

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of Ohio Edison:
Company, The Cleveland :
Electric Illuminating :
Company, and The Toledo :
Edison Company for : Case No. 14-1297-EL-SSO
Authority to Provide for :
a Standard Service Offer :
Pursuant to R.C. 4928.143 :
in the Form of an Electric:
Security Plan. :

- - -

PROCEEDINGS

before Mr. Gregory Price, Ms. Mandy Chiles, and
Ms. Megan Addison, Attorney Examiners, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 9:00 a.m. on
Thursday, September 10, 2015.

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VOLUME VIII

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1 Thursday Morning Session,
2 September 10, 2015.

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4 EXAMINER PRICE: Let's go back on the
5 record.

6 Good morning. The Public Utilities
7 Commission has set for hearing and time at this time
8 and place Case No. 14-129-EL-SSO, being In the Matter
9 of the Application of the Ohio Edison Company, the
10 Cleveland Electric Illuminating Company and the
11 Toledo Edison Company for Authority to Provide for a
12 Standard Service Offer Pursuant to Revised Code
13 4928.143 in the Form of an Electric Security Plan.

14 This is our eighth day of hearing in this
15 matter. My name is Gregory Price. With me in Mandy
16 Chiles and Megan Addison. We are the Attorney
17 Examiners assigned to preside over this case.

18 Let's dispense with appearances.

19 Mr. Alexander, your motion.

20 MR. ALEXANDER: Yes, your Honor, the
21 companies renew their motion for the admission of
22 Companies Exhibit 17. Your Honor, one point of
23 clarification. Can we agree to a method of marking
24 confidential exhibits such as 18-Confidential or some
25 other designation so we can keep those straight?

1 EXAMINER PRICE: Yes. From this point
2 on, and we can remark the past ones. Anything
3 confidential we can use the convention of number and
4 confidential to make it more clear as to what is
5 confidential and what is not.

6 MR. ALEXANDER: Thank you, your Honor.
7 The companies renew their motion for the admission of
8 Company Exhibit 17, Mr. Rose's public testimony,
9 Confidential 18, Mr. Rose's confidential testimony.
10 Companies 19 and 20 have already been admitted via
11 stipulation.

12 EXAMINER PRICE: Any objections to the
13 admission of the exhibits?

14 MR. McNAMEE: No.

15 EXAMINER PRICE: Seeing none, they will
16 be admitted.

17 (COMPANIES EXHIBITS 17 AND 18 ADMITTED
18 INTO EVIDENCE.)

19 MR. FISK: Thank you, your Honor. Sierra
20 Club would move for admission of Exhibits 9, 11, 13,
21 14, 15, 16, 17, 18, and 19. And I believe we have
22 already stipulated to the admission of exhibits
23 10 and 20 through 25, which 20 through 25 are all
24 confidential.

25 EXAMINER PRICE: Can you list again just

1 to be clear.

2 MR. FISK: Yes, it is Sierra Club 9, 11,
3 13, 14, 15, 16, which is Confidential, 17
4 Confidential, 18 Confidential, and 19 Confidential.
5 Then we stipulated to Exhibits 10 and 20 through 25
6 as confidential.

7 EXAMINER PRICE: Any objection to the
8 admission of exhibits?

9 MR. ALEXANDER: No objection to all but
10 Sierra Club 11.

11 EXAMINER PRICE: Okay, anybody else?
12 Let's go ahead and admit 9, 13, 14, 15, 16
13 Confidential, 17 Confidential, 18 Confidential, and
14 19 Confidential.

15 (SIERRA CLUB EXHIBITS 9, 13, 14, 15, 16
16 CONFIDENTIAL THROUGH 19 CONFIDENTIAL ADMITTED INTO
17 EVIDENCE.)

18 EXAMINER PRICE: Now let's turn our
19 attention to Exhibit 11, Mr. Alexander.

20 MR. ALEXANDER: Thank you, Your Honor.
21 As the Bench may recall, when Sierra Club introduced
22 Exhibit No. 11, the companies objected to lack of
23 foundation for that document establishing the witness
24 had seen it before, a lack of authenticating the
25 document. And rather than quibble about what was

1 said, I printed off relevant copies of the transcript
2 if it would be helpful for the Bench?

3 EXAMINER PRICE: Thank you.

4 MR. ALEXANDER: Your Honor, the
5 companies' objection is two parts, relatively simple.

6 EXAMINER PRICE: Give me one minute so I
7 can put the exhibit in front of me.

8 MR. ALEXANDER: Sure.

9 EXAMINER PRICE: Thank you. Go ahead.

10 MR. ALEXANDER: Thank you. As I said,
11 the companies' objection has two parts, both
12 relatively simple. First, Ohio Rules of Evidence
13 901 requires all documents submitted into evidence be
14 authenticated. There's a good reason for this rule,
15 and that we need to establish that the document is
16 what it purports to be.

17 There needs to be a witness of personal
18 knowledge of the document or to authenticate the
19 document unless it's self-authenticating. There's a
20 whole series of self-authenticating exceptions which
21 are not relevant here.

22 Sierra Club in its foundational questions
23 failed to authenticate this document. The witness
24 did not testify he had ever seen it before. Instead
25 what the witness testified to was his familiarity

1 with IEA and the Henry Hub prices generally. That
2 does not authenticate this document.

3 The second part of the objection is it's
4 not needed to create a full and complete record for
5 the Commission because the witness testified
6 extensively over two days about the current state of
7 the gas market, including Henry Hub prices. This
8 portion of the transcript in particular, the witness
9 was discussing the Henry Hub prices. So the
10 Commission does not need the document in order to
11 understand where the prices are today.

12 EXAMINER PRICE: Mr. Fisk.

13 MR. FISK: Thank you, your Honor. So the
14 document is an Energy Information Administration
15 reporting of Henry Hub natural gas prices. It's a
16 government agency document. I think under Rules
17 8038, it comes in as a public record or report under
18 Rule 803.17. It comes in as a market report. We
19 believe it self-authenticates as an official
20 publication under Rule 902.

21 Mr. Rose, in his testimony, I believe,
22 said that he agreed that the 2014 numbers reported
23 there and the 2015 numbers reported looked consistent
24 with his knowledge of where natural gas prices are,
25 and the Commission can also take administrative

1 notice of this document as an official government
2 publication reporting these natural gas prices.

3 EXAMINER PRICE: Do you need
4 administrative notice of the document or
5 administrative notice of the prices?

6 MR. FISK: I think administrative notice
7 of the prices would be sufficient.

8 EXAMINER PRICE: Mr. Alexander, do you
9 have any objection to just taking administrative
10 notice of the prices of the Henry Hub for this time
11 period?

12 MR. ALEXANDER: The only reason we're
13 hesitating, I think the witness actually testified to
14 that fact. It's already in the record. But we have
15 no objection to the extent it's not in the record the
16 Commission can take administrative notice of the
17 price.

18 EXAMINER PRICE: Okay. We will go ahead
19 and take administrative notice of the prices of the
20 Henry Hub from 1997 through July 2015.

21 MR. McNAMEE: Excuse me, Your Honor, has
22 Sierra 8 been admitted?

23 EXAMINER PRICE: That was a Day 5
24 exhibit. It must have been.

25 MR. FISK: I believe that was admitted

1 under Strah.

