

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

DANIEL JOHNSON

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IDENTIFIED

JOINT EXHIBITS

Stipulation and Recommendation 7

- - -

1 Wednesday Morning,

2 July 9, 2014.

3 - - -

4 ATTORNEY EXAMINER CHILES: The
5 Public Utilities Commission of Ohio has called
6 for hearing at this time and place Cases No.
7 12-406-EL-RDR and 13-549-EL-RDR In the Matter of
8 the Review of the Smart Grid Modernization
9 Initiative Contained in the Tariffs of the Ohio
10 Edison Company, The Cleveland Electric
11 Illuminating Company and The Toledo Edison
12 Company.

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

18 MS. KOLICH: Thank you, your Honor.
19 Kathy J. Kolich, counsel for the companies, the
20 Ohio Edison Company, The Cleveland Electric
21 Illuminating Company and The Toledo Edison
22 Company, 76 South Main Street, Akron, Ohio
23 44308.

24 And my co-counsel Ms. Colleen M.
25 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.