identified as related to potentially confidential  
23 work. This is out of bounds.

24 MR. NOURSE: Well, your Honor, I stated  
25 in my question originally and then I reiterated that



1 I'm not asking for confidential information.

2 EXAMINER SEE: Let me hear the question  
3 before you -- pause before you respond, Mr. Murray.

4 MR. NOURSE: Do you want me to try again,  
5 your Honor?

6 EXAMINER SEE: Try again, Mr. Nourse.

7 Q (By Mr. Nourse) Mr. Murray, I'm just  
8 asking you with these same kinds of provisions that  
9 you're talking about with the pass-through  
10 provisions, have you also been involved in any  
11 disputes involving the polar vortex scenario from  
12 earlier this year where CRES providers have attempted  
13 to pass through charges that are different or were  
14 not in existence at the time of the contract being  
15 signed?

16 MR. DARR: Same objection.

17 EXAMINER SEE: With the understanding  
18 that you shouldn't reveal any confidential  
19 information, answer the question, Mr. Murray.

20 MR. DARR: Can I help with that? May I  
21 ask for an additional instruction, your Honor, that  
22 he should neither disclose clients that he may have  
23 been involved with and/or the content of any  
24 information provided by the client or by the law firm  
25 to that client with regard to potential disputes

1 between CRES providers and those clients.

2 EXAMINER SEE: Yes.

3 MR. DARR: Thank you, your Honor.

4 A. Well, let me try to answer your question  
5 this way: It's been widely reported both in  
6 trade-specific media as well as general publications,  
7 for example the Plain Dealer, that some suppliers  
8 have told customers that they would attempt to add a  
9 surcharge to their bill associated with events  
10 associated with the so-called polar vortex and, in  
11 fact, the Commission itself initiated an  
12 investigation as to whether or not that type of  
13 behavior was appropriate based upon the  
14 circumstances.

15 So I'm aware of the fact that there  
16 are -- that issue has been raised and there are  
17 ongoing disputes regarding the issue.

18 Q. Okay. And so, again, as I understand it  
19 in your testimony you're saying, again, these kinds  
20 of provisions basically mean that a fixed cost, if  
21 there was a fixed-cost contract, that it may not  
22 necessarily be reduced, and with the polar vortex  
23 example that you just mentioned there have been  
24 disputes about a fixed rate contract and adding  
25 charges, and so my point is simply, and my question

1 for you simply is that your assumption that's built  
2 into your discussion on pages 29 and 30 is -- may or  
3 may not be simply an academic discussion. Would you  
4 agree with that?

5 A. I would agree. The problem I identified  
6 in my testimony is a real problem, it's not an  
7 academic issue.

8 Q. Okay. Have you in your involvement on  
9 behalf of IEU members, have you approached this issue  
10 differently since the time AEP filed for the BTCR in  
11 December 2013?

12 MR. DARR: Objection, your Honor. I'm  
13 not -- the question lacks context. I'm not exactly  
14 sure what's being inquired here.

15 MR. NOURSE: I can try to clarify.

16 MR. DARR: Thank you.

17 Q. Mr. Murray, what I'm asking is since the  
18 time that everyone was put on notice that we were  
19 proposing to make this change, which by the way  
20 wouldn't be effective until the middle of next year,  
21 have you tried to implement or take notice of that  
22 possibility and address it through contractual  
23 provisions with your members?

24 MR. DARR: Objection.

25 EXAMINER SEE: On what grounds, Mr. Darr?

1                   MR. DARR: Well, now he's asking for  
2 legal advice and activities on behalf of the firm or  
3 Mr. Murray on behalf of the firm.

4                   MR. NOURSE: Well --

5                   MR. DARR: He's inquiring into  
6 confidential matters, your Honor.

7                   MR. NOURSE: No, I'm not.

8                   MR. DARR: Confidential and privileged  
9 matters.

10                  MR. NOURSE: I'm not, your Honor, I'm not  
11 asking for any specifics between CRES providers and  
12 customers. I'm trying to get to the bottom of  
13 Mr. Murray's testimony here where he's focusing in on  
14 contractual problem that, you know, the whole -- one  
15 of the main reasons the company filed this early was  
16 to put people on notice and I'm asking him if he --  
17 if he's tried to address it or remediate the issue or  
18 he's simply extended it, and for all I know he went  
19 out and signed a five-year contract to try to avoid  
20 this. So that's the relevance.