2 EXAMINER PRICE: It was admitted under
3 Strah.

4 MR. McNAMEE: My notes weren't clear.
5 Thank you.

6 MR. OLIKER: Good morning, your Honors,
7 at this point I would move for the admission of IGS
8 Exhibit 2, a public document, IGS
9 Exhibit 3 confidential, IGS Exhibit 4 and 5, I would
10 ask those be public documents, and IGS Exhibit 6 as a
11 confidential document.

12 EXAMINER PRICE: Any objection to the
13 admission of IGS Exhibits 2, 3, 4, 5 and 6?

14 MR. ALEXANDER: Your Honor, could I have
15 one moment to look at the change of designation of
16 Exhibits 4 and 5?

17 EXAMINER PRICE: Okay.

18 MR. OLIKER: I would also add I would be
19 amenable to modifying the table in IGS Exhibit 6
20 given that we now have the 2017-2018 transition
21 auction prices that are more favorable to the company
22 and I would be happy to do that if the company so
23 requested.

24 EXAMINER PRICE: We will deal with that
25 in a second.

1 MR. ALEXANDER: Your Honor, the companies
2 do not object to IGS Exhibit 6, 4 or 5. The
3 companies do not object to marking IGS Exhibits 4 and
4 5 as public.

5 The companies object to IGS Exhibits
6 2 and 3 confidential, IGS Exhibit 3 for the same
7 reasons previously identified in the original
8 briefing on the IGS subpoena and in the interlocutory
9 appeal on the companies on that point. I'm happy to
10 repeat those if the Bench feels it is beneficial, but
11 if not, we stand on it by reference.

12 EXAMINER PRICE: We will admit IGS
13 Exhibits 4, 5, and 6 -- 4 and 5 for now. We want to
14 take administrative notice of IGS Exhibit 2 which is
15 the redacted version of Mr. Rose's testimony and
16 exists in the docketing system no matter what. With
17 respect to the unredacted version of Mr. Rose's
18 testimony, IGS Exhibit 3C, we will admit it noting
19 the companies' continuing objections.

20 (IGS EXHIBITS 3, 4, AND 5 ADMITTED INTO
21 EVIDENCE.)

22 EXAMINER PRICE: Let's go off the record
23 and talk about IGS Exhibit 6.

24 (Discussion off record.)

25 EXAMINER PRICE: Let's go back on the

1 record. At this time we will go ahead and admit IGS
2 6.

3 (IGS EXHIBIT 6 ADMITTED INTO EVIDENCE.)

4 EXAMINER PRICE: Mr. Sauer.

5 MR. SAUER: Thank you, your Honor. At
6 this time, OCC would request the admission of OCC
7 Exhibit 4, a confidential document, and a document
8 that was not marked yesterday but we ask that it be
9 marked this morning as OCC Exhibit No. 5, which is
10 the OCC 2023 calendar.

11 EXAMINER PRICE: So marked.

12 (OCC EXHIBIT 5 MARKED FOR
13 IDENTIFICATION.)

14 MR. SOULES: We ask for the admission of
15 that as well.

16 EXAMINER PRICE: Any objection to OCC
17 Exhibit 4 and 5 that was just marked?

18 MR. ALEXANDER: No objection.

19 EXAMINER PRICE: They will be admitted.

20 (OCC EXHIBIT 4 AND 5 ADMITTED INTO
21 EVIDENCE.)

22 EXAMINER PRICE: The companies may call
23 the next witness.

24 MR. ALEXANDER: The companies call Jason
25 Lisowski.

1 (witness sworn.)

2 EXAMINER PRICE: Please be seated and
3 state your name and business address for the record.

4 THE WITNESS: Jason J. Lisowski. My
5 business address is 341 White Pine Drive, Akron,
6 Ohio, 44320.

7 EXAMINER PRICE: Mr. Alexander, you may
8 proceed.

9 - - -

10 JASON J. LISOWSKI
11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Mr. Alexander:

15 Q. Mr. Lisowski, did you prepare prefiled
16 direct testimony in this proceeding?

17 A. I did.

18 Q. And did you also subsequently file
19 prefiled errata to that testimony?

20 A. I did.

21 MR. ALEXANDER: Your Honor, as we
22 previously provided the court reporters with
23 Mr. Lisowski's public testimony, confidential
24 testimony, public errata and confidential errata,
25 those are numbered Companies Exhibit 21 which is the

1 public testimony, Companies confidential
2 Exhibit 22 which is Mr. Lisowski's confidential
3 testimony, Companies Exhibit 23, Mr. Lisowski's
4 public errata, and Companies confidential Exhibit 24,
5 which is Mr. Lisowski's confidential errata.

6 (COMPANIES EXHIBITS 21 THROUGH 24 MARKED
7 FOR IDENTIFICATION.)

8 Q. (By Mr. Alexander) Mr. Lisowski, do you
9 have copies of your prefiled testimony and errata in
10 front of you?

11 A. I do.

12 Q. And do you have any changes or
13 corrections to that prefiled testimony other than the
14 errata previously discussed?

15 A. No, we don't.

16 Q. If I asked you the same questions today
17 as appear in your prefiled direct testimony, would
18 your answers be the same?

19 A. That's correct.

20 MR. ALEXANDER: Your Honor, the companies
21 move for admission of Companies Exhibits 22 through
22 24 and the witness is available for
23 cross-examination.

24 EXAMINER PRICE: We will defer admission
25 of Companies Exhibits 22 through 24 until we complete

1 cross-examination. Please proceed.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Soules:

5 Q. Good morning, Mr. Lisowski. My name is
6 Michael Soules, and I represent Sierra Club in this
7 proceeding.

8 Can you hear me okay?

9 A. I can. Good morning.

10 Q. Good morning. How are you today?

11 A. I'm doing pretty well, thank you.

12 Q. What is your current job title,
13 Mr. Lisowski?

14 A. I am the assistant controller of FES-FEG.

15 Q. And your direct employer is FirstEnergy
16 Service Company, correct?

17 A. That's correct.

18 Q. And you're employed by FirstEnergy
19 Service Company since 2004, correct?

20 A. That's correct.

21 Q. And other than your employment with
22 FirstEnergy Service Company, you have had no other
23 employment in the energy sector, correct?

24 A. That's correct.

25 Q. Okay. And currently your primary job

1 responsibilities are to support FirstEnergy Solutions
2 Corp., correct?

3 A. Among other responsibilities, that's
4 correct.

5 Q. And if I refer to FirstEnergy Solutions
6 Corp. as FES, will you understand what I mean?

7 A. Yes.

8 Q. And you're also an officer of FES,
9 correct?

10 A. That's correct.

11 Q. And in that capacity, you have been named
12 as an assistant controller for FES, correct?

13 A. That's correct.

14 Q. Before we talk about your direct
15 testimony, I just wanted to quickly cover a few
16 preliminary points. If I refer to the Ohio Edison
17 Company, the Cleveland Electric Illuminating Company,
18 and the Toledo Edison Company collectively as the
19 companies, will you understand what I mean?

20 A. Yes.

21 Q. And secondly, are you aware of whether
22 FES owns a 4.85 percent interest in two Ohio Valley
23 Electric Corporation power plants?

24 A. If you mean "own" as being an entitlement
25 to an output, that's correct.

1 Q. Okay. Thank you for that clarification.
2 If I refer to that share as the OVEC entitlement,
3 will you understand what I mean?

