

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Review :  
of the Smart Grid Modernization :  
Initiative Contained in the : Case Nos.  
Tariffs of Ohio Edison Company, : 12-406-EL-RDR  
The Cleveland Electric : 13-549-EL-RDR  
Illuminating Company, and the :  
Toledo Edison Company. :

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PROCEEDINGS

Before Mandy Willey Chiles and Gregory R. Price,  
Attorney Examiners, held at the Public Utilities  
Commission of Ohio, Hearing Room No. 11-C, 180  
East Broad Street, Columbus, Ohio, on Wednesday,  
July 9, 2014, at 10:00 A.M.

- - -

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- - -

APPEARANCES:

Ms. Kathy J. Kolich  
Senior Corporate Counsel  
FirstEnergy Service Company  
76 South Main Street  
Akron, Ohio 44308

and

Calfee Halter & Griswald  
By Ms. Colleen M. O'Neil  
1405 East 6th Street  
Cleveland, Ohio 44114

On behalf of Ohio Edison Company,  
The Cleveland Electric Illuminating  
Company, and The Toledo Edison  
Company.

Mr. Thomas G. Lindgren

and

Mr. Devin D. Parran  
Assistant Attorneys General  
180 East Broad Street  
6th Floor  
Columbus, Ohio 43215

On behalf of the Staff of the  
Public Utilities Commission of Ohio.

Mr. Terry L. Etter  
Assistant Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, Ohio 43215

On behalf of Residential Utility  
Consumers.

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STAFF WITNESSES

DIRECT      CROSS

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Armstrong & Okey, Inc., Columbus, Ohio (614) 224-9481

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Wednesday Morning,  
July 9, 2014.  
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ATTORNEY EXAMINER CHILES: The  
Public Utilities Commission of Ohio has called  
for hearing at this time and place Cases No.  
12-406-EL-RDR and 13-549-EL-RDR In the Matter of  
the Review of the Smart Grid Modernization  
Initiative Contained in the Tariffs of the Ohio  
Edison Company, The Cleveland Electric  
Illuminating Company and The Toledo Edison  
Company.

My name is Mandy Chiles and with me  
is Gregory Price and we are the Attorney  
Examiners assigned by the Commission to hear  
this case. Let't begin by taking the  
appearances. For the Company.

MS. KOLICH: Thank you, your Honor.  
Kathy J. Kolich, counsel for the companies, the  
Ohio Edison Company, The Cleveland Electric  
Illuminating Company and The Toledo Edison  
Company, 76 South Main Street, Akron, Ohio  
44308.

And my co-counsel Ms. Colleen M.  
O'Neil, with Calfee Halter & Griswald, 1405 East

1 6th Street, Cleveland Ohio 44114.

2 ATTORNEY EXAMINER CHILES: Thank  
3 you. On behalf of the Ohio Consumers' Counsel.

4 MR. ETTER: Thank you, your Honor.  
5 Good morning. On behalf of residential utility  
6 consumers, the Office of the Ohio Consumers'  
7 Counsel, Bruce J. Weston, Ohio Consumers'  
8 Counsel, Terry L. Etter, Assistant Consumers'  
9 Counsel. We are at 10 West Broad Street, Suite  
10 1800, Columbus, Ohio 43215.

11 ATTORNEY EXAMINER CHILES: Thank  
12 you. On behalf of the Staff.

13 MR. LINDGREN: On behalf of the  
14 Commission's Staff, Ohio Attorney General Mike  
15 DeWine, by Thomas Lindgren and Devin Parram,  
16 Assistant Attorneys General, 180 East Broad  
17 Street, 6th Floor, Columbus, Ohio 432115.

18 ATTORNEY EXAMINER CHILES: Thank  
19 you. I understand the parties have docketed a  
20 stipulation; is that correct?

21 MS. KOLICH: That's correct, you  
22 Honor.

23 ATTORNEY EXAMINER CHILES: Thank  
24 you. Is there a witness available to support  
25 the stipulation

1 MS. KOLICH: Yes, there is.

2 MR. LINDGREN: Should we perhaps  
3 introduce the stipulation as an exhibit first so  
4 we can discuss it?

5 ATTORNEY EXAMINER CHILES: Sure.

6 MS. KOLICH: Your Honor, I have  
7 with me a document entitled Stipulation and  
8 Recommendation in this matter. It is a joint  
9 stipulation of the parties, the Office of  
10 Consumers' Counsel, Staff, and the Companies,  
11 that I would like marked as Joint Exhibit 1 for  
12 identification.