21                  MR. DARR: The specific question that he  
22 asked was have you done anything with regard to IEU  
23 members since the company filed this application.  
24 The law firm that he works with represents IEU  
25 members; we're not disputing that. That's what's

1 causing the problem with his question.

2 EXAMINER SEE: The objection is  
3 sustained.

4 Q (By Mr. Nourse) Okay. And, Mr. Murray,  
5 let me turn, on the same general topic, let me turn  
6 to a different side of it and that is what we can do  
7 about it, okay. So I believe your recommendation is  
8 simply to keep status quo, reject the company's  
9 proposal; is that accurate?

10 A. Yes.

11 Q. Okay. And I won't try to recharacterize  
12 what you've already said on the record here, but I  
13 think it's fair to say that there are a limited  
14 number of instances, if any, where this particular  
15 problem would exist going into the latter part of  
16 2015, so let's talk about that pool, if there is one,  
17 of customers that -- and CRES providers that would  
18 face this issue, okay? Do you understand what I'm  
19 asking you.

20 A. I believe so.

21 Q. So in terms of dealing with that, and if  
22 we were to implement the BPCR as proposed by the  
23 company, but consider, for lack of a better term,  
24 grandfathering or exempting customers that have such  
25 a contractual obligation that you describe. Are you

1 with me?

2 A. Yes.

3 Q. Okay. So let's look at it practically  
4 and ask the question how could we identify -- how  
5 could we identify those customers and confirm  
6 independently that that contract exists and can't be  
7 changed absent reopening the contract for the purpose  
8 of exempting such a customer from these changes?  
9 Again, are you with me, my example?

10 A. If there was a question there, I'm not  
11 sure what it was.

12 Q. Okay. I'm trying to clarify the subject.  
13 So if that's our goal and we were  
14 actually trying to implement the BTCR with a  
15 transition period for certain affected customers with  
16 your contractual example, so would it be possible for  
17 someone like the staff to independently verify that  
18 the contract exists and that the circumstances you're  
19 describing for a particular customer exist for the  
20 purpose of exempting that customer on a temporary  
21 basis?

22 A. That might be a possibility, however, I  
23 will note that many of the contracts I have reviewed  
24 for commercial and industrial customers contain a  
25 confidentiality clause that doesn't allow the

1 customer to reveal the terms of the contract to  
2 anybody else without the express consent of the  
3 supplier.

4 So -- and, again, I think Mr. Berger  
5 asked me a similar question earlier about possible  
6 fixes. All this may be possible, but there may be  
7 some practical impediments to these types of  
8 approaches.

9 Q. Yeah. So but would you agree that that  
10 would be worth pursuing as an alternative to simply  
11 rejecting the BTCR?

12 A. There are certainly other ways to try to  
13 mitigate the harm. You know, for example, you could  
14 exempt just shopping customers and apply the  
15 nonbypassable rider, or the company's proposal, to  
16 the standard service offer customers' load. That  
17 would, again, tend to mitigate potential contractual  
18 disruption.

19 Q. Okay. And is it your understanding that,  
20 let's take FirstEnergy, FirstEnergy has a similar  
21 construct for recovery of their transmission charges;  
22 is that your understanding?

23 A. Yes.

24 Q. Okay. And was there a transition period  
25 for FirstEnergy, were there actual contract disputes

1 that arose when that construct was implemented?

2 MR. DARR: Could I have a moment, your  
3 Honor? I need to consult with my -- with the  
4 witness.

5 MR. NOURSE: Your Honor, I don't  
6 understand why that's necessary in the middle of  
7 cross-examination.

8 And if it helps, I'll ask him if there  
9 were -- I'll amend my question and ask him if there  
10 were contract disputes that were a matter of public  
11 record or a transition period that was a matter of  
12 public record in implementing the construct for  
13 FirstEnergy.