4 A. Yes.

5 Q. And are you familiar with the proposed
6 agreement under which FES would sell to the companies
7 the capacity, energy and ancillary services from the
8 Davis-Besse plant, in Sammis plants and OVEC
9 entitlements?

10 A. Yes, and they would also sell the
11 environmental attributes associated with those
12 plants.

13 Q. If I refer to that proposed agreement as
14 the proposed transaction, will you understand what I
15 mean?

16 A. Yes.

17 Q. Now, in this proceeding, you have
18 presented a cost and revenue projection for the
19 Sammis plant, for Davis-Besse and the OVEC
20 entitlement; is that correct?

21 A. That's correct.

22 Q. And those projections are presented in
23 attachments JJL-1, JJL-3, JJL-3 revised, correct?

24 A. That's correct.

25 Q. And among other things, those attachments

1 estimate projected cost of Sammis, Davis-Besse, and
2 the OVEC entitlement between June 1, 2016 and May 31,
3 2031, correct?

4 A. They project other financial information
5 beyond just cost, but that's correct.

6 Q. And among that other financial
7 information is a projection of the revenues for
8 Sammis, Davis-Besse and OVEC entitlement between
9 June 1, 2016 and May 31, 2031, correct?

10 A. That's correct.

11 Q. And the cost and revenue projections
12 presented in your testimony were developed in part
13 using a dispatch model, correct?

14 A. That's correct.

15 Q. Okay. And that modeling was performed
16 under your supervision, correct?

17 A. If you mean performed under my
18 supervision as having others help assist me in
19 modeling as well as reviewing, I myself also reviewed
20 the results and it was run by others that was done
21 under my direction.

22 Q. Okay. Thank you for that clarification.
23 The actual modeling was performed by the Business
24 Development Group within FirstEnergy Service Company,
25 correct?

1 A. I wouldn't agree with that point
2 primarily because although the Business Development
3 Group did assist me with the running of the model, I
4 was the one that prepared and provided the inputs. I
5 and reviewed those. I also reviewed the outputs and
6 used the output dispatch to prepare my exhibits. So
7 I would not say it was done solely by the Business
8 Development Group.

9 Q. Did you directly run the model?

10 A. You used the word "directly run the
11 model." I view that as looking at the inputs,
12 ensuring they're accurately input into the model,
13 running the model, reviewing the outputs, making sure
14 they are accurate. I did those aspects. Simply
15 pushing the button to run the models is very simple,
16 anyone can do it, quite frankly, but running the
17 model requires all those steps and I was involved
18 with all those complex steps of that process.

19 Q. Okay. And was the Business Development
20 Group involved in the running of the model?

21 A. Yes. As I stated previously, they
22 assisted me in that regard.

23 Q. And did they actually push the button on
24 the model?

25 A. They were the one that pushed the button.

1 And as I stated before, pushing the button is not the
2 complexity of the model, pushing the button is, quite
3 frankly, anybody can do.

4 Q. And you don't know who specifically
5 pushed the button on the model, correct?

6 A. As I stated before, Business Development
7 was the one that pushed the model, and also as I
8 stated before, pushing the button doesn't matter
9 because anyone, quite frankly, could do that.

10 MR. SOULES: Could I have that answer
11 read back?

12 EXAMINER PRICE: You may.

13 (Question read.)

14 MR. SOULES: Your Honor, I would move to
15 strike the second sentence of that response as being
16 nonresponsive.

17 EXAMINER PRICE: We will deny the motion
18 to strike and indicate to the witness this was your
19 one warning. From this point on, you need to listen
20 carefully to counsel's questions and answer counsel's
21 questions and only counsel's questions.

22 THE WITNESS: Yes, your Honor.

23 EXAMINER PRICE: That will ensure you
24 have a shortened time on the stand.

25 MR. SOULES: Thank you, your Honor.

1 Q. (By Mr. Soules) Mr. Lisowski, the
2 dispatch model is owned by FirstEnergy Service
3 Company, correct?

4 A. If you could clarify for me what you mean
5 by "owned"?

6 Q. Is the model a proprietary dispatch
7 model?

8 A. Yes.

9 Q. Okay. And it's proprietary to
10 FirstEnergy Service Company, correct?

11 A. It would be proprietary to FirstEnergy
12 Service Company and any other affiliates of
13 FirstEnergy Service Company.

14 Q. So would that include any affiliate of
15 FirstEnergy Corporation?

16 A. I believe so, yes.

17 Q. The dispatch model is Microsoft Excel
18 based; is that correct?

19 A. That's correct.

20 Q. And FirstEnergy Service Company developed
21 the model by building calculations into a Microsoft
22 Excel workbook that can produce the modeling outputs,
23 correct?

24 A. That's correct.

25 Q. And you did not have any personal

1 involvement in developing the model, correct?

2 A. Just to make sure I understand your
3 question, when you say "developing the model," you're
4 saying the creation of it?

5 Q. Correct, the model itself, not the
6 modeling runs associated with your testimony, the
7 model itself.

8 A. That's correct.

9 Q. And you do not know how frequently the
10 model is updated, correct?

11 A. You asked how regularly updated the model
12 is. There's numerous aspects of updating the model.
13 One may be in getting a new Microsoft Excel program
14 from Microsoft. Something like that occurs every so
15 often. It doesn't happen really regularly, but that
16 may be one way the model is updated, through the
17 actual software.

18 Other updates may be operational.
19 Financial constraints associated with these plants
20 that are inputs of the model, those are regularly
21 updated by FES, although FES may not know when those
22 are regularly updated -- when those updates would be
23 needed because it would just be defined as when
24 plants need to be updated. So while I may not know
25 how often they're regularly updated, they're

1 regularly updated when they need to be updated.

2 Q. So setting aside software updates that
3 might come from Microsoft, you don't know how
4 frequently the model is updated; is that correct?

5 MR. ALEXANDER: Objection, asked and
6 answered.

7 EXAMINER PRICE: Overruled.

8 THE WITNESS: May I have the question
9 reread, please?

10 (Question read.)

11 A. While I may not know when the model will
12 need to be updated, it is updated regularly when it
13 needs to be updated.

14 MR. SOULES: Your Honor, I would move to
15 strike that response as nonresponsive to my question.

16 EXAMINER PRICE: Granted. I think you're
17 struggling with the word regularly. I think some
18 people believe regularly means every other month.
19 And I think maybe you're using regularly as needed.
20 I think that's where we are struggling with getting
21 where we need to go. So accepting for the purposes
22 of the next 15 minutes that "regularly" means
23 "periodically" on a fixed periodic schedule, can you
24 go ahead and answer the question.

25 THE WITNESS: Your Honor, based on what

1 you just said, that's correct, it is regularly
2 updated.

3 MR. SOULES: Okay. Thank you, your Honor.

4 Q. (By Mr. Soules) Mr. Lisowski, do you
5 receive notice when the calculations within the model
6 are updated?

7 A. Could you help me understand what you
8 mean by "receive notices"? Do you mean receive like
9 an e-mail or a phone call?

10 Q. I'm sorry?

11 A. Do you mean notice like I receive an
12 e-mail or someone phone calls me?

13 Q. Is there any sort of communication that
14 you receive when there's an update to the
15 calculations in the model?

16 A. Not always. I may become aware of
17 updates that -- in my normal responsibilities that
18 I'm aware that will have an impact on the model but I
19 may not receive a notification every single time an
20 update is done.