13 ATTORNEY EXAMINER CHILES: So  
14 marked.

15 (EXHIBIT MARKED FOR THE PURPOSE OF  
16 IDENTIFICATION)

17 MR. LINDGREN: The Staff calls  
18 Daniel Johnson to the stand.

19 (WITNESS SWORN)

20 - - -

21 DANIEL JOHNSON  
22 called as a witness by the Staff, being first  
23 duly sworn, testified as follows:

24 DIRECT EXAMINATION

25 By Mr. Lindgren:

1 Q. Good morning, Mr. Johnson.

2 A. Good morning.

3 Q. What is your business address, sir?

4 A. Public Utilities Commission of Ohio,  
5 180 East Broad Street, 6th Floor, 43215.

6 Q. Are you employed by the Public  
7 Utilities Commission?

8 A. Yes, sir.

9 Q. And what is your position there?

10 A. I am the Chief of the Planning and  
11 Market Analysis Division.

12 Q. Thank you. How long have you been  
13 in that position?

14 A. I think about 12 years, at least.

15 Q. Thank you. Were you involved in the  
16 proceeding we are here on this morning?

17 A. Yes.

18 Q. And what was your role in that  
19 proceeding?

20 A. I led the Staff team in discussions  
21 and negotiations that resulted in the  
22 stipulation that was introduced just prior to me  
23 coming on the stand.

24 Q. So could you briefly describe that  
25 bargaining process and how that unfolded?



1           A.    Yes.  The parties, prior to  
2           face-to-face discussions and negotiations, the  
3           parties submitted formal comments in this case.  
4           And following that based on those comments we  
5           began discussions between and among the parties,  
6           which include the companies, the Office of  
7           Consumers' Counsel, and Staff.

8                     And we met numerous times to discuss  
9           the various issues that were raised in the  
10          comments.

11          Q.    Thank you.  Would you say that this  
12          settlement package is a product of serious  
13          bargaining among capable, knowledgeable parties?

14          A.    Yes, indeed.

15          Q.    Thank you.  And you are familiar  
16          with all the parties in the proceeding?

17          A.    Yes.

18          Q.    Thank you.  In your opinion does  
19          this settlement as a package benefit ratepayers  
20          and the public interest?

21          A.    Yes, it does.

22          Q.    And can you explain how?

23          A.    It benefits ratepayers and the  
24          public interest in several different ways.  
25          Primary issue in the case involved the costs for

1 the purchase and installation of fiberoptic  
2 cables known as the Leroy Center and the  
3 Mayfield lines respectively.

4 The public interest is served in  
5 this case by the sharing of costs for these  
6 lines between the company on the one hand and  
7 the ratepayers on the other hand.

8 Several other provisions of  
9 the stipulation I believe serve the public  
10 interest. And they pertain to these lines that  
11 I have mentioned.

12 There is a provision that holds that  
13 any revenues -- let me step back a moment.

14 The fiber pairs included in these  
15 fiberoptic cable lines are partly owned by  
16 the companies, that is some of them are owned by  
17 the companies, and some are owned by the Zayo  
18 Group Holdings.

19 The stipulation assures that  
20 beginning on 1-1-2015 five percent of the gross  
21 revenues associated with commercial traffic that  
22 is transmitted through fiber pairs owned by Zayo  
23 will be remitted to the companies, and credited  
24 back to ratepayers either through Rider AMI or  
25 through a successor rate mechanism.

1                   And the stipulation provided for an  
2                   auditing and reporting mechanism to implement  
3                   that provision.

4                   The stipulation also --

5                   ATTORNEY EXAMINER PRICE: Mr.  
6                   Johnson, is that five percent revenue stream in  
7                   perpetuity as long as the cable pairs are  
8                   operational, or is there some outside time limit  
9                   involved?