14 EXAMINER SEE: With that you're answering  
15 the second part of that question.

16 THE WITNESS: Could I have it repeated so  
17 I'm sure what it is?

18 MR. NOURSE: I was offering to change the  
19 question. Let me ask it again and then see if Frank  
20 still has an objection.

21 EXAMINER SEE: Okay.

22 Q (By Mr. Nourse) So, Mr. Murray, I want to  
23 ask you in connection with FirstEnergy implementing  
24 the transmission charge construct that we've been  
25 discussing here, when that happened, was there



1 contractual disputes similar to the ones you describe  
2 in your testimony, were any such disputes a matter of  
3 public record?

4 A. I'm not aware of any disputes that were a  
5 matter of public record.

6 Q. And was there a transition period to  
7 grandfather existing contracts or anything similar to  
8 that as a matter of public record?

9 A. Not that I'm aware of.

10 Q. Now let me switch topics. First of all,  
11 I want to go back and ask you a couple background  
12 questions about -- you've been with IEU for how long?

13 A. I've been employed by McNees, Wallace &  
14 Nurick for 17 years. I've been doing work on behalf  
15 of IEU-Ohio either through McNees, Wallace & Nurick  
16 or another law firm for -- since 1994.

17 Q. Okay. And you are -- are you not the  
18 Executive Director of IEU?

19 A. I am presently the Executive Director.

20 Q. Okay. How long have you been in that  
21 position?

22 A. I think three years, but I'm not  
23 positive.

24 Q. Okay.

25 A. It's been about that time frame.

1 Q. So based on those capacities that you  
2 just discussed in representing IEU is it fair to say  
3 that IEU was fully supportive of the Senate Bill 3  
4 construct in 1999 for full competition?

5 A. My recollection is IEU-Ohio advocated for  
6 passage of SB 3.

7 Q. Okay. And is it your recollection that  
8 Senate Bill 3 involved a transition of approximately  
9 five years, market development period it was also  
10 known as, to fully competitive market-based rates at  
11 the end of the transition period?

12 A. That's my recollection of some of the  
13 provisions of the bill.

14 Q. Okay. And the transition period, is it  
15 your recollection, ended at the end of 2005?

16 A. My recollection was the term in the  
17 legislation was "market development period" and that  
18 had a five-year duration.

19 Q. Okay. And that was from the start date  
20 of competition which was actually not in 1999,  
21 correct?

22 A. My recollection is it was January 1st,  
23 2001.

24 Q. Right. So that would take -- that would  
25 take us to the beginning of 2006, approximately,

1 correct?

2 A. Correct.

3 Q. Okay. So as we approached 2006 and the  
4 prospect of fully competitive market-based rates, did  
5 IEU support continuing down the path to market-based  
6 rates at that time?

7 A. Prior to 2005 -- prior to the end of 2005  
8 some utilities began to suggest what were called rate  
9 stabilization plans, I believe Dayton Power and Light  
10 might have actually been the first utility to suggest  
11 the concept, and I believe the Commission also may  
12 have issued an order suggesting that utilities  
13 consider that type of proposal, and at the time I  
14 know IEU-Ohio was supportive of the concept of rate  
15 stabilization plans.

16 Q. Okay. Thank you.

17 And then the rate stabilization plans, is  
18 it your recollection that they essentially went  
19 through 2008?

20 A. I don't recall. You know, there were  
21 rate stabilization plans for various utilities and I  
22 would have to go back and refresh my memory.

23 Q. Okay. Well, without -- leaving Dayton  
24 Power and Light aside is it your recollection that  
25 the other three EDUs had RSPs through 2008?

1           A.    I honestly don't recall.

2           Q.    Okay.  Do you recall, then, the enactment  
3 of Senate Bill 221 that occurred in -- 2008, correct?

4           A.    That's my recollection.

5           Q.    So those rate plans under the new  
6 construct were supposed to be for the beginning of  
7 2009, starting then, right?

8                   THE WITNESS:  Can I have that question  
9 reread?

10                           (Record read.)

11           A.    I don't understand your reference to  
12 "rate plan."

13           Q.    Okay.

14           A.    Are you talking about rate stabilization  
15 plans or talking about something else?

16           Q.    No, I'm sorry, I skipped a step.  Under  
17 the enactment of Senate Bill 221 is it your  
18 understanding that utilities were supposed to come in  
19 for one of two options, either an electric security  
20 plan or a market rate offer?