21 Q. And does the same hold true for an update
22 to the input assumptions for the model, you don't
23 always receive notice of those updates?

24 A. When you're talking about the inputs, my
25 testimony talks about a big aspect of the inputs are

1 energy price forecast. In those cases, whoever is
2 running the model is going to be using those inputs.
3 There would be no need for them to let me know
4 they're using those inputs. I don't know if that
5 answers your question. I'd be quite happy to respond
6 if that doesn't answer your question.

7 Q. No, that's fine, thank you. The model is
8 used to project costs and revenues associated with
9 power plants, correct?

10 A. FES's plants, that's correct.

11 Q. And if there is an update to the
12 assumptions associated with those power plants, like,
13 for example, the heat rate for a generating unit,
14 would you receive notice of that update?

15 A. I may have.

16 Q. But you don't always; is that correct?

17 A. I may not always receive that update.

18 Q. Thank you. Is there a manual for the
19 Microsoft Excel based model?

20 A. No.

21 Q. Is there any kind of technical
22 documentation for this model?

23 A. No.

24 Q. And, Mr. Lisowski, you never directly
25 entered the inputs into the workbook; is that

1 correct?

2 A. Based on the motion you just gave me, it
3 appeared you were typing in the inputs, inputting the
4 data into the model may not be typing. It's
5 Excel-based as we talked about, so copying and
6 pasting is generally a more efficient way to do that.

7 Q. Thank you, and I apologize for the
8 nonverbal hand motions. The model itself has not
9 been produced to any party in this proceeding,
10 correct?

11 A. My understanding is the model itself has
12 not been turned over to the intervenors. We have run
13 four different cases for the Sierra Club that we've
14 ran through the model and provided both the inputs
15 and the outputs.

16 Q. Thank you. And the inputs and outputs
17 associated with the modeling associated with your
18 testimony, has also been produced in discovery; is
19 that correct?

20 A. I'm sorry, may I have that question read
21 back, please?

22 (Question read.)

23 A. That's correct.

24 Q. You're generally aware that there are
25 commercially available models that can be used to

1 project the dispatch of power plants, correct?

2 A. Yes.

3 Q. And you've never supervised any dispatch
4 modeling that used one of those other modeling
5 programs, correct?

6 A. No.

7 Q. To the best of your knowledge,
8 FirstEnergy Service Company has never used one of
9 those other dispatch models in projecting costs and
10 revenues for a power plant, correct?

11 A. No.

12 Q. Just to clarify, when you said "no," did
13 you mean no, I'm not correct, or no, that FirstEnergy
14 Service Company has not used a commercially available
15 model?

16 A. No, I'm not aware of FirstEnergy using
17 one of these models you're talking about.

18 Q. Thank you. The modeling results
19 presented in your testimony use inputs that come from
20 several different sources, correct?

21 A. That's correct.

22 Q. I'd like to spend a couple minutes
23 talking about a few of those inputs, and if you could
24 please turn to page 5 of your direct testimony.

25 A. Okay.

1 Q. So starting on line 14, it states, "The
2 model incorporates the generation capabilities of
3 each FES generation facility, adjusted for an assumed
4 unavailability and forced loss, (EFOR, et cetera),
5 and planned outages. That's your testimony, correct?

6 A. That's correct.

7 Q. And when the modeling for your testimony
8 was performed, those inputs regarding the plants'
9 generation capabilities were preexisting inputs into
10 the model, correct?

11 A. That's correct, FES would have had those
12 assumptions already a part of the model.

13 Q. Staying on page 5, looking at line 17, do
14 you see the reference to forecasted energy pricing
15 provided by company witness Mr. Rose?

16 A. I do.

17 Q. So is it correct the modeling results
18 presented in your testimony are based on market
19 priced forecasts that Judah Rose provided to you?

20 A. That's correct.

21 Q. And you don't personally have any
22 expertise in market price forecasts, correct?

23 A. That's correct. That's why I needed to
24 rely on expert witness Rose.

25 Q. And in this proceeding you're not

1 offering any opinions about the reasonableness of
2 Mr. Rose's price forecast, correct?

3 A. No, I did not need to because of Mr. Rose
4 being an expert in his field.

5 Q. So you defer entirely to Mr. Rose with
6 respect to those forecasts?

7 MR. ALEXANDER: Objection. Asked and
8 answered.

9 EXAMINER PRICE: Sustained.

10 Q. (By Mr. Soules) Another input into the
11 model is the variable operating cost of each
12 generating unit, correct?

13 A. That's correct.

14 Q. And for the Sammis units, the variable
15 operating costs include an assumed fuel cost,
16 correct?

17 A. Among other items, that's correct.

18 Q. Okay. And that fuel cost estimate was
19 developed using a fuel price forecast that was
20 provided by Mr. Rose, correct?

21 MR. ALEXANDER: Could I ask the question
22 be reread, please?

23 EXAMINER PRICE: Please.

24 (Question read.)

25 MR. ALEXANDER: Did you say full or fuel?

1 MR. SOULES: Fuel.

2 THE REPORTER: I said fuel.

3 A. That's correct.

4 Q. (By Mr. Soules) And those, the forecasts
5 that Mr. Rose referenced are on page 4, lines 22 to
6 23 of your testimony, correct?

7 A. I'm sorry, page 4, lines 21 to 22?

8 Q. 22 to 23.

9 A. Thank you. That's correct.

10 Q. Okay. And you did not take any steps to
11 assess whether those forecasts were reasonable,
12 correct?

13 A. That's correct. I relied on Mr. Rose
14 because he's an expert in his field.

15 Q. Okay. And you don't have an opinion as
16 to whether Mr. Rose's coal price forecast was
17 reasonable, correct?

18 A. No, I relied on what Mr. Rose provided
19 me.

20 Q. Thank you. And for the Davis-Besse
21 plant, the nuclear fuel cost for estimating was using
22 information that was already in the model, correct?

23 A. That's correct, FES would have come up
24 with those projections, and they were already
25 available and loaded into the model.

1 Q. And you don't consider yourself to be an
2 expert in projecting nuclear fuel costs, correct?

3 A. That's correct, and I would have in this
4 case since it was provided by FES, looked at it --
5 looked at historical costs what nuclear fuel has
6 historically been and just seemed to appear
7 reasonable to me.

8 Q. Okay. But beyond that, you wouldn't have
9 taken any other steps to assess whether or not the
10 cost estimate was reasonable, correct?

11 A. No, I would have no need to because I
12 relied on experts at FES to provide that projection.

13 Q. Okay. Which particular expert or experts
14 are you referring to?

15 A. Within FES, we have an entire nuclear
16 fuel department that resides within our FirstEnergy
17 nuclear operating company that's primary
18 responsibility is for all aspects of our nuclear fuel
19 process including forecasting and making assumptions
20 long term.

21 Q. Is Paul Harden one of those experts?

22 A. The group that I just discussed was
23 underneath his organization at the time I ran this
24 model.

25 Q. Okay. Thank you. For the OVEC plants,

1 the estimated fuel cost was provided directly by
2 OVEC, correct?