10                  THE WITNESS: I don't believe an  
11                  outside time limit is specified. That is  
12                  subject to check.

13                  MS. KOLICH: To clarify the record,  
14                  it is in perpetuity as long as the contract is  
15                  in place.

16                  ATTORNEY EXAMINER PRICE: Thank you.

17                  A. Another provision of the stipulation  
18                  relating to the fiberoptic cables has to do with  
19                  the maintenance of those cables. The companies  
20                  represent that Zayo will be responsible for all  
21                  ongoing maintenance costs associated with those  
22                  lines, including routine, non-routine and  
23                  emergency maintenance. None of these  
24                  maintenance costs will be charged to the  
25                  companies and, therefore, ratepayers have no

1 chance of being exposed to those costs.

2 Finally, the stipulation provides  
3 that all future joint billed projects for  
4 fiberoptic installation of fiberoptic cable  
5 segments, any of that that costs more than  
6 \$50,000 will be procured through a competitive  
7 process.

8 This will serve the public interest  
9 by assuring that the costs and benefits of  
10 future projects are transparent and best value.

11 Q. Thank you. Mr. Johnson, based on  
12 your experience with the Commission are you  
13 familiar with the regulatory principles and  
14 practice that apply to this type of proceeding?

15 A. Yes, sir.

16 Q. And in your opinion does this  
17 settlement package violate any important  
18 regulatory principle or practice?

19 A. No.

20 Q. So, would you recommend that the  
21 Commission adopt the stipulation and  
22 recommendation that has been marked as Joint  
23 Exhibit 1?

24 A. Yes.

25 MR. LINDGREN: Thank you. I have no

1 further questions.

2 ATTORNEY EXAMINER CHILES: Thank  
3 you. Ms. Kolich, do you have an questions for  
4 Mr. Johnson?

5 MS. KOLICH: No, your Honor.

6 ATTORNEY EXAMINER CHILES: Mr.  
7 Etter.

8 MR. ETTER: No, your Honor.

9 ATTORNEY EXAMINER CHILES: Thank  
10 you. Let's turn to the exhibits then. Ms.  
11 Kolich, do you have any exhibits to introduce?

12 MS. KOLICH: Just the Joint Exhibit  
13 No. 1.

14 ATTORNEY EXAMINER CHILES: Would  
15 you like to move for admission?

16 MS. KOLICH: I would, please.

17 ATTORNEY EXAMINE CHILES: Are there  
18 any objections?

19 Hearing none, Joint Exhibit 1 will  
20 be admitted.

21 (EXHIBIT ADMITTED INTO EVIDENCE)

22 ATTORNEY EXAMINER CHILES: Mr.  
23 Lindgren, do you have any additional exhibits?

24 MR. LINDGREN: No, Your Honor.

25 ATTORNEY EXAMINER CHILES: Mr.

1       Etter.

2                   MR. ETTER:  Your Honor, do you want  
3       the comments that were filed moved into the  
4       record?

5                   ATTORNEY EXAMINER CHILES:  That is  
6       not necessary.

7                   MR. ETTER:  Then OCC has no  
8       exhibits.

9                   ATTORNEY EXAMINER CHILES:  Thank  
10      you.  Is there anything further to come before  
11      us today?

12                  MR. LINDGREN:  Nothing, Your Honor.

13                  ATTORNEY EXAMINER CHILES:  Hearing  
14      nothing then we are adjourned.  Thank you.

15                  (At 10:10 A.M. the hearing was  
16      concluded)

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CERTIFICATE

I do hereby certify that the foregoing  
is a true and correct transcript of the  
proceedings taken by me in this matter on July  
9, 2014, and carefully compared with my original  
stenographic notes.

\_\_\_\_\_  
Michael O. Spencer,  
Registered Professional  
Reporter.

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

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**in**

**Case No(s). 12-0406-EL-RDR, 13-0549-EL-RDR**

Summary: Transcript in the matter of Ohio Edison Company hearing held on 07/09/14 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Spencer, Michael O. Mr.