21           A.    That's my understanding.

22           Q.    And those could be referred to as SSO  
23 rate plans, correct?

24           A.    They were -- either option was available  
25 to provide a standard service offer.

1 Q. Okay. And so the other thing that  
2 happened in 2008 was the beginning of the great  
3 recession, correct?

4 A. Correct.

5 Q. Okay. And so is it your recollection  
6 that market prices for electricity were dropping or  
7 increasing at that time?

8 A. Beginning in 2008 market prices for  
9 electricity relative to where they had been in the,  
10 say, three prior years began to drop.

11 Q. Okay. And so as part of that  
12 implementation of Senate Bill 221, then is it fair to  
13 say that IEU advocated again for full competition in  
14 market-based rates?

15 THE WITNESS: Could I have that question  
16 reread, please?

17 (Record read.)

18 A. IEU was active in the proceedings  
19 associated with all of the utilities implementing the  
20 provision of SB 221. I would have to go back and  
21 look at the specific cases to refresh my memory on  
22 exactly what AEP's position was in each of those  
23 cases.

24 Q. Okay. And let's bring it a little bit  
25 more current to the immediately past ESP for

1 AEP Ohio, the so-called ESP 2 for AEP Ohio. Are you  
2 familiar with that?

3 A. Yes.

4 Q. Okay. And there was a -- I'll call it a  
5 parallel proceeding in the capacity charge cases.  
6 Are you familiar with that?

7 A. Yes.

8 Q. And in those two cases would you agree  
9 that IEU advocated for fully competitive market-based  
10 rates in those cases?

11 A. IEU advocated against imposing  
12 nonbypassable generation-related charges.

13 Q. And that's a reference to the ESP brought  
14 about in the capacity charge case?

15 A. The two are kind of intermingled but,  
16 again, I think the position was consistently  
17 against -- opposing nonbypassable generation-related  
18 charges.

19 Q. Okay. And the capacity charge case, is  
20 it your understanding that the issue was whether --  
21 that related to the pricing of capacity in support of  
22 shopping generation?

23 A. Well, that case is still ongoing, in  
24 fairness, at least in proceedings before the Supreme  
25 Court, but my recollection was the issue of

1 appropriate capacity charges was broader than just  
2 what capacity charges should be assessed against  
3 competitive suppliers that were serving customers  
4 that shopped.

5 The issues also stretched to what level  
6 of capacity revenues was AEP collecting through rates  
7 charged to customers on the standard service offer.

8 Q. Okay. But the basic issue, would you  
9 agree, in the capacity case was basic choice was to  
10 either adopt a cost-based rate or adopt a RPM-based  
11 market rate for capacity?

12 A. That was one of the contentious issues,  
13 probably the primary contested issue in that case.

14 Q. And IEU's position was to advocate which  
15 option?

16 A. IEU's position was that the appropriate  
17 price for capacity was the price established by PJM's  
18 reliability pricing model or RPM.

19 Q. Okay. Now, I'd like to ask you a few  
20 questions about the market rate option under Senate  
21 Bill 221. So in your testimony here today you  
22 discuss the PPA rider as proposed by the company; you  
23 also discuss the so-called MRO test, correct?

24 A. Yes.

25 Q. Now, would you agree that if AEP Ohio

1 would have filed an MRO instead of an ESP for this  
2 SSO rate plan, the next one, that the OVEC costs  
3 would have been recoverable in rates?

4 THE WITNESS: Could I have the question  
5 reread?

6 (Record read.)

7 A. I don't believe that to be the case.

8 Q. Okay. Well, let's break it down. So  
9 let's talk about the MRO statute. Is it your  
10 understanding that the MRO statute requires a  
11 transition to fully competitive rates?

12 A. Can you define what you mean by  
13 "transition"?

14 Q. Well, six to ten years of transition  
15 period before you can get to a fully competitive or  
16 CBP based rate; is that correct?