3 A. That's correct.

4 Q. The model for your testimony also
5 included an assumed price for carbon emissions,
6 correct?

7 A. That's correct.

8 Q. And that carbon price forecast was also
9 provided by Mr. Rose, correct?

10 A. Yes, sir.

11 Q. And that price forecast was used for
12 modeling, both the Sammis units and the OVEC
13 entitlement, correct?

14 A. That's correct.

15 Q. As well as Davis-Besse? Please strike
16 that.

17 Does the model assume that Davis-Besse is
18 a carbon free resource?

19 A. Yes.

20 Q. You didn't do anything personally to
21 evaluate the reasonableness of Mr. Rose's carbon
22 price forecast, correct?

23 A. No, I had no need to since he's an expert
24 in his field.

25 Q. After compiling the various inputs for

1 purposes of the modeling run, you then provided those
2 inputs for the Business Development Group to push the
3 button on the model; is that correct?

4 A. That's correct.

5 Q. Using those various inputs the model then
6 projected how frequently the Davis-Besse, the Sammis
7 units and OVEC would operate, correct?

8 A. That's correct.

9 Q. And when the Business Development Group
10 ran the model, the plants were assumed to be
11 dispatched economically, correct?

12 A. If you mean economically as a form of
13 dispatch, that's correct. Economic, just to make
14 sure we're on the same page, we'll assume that a
15 plant will run either more or less based on the
16 variable costs given in a short period of time.

17 Q. And the model -- whenever the FirstEnergy
18 Service Company model was run, it assumes that the
19 plants are being dispatched economically, correct?

20 A. That's correct.

21 Q. And the way the actual model functions if
22 variable operating cost for a generating unit is
23 below the market energy price, the model assumes that
24 the unit will operate, correct?

25 A. May I have that question read back,

1 please?

2 (Question read.)

3 A. That's correct, taking into consideration
4 other operational constraints, such as unforced
5 availability, if there's a plant outage, things like
6 that.

7 Q. But if for the given point in time this
8 plant is assumed to be available and those two -- and
9 that happens to be the case -- strike that.

10 For a given point in time, if the
11 variable operating costs of a unit is below that
12 market energy price at that point -- and if the unit
13 is available, the model will assume it will run.

14 MR. ALEXANDER: Objection, asked and
15 answered.

16 EXAMINER PRICE: Overruled.

17 Read the question back.

18 (Question read.)

19 A. That's correct.

20 Q. (By Mr. Soules) So, for example, if the
21 model was projecting the dispatch of Sammis Unit 1,
22 the model would consider the variable operating costs
23 of the unit and the estimated energy price at that
24 point in time, correct?

25 A. I want to make sure we're clear when I

1 respond. When you say "variable operating costs,"
2 could you define for me what that means to you?

3 Q. What is your understanding of variable
4 operating costs in the context of the dispatch model?

5 A. Sure. Absolutely. For the Sammis unit,
6 variable operating costs would include the coal price
7 which would be a -- include the transportation via
8 getting that coal to the plant and the fuel handling
9 associated with that plant.

10 We talked about the carbon costs, that
11 they were discussing earlier as part of the
12 generation. We also included emission allowance
13 costs, reagent costs and if there was any other types
14 of variable O&M costs associated with running the
15 plants, more or less.

16 Q. Okay. And all of those cost components
17 are embedded within the variable operating cost for
18 the unit -- that the model will consider when
19 projecting dispatch, correct?

20 A. That's correct.

21 Q. And if I use the phrase variable
22 operating costs with that understanding that you just
23 laid out, you'll understand what I mean?

24 A. Yes.

25 Q. Okay. For the coal unit, does the

1 variable operating cost include a cost component for
2 coal ash disposal?

3 A. Yes, it does. Thank you for that
4 clarification. I missed that when I gave my
5 definition earlier.

6 Q. Thank you. So going back to my earlier
7 question, if, for example, the model was projecting a
8 dispatch of Sammis Unit 1, the model would look at
9 the variable operating costs for Sammis Unit 1 as
10 well as the market energy price at that point in
11 time, correct?

12 A. That's correct.

13 Q. But the model would not consider the
14 variable operating costs of, for example, the
15 Davis-Besse plant, correct?

16 A. I'm sorry, may I have that question read
17 back, please?

18 EXAMINER PRICE: Please.

19 (Question read.)

20 A. Yes, when the model is being run, or in
21 this case Sammis Unit 1, it will only be looking at
22 the variable operating costs for that Sammis 1 Unit
23 plant.

24 Q. And that model would ignore the variable
25 operating costs for any other FES-owned or

1 non-FES-owned plant, correct?

2 A. That's correct.

3 Q. And the model does not incorporate any
4 type of analysis associated with plants that are not
5 owned by FES, correct?

6 A. I recall a similar question during my
7 deposition around something of this nature, and I
8 went back and I looked at Mr. Rose's forecast that he
9 provided me. And this is something that is not in my
10 dispatch model, nor would it be something that needs
11 to be in there because it's something that's captured
12 when he provides me his inputs.

13 Q. Just to be clear, the dispatch model
14 itself does not directly consider other plants,
15 correct?

16 A. No, because it would not need to because
17 that is something that is used as an assumption in
18 the energy inputs provided by Mr. Rose.

19 Q. The model does not have a direct input
20 for energy demand within the PJM footprint, correct?

21 A. That's another similar topic of something
22 that my model does not include nor should it because
23 that is something that would be captured in the
24 energy forecast provided by Mr. Rose.

25 Q. Do you know if any commercially available

1 dispatch models include an input for energy demand?

2 A. I don't know.

3 Q. And the model does not have a direct
4 input for energy efficiency, correct?

5 A. That's also another item that would not
6 be an input to my dispatch model because that is
7 something that would be included in the assumptions
8 that Mr. Rose provided me.

9 Q. Do you know if energy efficiency can be
10 an input into a commercially available dispatch
11 model?

12 A. I don't know.

13 Q. Mr. Lisowski, you're aware that the OVEC
14 plants included multiple generating units, correct?

15 A. Yes.

16 Q. But the model does not separately project
17 the dispatch of those individual units, correct?

18 A. That's correct because I would not have
19 that ability to run that model by each of the
20 individual units of OVEC.

21 Q. And the model assumes -- or essentially
22 the model treats Kyger Creek and Clifty Creek as a
23 single generating unit, correct?

24 A. That's correct because I do not have the
25 inputs that would allow me to run the model for each

1 of the individual OVEC units separately.

2 Q. Thank you. The dispatch modeling that
3 was performed to develop the cost and revenue
4 projections in your testimony was performed on a
5 monthly basis, correct?

6 A. Well, it is a monthly model. There is
7 also a breakdown within the month of nine separate
8 categories of inputs based on varying hours, time
9 periods, if you will, within the month, so it's not
10 one single model -- monthly, excuse me. It's not one
11 single monthly assumption.

12 Q. The model does not dispatch on an hourly
13 basis; is that correct?

14 A. No, it dispatches based on these nine
15 periods of time within the month for the forecast.

16 Q. And the modeling results are presented on
17 an annual basis, correct?

18 A. That's correct.

19 Q. And the Business Development Group only
20 did a single modeling run to produce the results that
21 are presented in your testimony; is that correct?

22 A. That's correct. There's -- There was one
23 set of inputs that was provided. There was only one
24 set of inputs needed, and so only one set of forecast
25 run was done.

1 Q. Okay. Thank you. In projecting the
2 dispatch of the Sammis units, Davis-Besse, and the
3 OVEC entitlement, the model includes an assumption
4 about each plant's unforced capacity, correct?

5 A. Can I have that question read back,
6 please.

7 (Question read.)