17 A. The statute as drafted contemplated that  
18 for an electric distribution utility that owned  
19 generation assets as of the date certain, their first  
20 electric -- their first standard service offer that  
21 was set through a market rate option would involve a  
22 blending of legacy rates with results from a  
23 competitive bidding process. Having said that, given  
24 that AEP has divested all its generating assets and  
25 that occurred as of -- my understanding was the end



1 of last year, I don't believe that's a practical  
2 outcome.

3 Q. Well, I'm not going to -- I'm not going  
4 to agree or disagree on the first part of your  
5 question because I don't think it responds to my  
6 question.

7 I asked you about OVEC. Do OVEC -- can  
8 OVEC costs be recovered through an MRO? That was my  
9 question.

10 A. And my answer is it's my understanding  
11 no.

12 Q. But your last answer talked about  
13 generation divestiture. Is it your understanding  
14 that AEP Ohio still owns the OVEC contractual  
15 entitlement?

16 A. I don't know that "own" is the proper  
17 terminology. My understanding is that AEP Ohio is a  
18 party to a contract with Ohio Valley Electric  
19 Corporation.

20 Q. Okay. And is it your understanding under  
21 the MRO option that during this transition period of  
22 six to ten years there's a market portion of the rate  
23 blend and there's a nonmarket portion of the rate  
24 blend? Do you agree?

25 A. Again, that's how the statute was

1 drafted, but it was drafted in the context and  
2 concept of an electric distribution utility that  
3 owned generating assets.

4 Q. Okay.

5 A. That's not the case for Ohio Power  
6 anymore.

7 Q. My question is about OVEC, which has been  
8 the same structure for as long as relevant here, and  
9 so, Mr. Murray, is it your understanding that the MRO  
10 statute permits purchased power costs to be recovered  
11 through the nonmarket portion of the rate blend?

12 A. I would have to review the specific  
13 language of the statute.

14 Q. Yeah. So you don't recall?

15 A. Again, I'm not going to speculate as to  
16 what the precise words are. I don't have the statute  
17 here in front of me.

18 Q. Well, I asked you if you recalled so if  
19 the answer is you don't recall how --

20 A. I don't have the specific words of the  
21 statute.

22 Q. You don't recall how the MRO statute  
23 works?

24 A. Again, I've identified it calls for a  
25 blending of results from a competitive bidding

1 process with legacy rates, but, again, that's in the  
2 context of an electric distribution utility that owns  
3 generating assets, which is no longer the case.

4 Q. Do you recall whether environmental costs  
5 or energy efficiency and peak-demand reduction  
6 compliance costs are includable in the nonmarket  
7 portion of the rate blend?

8 A. Again, I don't have the statute here in  
9 front of me, and I'm not going to speculate and test  
10 my memory on specific cost components without looking  
11 at the language.

12 Q. Well, I am testing your memory, so thank  
13 you for that answer.

14 Were you here -- I think I asked you this  
15 earlier, you were here during the cross-examination  
16 of Mr. D'Alessandris from FES.

17 A. Yes.

18 Q. Okay. And are you familiar with the  
19 Energy Daily article that was discussed relative to  
20 FirstEnergy's purchased power agreement concept?

21 A. I don't know that I've seen the specific  
22 article. We receive other trade publications, and I  
23 recall seeing an article that discussed remarks made  
24 by Mr. Alexander. I don't recall if it was the  
25 specific document you gave Mr. D'Alessandris this

1 morning.

2 MR. NOURSE: Okay, your Honor, I don't  
3 need to mark this but I'll give the witness -- do you  
4 still have your copies?

5 EXAMINER SEE: Yes.

6 MR. NOURSE: Mr. Darr, do you have a  
7 copy?

8 Q. Okay. Do you recall if this is the  
9 article you had read from Energy Daily?

10 A. Again, we get several trade publications  
11 so I recall reading an article. I don't recall if  
12 this is the specific article that I read. I do  
13 review the Energy Daily regularly so it's probably --  
14 I probably looked at this.

15 Q. Okay. And do you see on the first page,  
16 right-hand column, the paragraph that carries over,  
17 the statement attributed to Mr. Alexander that "We've  
18 talked about that kind of regulation plan, in part,  
19 because we're hearing from our customers that they're  
20 beginning to see impossible volatility to manage on a  
21 retail basis, and the only real way to help stabilize  
22 pricing in Ohio and also assure that some generation  
23 remains in Ohio might be the Commission has to take  
24 some action," et cetera. Do you see that?

25 A. I see that.

1           Q.    And in your experience dealing with  
2    industrial customers in your membership, are you  
3    hearing concerns about unacceptable volatility in  
4    market prices into the future?

5           MR. DARR:  Again, same concern as I  
6    indicated earlier.  To the extent that it goes to  
7    legal advice or the identification of a particular  
8    customer, I would request that the witness be  
9    instructed not to divulge anything that might result  
10   in a release of confidential information.

11          MR. NOURSE:  Yeah, your Honor, I  
12   indicated earlier none of my questions are intended  
13   to divulge that kind of information.  Thank you.

14          EXAMINER SEE:  Okay.  With that caveat,  
15   Mr. Murray.

16          THE WITNESS:  Could I have the question  
17   reread?

18          MR. NOURSE:  Do you want the part after  
19   the quotation or the whole thing?

20          THE WITNESS:  Just the question, please.  
21   (Record read.)

22          A.    No.

23          Q.    Okay.  And I'd ask you to turn to page 2  
24   of the article, look at the right-hand column right  
25   in the middle there, it says "We remind investors" --

1 MR. DARR: Your Honor, I apologize for  
2 interrupting, but if the point of this is to find out  
3 if Mr. Murray is aware of issues in the industry with  
4 regard to things that may have been raised by  
5 Mr. Alexander in his interview, then he should be  
6 asking about those things that were raised in  
7 Mr. Alexander's interview and not reading in  
8 Mr. Alexander's comments for the purposes of  
9 bolstering the record on the purchased power  
10 agreement rider.

11 The form of the question is clearly  
12 improper, I probably should have objected to the  
13 first one but I do object to what he's doing as to  
14 the second and probably an ongoing series of these.

15 MR. NOURSE: Okay.

16 MS. BOJKO: Your Honor, OMA would join in  
17 that objection and, yes, I would object to the last  
18 question as well.

19 MR. NOURSE: Well, your Honor, perhaps  
20 they should have objected to the whole discussion  
21 earlier with an earlier witness, but --

22 MR. DARR: With regard to the earlier  
23 witness --

24 EXAMINER SEE: Just a minute, Mr. Darr,  
25 let him finish.

1                   MR. NOURSE: I don't appreciate the  
2                   interruption of the question or my comments,  
3                   Mr. Darr. You know, I'm referencing comments here in  
4                   this article as context and background to ask  
5                   Mr. Murray questions about his testimony and about  
6                   his role dealing with IEU members, and so that's the  
7                   purpose of it. You know, I can ask him to look at a  
8                   paragraph and then ask him the question without  
9                   reading it into the record, but that's the purpose of  
10                  reading a couple short quotes to queue up my  
11                  questions.

12                 EXAMINER SEE: You wanted to respond,  
13                 Mr. Darr?

14                 MR. DARR: Yes, ma'am. I think  
15                 Mr. Nourse has just agreed with me that he can ask  
16                 this question without going through this process of  
17                 reading in Mr. Alexander's comments.

18                 The point -- his first point, however,  
19                 with regard to the cross-examination this morning  
20                 which he's relying upon to do it this afternoon is  
21                 not correct. This morning the testimony related to a  
22                 statement by -- or cross-examination of the witness  
23                 that was in an agency relationship with  
24                 Mr. Alexander. In that context statements would not  
25                 be hearsay. Here they clearly are.

1           And it's just improper both as to form  
2           and as to substance and that's why I objected, and  
3           that's why I interrupted as well, your Honor. And I  
4           apologize to Mr. Nourse for interrupting, but once we  
5           start going down this road, unfortunately, if I don't  
6           interrupt, the record is -- the bell is rung and I  
7           can't unring it.