8 A. When you say unforced capacity, are you
9 referring to, like, an E4 assumption or a forced
10 outage rate? I'm struggling with unforced capacity
11 because I think of capacity when you use that term.

12 Q. I'm sorry, what was the last part of your
13 answer?

14 A. Sure. When you said unforced capacity, I
15 think capacity revenue side, is that what you're
16 referring to?

17 Q. No, I'm referring to the physical
18 capacity of the generating unit.

19 A. One of the inputs into the model is an
20 assumed equivalent forced outage rate, EFOR. We use
21 EFOR for that. That's an operation constraint. That
22 is an assumption of how long the plant will not be
23 available due to forced outage. That would be one of
24 the operational constraints of the model that would
25 say the plant cannot run during certain periods of

1 time of the year.

2 Q. And there would be another operational
3 constraint on plant outages as well, correct?

4 A. Correct.

5 Q. Once you subtract those out from the
6 nameplate capacity for a unit, then you have
7 essentially the available capacity for dispatching
8 the model, correct?

9 A. Very generally speaking, that's correct.
10 I would add that when the model is run, though, it's
11 looking at that on a monthly basis. It's not saying
12 this is the capacity for this unit, period. It's
13 looking at that capacity on a monthly type basis.

14 Q. Okay. And those assumptions were provided
15 by FES for the modeling associated with your
16 testimony, correct?

17 A. That's correct.

18 Q. You did not personally perform any
19 analysis to determine if those assumptions were
20 reasonable, correct?

21 A. I did not have a reason to go back and
22 run my own analysis of what it is. I did look at
23 what the -- those constraints were historically and
24 asked questions if there was anything that stood out
25 to me, and so I relied on the FES individuals to

1 provide that to me.

2 Q. Did you ask FES questions about those
3 assumptions when you were performing the modeling
4 associated with your testimony?

5 A. I don't recall specifically whether I
6 asked them questions around the -- around these
7 inputs of the model.

8 Q. Okay. You're not aware of FES ever
9 conducting a study to compare a generating unit's
10 actual dispatch with its projected dispatch from a
11 modeling run, correct?

12 A. If you mean the word "study" as a formal
13 study having someone independently come in and do a
14 full analysis of it, I'm not aware of that. FES
15 regularly reviews the outputs of these models and
16 uses it in its normal course of its business day in
17 and day out. So I would view that as a review,
18 study, if you will, that because they rely on it,
19 they believe it to be a very accurate dispatch model.

20 Q. So FES relies on this model in making
21 business decisions; is that correct?

22 A. Yes.

23 Q. Do you know if FES relies on this model
24 in making capital investment decisions?

25 A. Yes, among other factors.

1 Q. Has FES relied on this model in making
2 capital investments decisions at the Sammis plant?

3 A. Just for clarification, do you mean are
4 they using it now?

5 Q. Has FES -- Since you joined FirstEnergy
6 Service Company, has FES used this model in making
7 capital investment decisions related to the Sammis
8 plant?

9 A. While I don't -- I do not know if they
10 were using it for capital decisions when I started
11 with FirstEnergy back in 2004, I will say since I
12 started my current position, which was in 2012, FES
13 does rely on this dispatch model as one factor in
14 making capital investment decisions at the Sammis
15 plant as well as the Davis-Besse station.

16 Q. Thank you. Mr. Lisowski, the model
17 includes assumptions about plant outages, correct? I
18 think we talked about that.

19 A. To clarify, the model doesn't come up
20 with those plant outages. I receive that from
21 experts within the FES and generation organization.

22 Q. Does the modeling include any assumptions
23 about the cost of starting up a coal unit?

24 A. Could you clarify for me what you mean by
25 "cost to start up the coal unit"?

1 Q. Is it your understanding that when a coal
2 generating unit starts up, it incurs additional
3 expenses?

4 A. Could you clarify for me what you mean by
5 "other costs"?

6 Q. Could I have that last question re-read,
7 please?

8 (Question read.)

9 A. I believe my question, just for
10 clarification to answer your question appropriately,
11 when I say "additional costs," what in particular are
12 you talking about?

13 Q. For example, does a coal unit have higher
14 than -- higher fuel costs than it would during steady
15 state operation?

16 A. One of the inputs into the model is
17 variable operating costs. We refer to it as VOM
18 inputs, which I believe we provided in discovery.
19 That VOM cost would include start-up costs such as
20 what you're talking about here.

21 Q. Thank you. In addition to the energy
22 revenue estimate that's provided in your testimony,
23 you also estimated the capacity revenue from the
24 Sammis units, Davis-Besse and the OVEC entitlement,
25 correct?

1 A. That's correct.

2 Q. Okay. And in estimating capacity
3 revenues up through the 2017-2018 planning year, you
4 used the actual clearing prices of the PJM auctions,
5 correct?

6 A. That's correct, for the auctions that had
7 occurred at the time of my filing, which we know has
8 been updated since then or that we have additional
9 information on since then, I should say.

10 Q. Okay, thank you. And in projecting
11 capacity revenues after 2017-2018, you relied on a
12 capacity price forecast provided by Judah Rose,
13 correct?

14 A. That's correct.

15 Q. And you did not do anything to evaluate
16 the reasonableness of that capacity price forecast,
17 correct?

18 A. No, I had no reason to since Mr. Rose is
19 an expert in his field.

20 Q. And you're not offering any opinions in
21 this proceeding about the reasonableness of that
22 forecast, correct?

23 A. That's correct.

24 Q. And on the cost side of your projection,
25 so in addition to the variable operating costs that

1 were associated with the energy revenue, there were
2 also several additional cost elements that were built
3 into your projections, correct?

4 A. Just as a point of clarification, are we
5 talking about the costs that are a part of the
6 dispatch model?

7 Q. I'm sorry, the costs associated with your
8 overall projections.

9 A. Okay.

10 Q. So there's a series of costs that went
11 into the dispatch model, correct?

12 A. That's correct.

13 Q. And then there are another series of
14 costs that you added to your overall cost and revenue
15 projections after the model had been run, correct?

16 A. That's correct.

17 Q. Okay. And one of those was an estimate
18 for fixed operating and maintenance costs, correct?

19 A. I don't believe we have a single line
20 item that refers to that. I would refer you,
21 however, to my exhibits, which lay out all of the
22 other types of operating costs that are outside of
23 the dispatch model.

24 Q. Your cost and revenue projections also
25 include a projection for capital costs over the

1 15-year period, correct?

2 A. That's correct, those are laid out in the
3 workpapers on my exhibits.

4 Q. And once you had put together your
5 overall cost and revenue projection, you then
6 provided those results to Jay Ruberto; is that
7 correct?

8 A. That's correct.

9 Q. Do you know if Jay Ruberto reviewed the
10 results of that projection?

11 MR. ALEXANDER: Objection. Calls for
12 speculation?

13 EXAMINER PRICE: Well, he can answer if
14 he knows.

15 A. I don't believe -- I don't know. I
16 believe you should ask Mr. Ruberto that question.

17 Q. (By Mr. Soules) Thank you. In developing
18 the projections associated with your testimony, you
19 did not calculate the net revenues or net losses
20 associated with the operation of these plants,
21 correct?

22 EXAMINER PRICE: Can I have that read
23 back, please?

24 (Question read.)

25 MR. ALEXANDER: Objection to form. I

1 believe the question is confusing.