8           Thank you, your Honor.

9           MR. NOURSE: Your Honor, I mean, this is  
10          my second and last question. I didn't have a whole  
11          long series of quotations, et cetera. You know,  
12          Mr. Murray is testifying about a proposal that is  
13          public knowledge, it's out there, Duke has made a  
14          filing already, FirstEnergy has talked about this  
15          filing publicly, Mr. Murray said he read about this  
16          event already. So I think it's a fair context and a  
17          fair question to ask him about his testimony as it  
18          relates to these events.

19          EXAMINER SEE: Let's ask Mr. Murray the  
20          direct question.

21          MR. NOURSE: Yeah. Thank you.

22          Q        (By Mr. Nourse) Mr. Murray, again,  
23          directing your attention to the third column on page  
24          2 in the middle, would you agree with Mr. Alexander  
25          that the Ohio Commission retains clear authority to



1 enable cost of service recovery for generation assets  
2 held within the utility or incorporate into a needs  
3 finding within an ESP filing and recovered through  
4 nonbypassable sales?

5 MR. DARR: Same objection, your Honor.  
6 The form of the question violates the very  
7 instruction that you just gave Mr. Nourse.

8 MR. CASTO: Your Honor, I'd like to join  
9 in the objection as well. If Mr. Nourse wants to ask  
10 general questions to the witness, he doesn't need  
11 a -- to reference any articles. He can ask him  
12 hypothetical questions without referencing those.

13 MS. BOJKO: Your Honor, I would also add  
14 relevancy to this objection. I would add relevancy  
15 to this objection. Counselor's statements about  
16 other utilities and their opinions on this is  
17 irrelevant to the case at hand, and I'd also concur  
18 that this is completely different than asking an  
19 employee of a corporate company whether their  
20 testimony has changed in light of their CEO's news  
21 statement. This is completely different and it's  
22 irrelevant to this witness.

23 MR. NOURSE: Your Honor, it's not  
24 irrelevant. Again, you know, every company we're  
25 discussing has an ownership share in OVEC and every

1 company we're discussing has public statements either  
2 asking for a filing or indicating they're going to  
3 make such a filing, and so, you know, I think it's  
4 fair to test Mr. Murray's opinions and his testimony,  
5 his positions, relative to the -- relative to the big  
6 picture, and so that's why I'm asking. I do think  
7 it's relevant.

8 EXAMINER SEE: My last instruction to  
9 counsel for AEP Ohio was to ask Mr. Murray the  
10 question directly without reference. Perhaps that  
11 was not understood, but the objection is sustained in  
12 the event that it wasn't clear before.

13 MR. NOURSE: Okay.

14 Q (By Mr. Nourse) Mr. Murray, you stated  
15 earlier you're aware that FirstEnergy plans to make a  
16 similar PPA filing with the Ohio Commission; is that  
17 correct?

18 MR. DARR: Objection, relevance.

19 MS. BOJKO: Relevance.

20 MR. CASTO: Objection.

21 MR. NOURSE: Well, your Honor, I didn't  
22 reference the article and I've already indicated why  
23 I think it's relevant, so I don't need to respond  
24 again I don't think.

25 EXAMINER SEE: And Mr. Murray did

1 indicate that he was aware of the article and the  
2 contents thereof. You can answer the question,  
3 Mr. Murray.

4 A. I don't know what FirstEnergy's plans  
5 are. I am aware that Mr. Alexander made some remarks  
6 that apparently were picked up in a trade  
7 publication, but what FirstEnergy specifically plans  
8 to file at the Commission I don't know.

9 Q. Okay.

10 A. That would be a question better directed  
11 to FirstEnergy.

12 Q. Let me ask you -- let me ask you this  
13 way, Mr. Murray: Are the objections that you have in  
14 your testimony to the PPA rider equally applicable to  
15 the other utilities or are there any of your  
16 arguments and positions that you would say are  
17 different for the other utilities?

18 MR. DARR: Objection. Again, relevance  
19 and no foundation for the question as well.

20 MR. NOURSE: Your Honor, the foundation I  
21 think has already been laid. He's aware of these  
22 other utility plans. I'm trying to address and  
23 understand his recommendations and his arguments as  
24 to whether they apply only to AEP or are more  
25 general, and that's the essence of my question.

1                   EXAMINER SEE: You can answer the  
2 question, Mr. Murray.

3                   A. The positions that IEU-Ohio takes in a  
4 given case at the Public Utilities Commission of Ohio  
5 are guided by directions we receive from our members  
6 served by that utility. So my position regarding the  
7 power purchase agreement associated with the OVEC  
8 contract is guided by those AEP Ohio customers --  
9 IEU-Ohio member customers that are served by  
10 AEP Ohio.

11                   If and when another utility makes a  
12 filing at the Public Utilities Commission of Ohio  
13 with a similar proposal, our positions would likely  
14 be similar but, again, guided by the specific  
15 guidance we get from members in the context of that  
16 proceeding.

17                   MR. NOURSE: Thank you, Mr. Murray.

18                   That's all I have, your Honor.

19                   EXAMINER SEE: Any redirect, Mr. Darr?

20                   MR. DARR: Can we have a couple minutes?

21                   EXAMINER SEE: Sure.

22                   MR. DARR: Thank you, your Honor.

23                   EXAMINER SEE: We're off the record.

24                   (Recess taken.)

25                   EXAMINER SEE: Let's go back on the

1 record.

2 Mr. Darr, redirect?

3 MR. DARR: Just one area that I'd like to  
4 clear up, your Honor.

5 - - -

6 REDIRECT EXAMINATION

7 By Mr. Darr:

8 Q. Do you recall questions posed to you by  
9 Mr. Nourse concerning the transition that occurred  
10 with regard to other utilities that went to a  
11 nonbypassable charge for transmission?

12 A. Yes.

13 Q. Post Commission entry how -- did you have  
14 an opportunity to observe how customers and CRES  
15 providers addressed a change from a, either a  
16 bypassable charge or a provision in a nonbypassable  
17 charge as a result of the Commission's orders in  
18 prior ESPs?

19 A. Yes. Responding to Mr. Nourse's earlier  
20 questions, there was no transition period. There was  
21 a Commission decision that had an effective date and  
22 customers and their suppliers are left to their own  
23 regard to work out how to address that with respect  
24 to their existing contracts.

25 MR. DARR: Nothing further, thank you.

1 EXAMINER SEE: Recross? Mr. Williams?  
2 MR. WILLIAMS: No, thank you, your Honor.  
3 EXAMINER SEE: Mr. Poulos?  
4 MR. POULOS: No, thank you, your Honor.  
5 EXAMINER SEE: Ms. Petrucci?  
6 MS. PETRUCCI: No questions.  
7 EXAMINER SEE: Mr. Casto?  
8 MR. CASTO: No questions, your Honor.  
9 EXAMINER SEE: Ms. Bojko?  
10 MS. BOJKO: No questions, your Honor.  
11 EXAMINER SEE: Mr. O'Brien?  
12 MR. O'BRIEN: No questions, your Honor.  
13 EXAMINER SEE: Ms. Shadrick?  
14 MS. SHADRICK: No, your Honor.  
15 EXAMINER SEE: Mr. Boehm?  
16 MR. K. BOEHM: No questions, your Honor.  
17 EXAMINER SEE: Staff?  
18 MR. PARRAM: No questions.  
19 EXAMINER SEE: Mr. Yurick?  
20 MR. YURICK: No questions, your Honor.  
21 EXAMINER SEE: Mr. Berger?  
22 MR. BERGER: No questions.  
23 EXAMINER SEE: Mr. Nourse?  
24 MR. NOURSE: Thank you, your Honor.  
25 - - -



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER SEE: Thank you, Mr. Murray.

Scheduled for tomorrow are Mr. Campbell,  
Mr. Hamilton, Ms. Ringenbach, Mr. Lipthratt,  
Mr. Bowser, and if time permits Mr. White. We'll go  
back on the record at 9 a.m. tomorrow.

If there's nothing further today, we're  
adjourned.

(Thereupon, the hearing was adjourned at  
2:49 p.m.)

- - -



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Tuesday, June 10, 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.  
(75821-MDJ)

- - -

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**6/24/2014 6:13:54 PM**

**in**

**Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM**

Summary: Transcript in the matter of the Ohio Power Company hearing - Volume VI held on 06/10/14 electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.