2 MR. SOULES: I'm happy to rephrase.

3 EXAMINER PRICE: We'll see if he
4 understands the question. Do you understand the
5 question?

6 THE WITNESS: No, if you could rephrase
7 the question, please.

8 Q. (By Mr. Soules) Sure. Without getting
9 into the actual numbers in the attachments to your
10 testimony because I know those are confidential,
11 those attachments include a projection of revenues
12 and a projection of costs for Sammis, Davis-Besse and
13 OVEC, correct?

14 A. That's correct.

15 Q. In preparing those projections, you did
16 not attempt to create -- you did not attempt to
17 estimate the net revenue or net loss for a given unit
18 at a given point in time, correct?

19 A. I apologize, I'm very confused. You're
20 saying net revenue? Are you -- If you are referring
21 to my workpapers including a subtotal that includes a
22 line on my revenue less my total expenses to get to a
23 net number, my exhibits do not include that line
24 item, but that's a simple subtraction calculation.

25 Q. Okay. But you -- you did not actually

1 perform those calculations in developing your
2 testimony, correct?

3 A. Well, I think my testimony speaks for
4 itself. It's not a complex calculation to do
5 subtraction, per se. My workpapers lay out those
6 total revenues gross, gross expenses, so it would
7 just be a simple subtraction that I believe anyone
8 can do.

9 EXAMINER PRICE: So your answer would be
10 no?

11 THE WITNESS: My answer would be no.

12 Q. (By Mr. Soules) And did you perform a
13 calculation of the net present value of operating the
14 plant at given points in time over the 15-year
15 period?

16 A. No, I have not done that calculation.

17 Q. Okay. Thank you. So turning back to the
18 proposed transaction that we talked about a little
19 earlier, is it your understanding that the proposed
20 transaction was negotiated between FES and the
21 companies?

22 A. That's correct.

23 Q. And you've heard of the EDU team before,
24 correct?

25 A. I have.

1 Q. And you were not a member of the EDU
2 team, correct?

3 A. No, I was not.

4 Q. And you don't know what the EDU team's
5 responsibilities were, correct?

6 A. During my deposition, I did receive a lot
7 of questions around the FES team, the EDU team.
8 After my deposition I did give some additional
9 thought about my activities on that team. Reviewed
10 the term sheet, thought a little more about it. My
11 understanding on the EDU team's activities was to
12 negotiate the proposed PPA, specifically the term
13 sheet, on behalf of the companies to make it
14 advantageous for customers.

15 Q. But you did not participate in any
16 internal EDU team meetings, if they occurred; is that
17 correct?

18 A. No, I was not part of any of those
19 meetings.

20 Q. And you were designated a member of an
21 FES team that helped negotiate the proposed
22 transaction, correct?

23 A. That's correct.

24 Q. And it's your understanding that Jay
25 Ruberto was a member of the EDU team, correct?

1 A. Yes.

2 Q. And I believe earlier we established that
3 you provided the results of your modeling to the EDU
4 team through Jay Ruberto; is that a fair statement?

5 A. I provided it through legal counsel to
6 Jay Ruberto. I don't -- I do not know Jay Ruberto
7 shared it or if he shared it with the rest of the EDU
8 team.

9 Q. Okay. Thank you. Other than the
10 modeling associated with your testimony, you did not
11 perform any other modeling that may have gone to the
12 EDU team; is that correct?

13 A. That's correct.

14 Q. And you first learned about the proposed
15 transaction sometime in the April through June time
16 period of 2014, correct?

17 A. That's correct.

18 Q. And the modeling that was used to develop
19 your testimony was performed sometime between May and
20 July of 2014; is that correct?

21 A. That's correct.

22 Q. Now, as part of your normal job
23 responsibilities, you prepare revenue projections for
24 FES's units, correct?

25 A. When you say the word "prepare for," if

1 you're talking about the actual revenues of these
2 plants, that would be correct.

3 EXAMINER PRICE: Could I have that
4 question and answer read back again?

5 (Question read.)

6 Q. (By Mr. Soules) Actually, I was referring
7 to projections of future revenues.

8 A. Yes.

9 Q. Okay. And those revenue projections are
10 prepared on a regular basis, correct?

11 A. Regular basis in regards to whenever FES
12 needs to have one, so there's not a set schedule that
13 they will come out this routinely, but they're
14 regularly when FES needs them.

15 Q. Okay. Thank you. And the same
16 FirstEnergy Service Company model is used in
17 developing those revenue projections, correct?

18 A. That's correct.

19 Q. And FES has been using this model since
20 before you joined FirstEnergy Service Company in
21 2004, correct?

22 A. I know the model has been used at least
23 since I joined FirstEnergy in 2004. I don't know if
24 they were using it prior to me joining the company.

25 Q. With respect to the FES plants that are

1 the subject of this proceeding, when was the most
2 recent revenue projection that you performed for FES?

3 MR. ALEXANDER: May I have the question
4 reread back, please?

5 EXAMINER PRICE: You may.

6 (Question read.)

7 MR. SOULES: I will rephrase it. It is a
8 little confusing.

9 Q. (By Mr. Soules) Mr. Lisowski, when was
10 the most recent revenue projection you prepared for
11 the Sammis plant?

12 A. For the time period that we are
13 discussing here in my testimony, using FES's energy
14 forecast would have been around the August time
15 period of last year -- July-August time period of
16 last year. I don't remember a specific date.

17 Q. When you said with respect to this time
18 period, you're referring to a long-term projection of
19 costs and revenues that would have extended through
20 2031; isn't that correct?

21 A. That's correct. And shorter-term
22 forecasts have been turned over to the Sierra Club,
23 among other intervenors, I believe. That's on a much
24 shorter time period.

25 Q. Okay. And the most recent of those was

1 sometime in 2015; is that correct?

2 A. Just for clarification, we're talking
3 about the shorter-term forecast, correct?

4 Q. Correct.

5 A. Yes. I believe it was around the
6 January-February time period when those were prepared
7 earlier this year.

8 Q. Okay. And with respect to Davis-Besse,
9 when was the last time you prepared a revenue
10 projection, either short term or long term, for that
11 plant?

12 A. The response would be the same as I gave
13 for Sammis.

14 Q. Okay. Are you aware of any FES revenue
15 projections that are more recent than January for the
16 Sammis plant?

17 A. No.

18 Q. And are you aware of any more recent
19 revenue projections for Davis-Besse than January?

20 A. No.

21 Q. Thank you. Now, when FES uses the
22 FirstEnergy Service Company model to project future
23 revenues, it uses an energy price forecast of its
24 own, correct?

25 EXAMINER PRICE: Could I have that

1 question back, please?

2 (Question read.)

3 A. If FES wants to run its projections on
4 the plant, it will absolutely use what it believes to
5 be as the inputs for that forecast.

6 Q. So FES has an internal energy price
7 forecast, correct?

8 A. Yes.

9 Q. And that forecast extends out at least 20
10 years; is that correct?

11 A. That's correct.

12 Q. And FES also has a capacity price
13 forecast that it uses in projecting the costs and
14 revenues of its plants, correct?

15 THE WITNESS: May I have the question
16 read back, please?

17 (Question read.)

18 A. Yes.

19 Q. And that forecast extends out at least 15
20 years, correct?

21 A. That's correct.

22 Q. And, Mr. Lisowski, you don't know who
23 specifically within FES develops those energy and
24 capacity price forecasts, correct?

25 A. I know there are a number of individuals

1 that get involved at FES when FES needs to do a
2 long-term price forecast for energy and capacity.
3 Many of its leadership team members, in fact,
4 Business Development may get involved, our chief risk
5 officer of the company may get involved, so there's a
6 number of people that may get involved associated
7 with that energy price forecast. I don't know the
8 specific individual that may hold it, but when one is
9 done, many of those folks will have access to it.

10 Q. Thank you. You personally don't have a
11 role in developing those price forecasts, correct?

12 A. When you say "role," I'm not an active
13 participant in running those types of models. I may
14 sit in some meetings. I may receive the output of
15 it. I may get questions to help assist with it, but
16 I would not be one of the people that approves it in
17 that regard.

18 Q. And is Donald Moul one of the individuals
19 involved in developing those price forecasts?

20 A. I believe so, yes.

21 Q. And FES also has a forecast of future
22 carbon prices that it uses when projecting the costs
23 and revenues of its plants?

24 A. That's correct.

25 Q. Now, I believe earlier you stated in

1 August of last year you prepared a long-term cost and
2 revenue projection for Sammis and Davis-Besse; is
3 that correct?

4 MR. ALEXANDER: Objection. Just to
5 clarify, are we referring to the forecast in his
6 testimony or the forecast also from last year for
7 FES?

8 EXAMINER PRICE: Will you clarify?

9 Q. (By Mr. Soules) Sure. Just stepping
10 back, just to confirm, the projections associated
11 with your testimony were prepared prior to August of
12 2014, correct?

13 A. That's correct.

14 Q. Okay. And in August 2014 you also
15 prepared a long term cost and revenue projection for
16 Sammis -- for the Sammis units, Davis-Besse and the
17 OVEC entitlement, correct?

18 A. That's correct using FES's internal
19 energy and capacity forecasts and fuel forecasts
20 which I believe we did provide to the Sierra Club
21 under a subpoena response.

22 Q. Thank you. If I refer to that, those
23 August 2014 projections, simply as the August 2014
24 projections, you will understand what I mean?

25 MR. ALEXANDER: Your Honor, I would

1 actually object to that clarification. We refer to
2 those as the FES projections, just so the record is
3 clear, because the testimony was also filed in 2014,
4 I don't want the record to be unclear.

5 EXAMINER PRICE: I think calling it FES
6 projections makes more sense.

7 MR. SOULES: Okay, great. Thank you,
8 your Honor.

9 Q. (By Mr. Soules) And so the FES
10 projections used the exact same dispatch model you
11 used for your testimony, correct?

12 A. Yes.

13 Q. And those projections used the internal
14 FES energy price forecast, correct?

15 A. That's correct.

16 Q. And those projections used the internal
17 FES capacity price forecast, correct?

18 A. That's correct.

19 Q. And those projections used the internal
20 carbon price forecast, correct?

21 A. That's correct.

22 Q. So the FES projections did not rely on
23 any of Judah Rose's assumptions, correct?

24 A. No, they did not, and that's because FES,
25 running its own forecasts and projections, wants to

1 use what it believed to be the most accurate for it.

2 Q. Do you know if FES has updated its energy
3 price forecast since August of 2014?

4 THE WITNESS: May I have the question
5 read back please?

6 EXAMINER PRICE: Please.

7 (Question read.)

8 A. Do I know? Yes. Do I -- Your question
9 was do I know have they? I know the answer to that
10 question.

11 Q. And could you please tell me what the
12 answer of that question would be?

13 A. No.

14 Q. Do you know if FES has updated its
15 capacity price forecast since August of 2014?

16 A. Do I know? Yes. And no, they have not.

17 Q. Thank you. Does the same hold true for
18 FES's carbon price forecast?

19 A. Do I know? Yes. And no, they have not
20 updated it.

21 Q. Thank you. And Mr. Lisowski, earlier you
22 mentioned a Sierra Club subpoena, correct?

23 A. Earlier I mentioned one of the subpoenas
24 from the Sierra Club.

25 Q. Okay. And at a deposition in December of

1 2014, were you identified as a witness for FES for
2 purposes of that deposition?

3 A. That's correct.

4 Q. But here today you're only testifying on
5 behalf of the companies, correct?

6 MR. ALEXANDER: Objection to the extent
7 it calls for a legal conclusion, particularly since
8 counsel just spent the last half hour asking about
9 the FES updates since this period. I do not think
10 he's qualified to answer.

11 EXAMINER PRICE: We will sustain the
12 objection to the extent you're asking for a legal
13 conclusion.

14 Go ahead and answer.

15 THE WITNESS: Can I have the question
16 repeated?

17 (Question read.)

18 A. I'm not an attorney, so I don't know how
19 to answer that question.

20 Q. (By Mr. Soules) Okay., fair enough.
21 Thank you. With regards to the forecast that Judah
22 Rose provided for purposes of the projections he
23 created, you were not the person who decided to use
24 Judah Rose's assumptions, correct?

25 A. No, I was not the one that selected

1 Mr. Rose.

2 Q. And you don't know who made the decision
3 to select Mr. Rose, correct?

4 A. No, I do not.

5 Q. Okay. And you were not involved in any
6 discussions about whether to use Mr. Rose's
7 assumptions versus FES's internal assumptions,
8 correct?

9 A. I was not involved in any of those
10 discussions, and I do not have any issue with using
11 Mr. Rose's projections in this case.

12 Q. Thank you. Mr. Lisowski, are you
13 familiar with the phrase "legacy cost components"?

14 A. I am.

15 Q. And for purposes of this proceeding,
16 legacy cost components are all costs that arise from
17 decisions or commitments made and contracts entered
18 into prior to December 31, 2014, including any costs
19 arising from provisions under such historic contracts
20 that may be employed in the future. Is that correct?

21 MR. ALEXANDER: Objection. If we are
22 going to ask the witness about a phrase from a term
23 sheet, we should mark it as an exhibit.

24 MR. SOULES: I was actually --

25 EXAMINER PRICE: You can respond.

1 Respond to me, but not to him. You can respond.

2 MR. SOULES: I was actually quoting from
3 Ms. Mikkelson's direct testimony.

4 EXAMINER PRICE: I understand.

5 Do you understand the question?

6 A. I think so. I know that we had a
7 discovery response where we defined the term "legacy
8 cost component," so I would prefer if we could use it
9 as an exhibit so I could refer to it in answering the
10 question fully.

11 MR. SOULES: I think that phrase was
12 actually defined in Ms. Mikkelson's testimony, not in
13 a discovery response. Is there any chance that
14 there's a copy of, I think it's Companies Exhibit 7?

15 MR. ALEXANDER: To move things along, we
16 will stipulate to whatever is in Miss Mikkelson's
17 testimony's definition.

18 MR. SOULES: Okay.

19 EXAMINER PRICE: But does he understand
20 what was in Ms. Mikkelson's testimony? That is the
21 issue.

22 MR. ALEXANDER: I guess that may be the
23 next question, your Honor.

24 EXAMINER PRICE: Why doesn't the company
25 provide the witness with a copy of Company Exhibit 7

1 and then he can refer to it and will move things
2 along better than a bunch of questions.

3 MR. ALEXANDER: May we have a moment,
4 your Honor?

5 EXAMINER PRICE: You may.

6 MR. ALEXANDER: Your Honor, it's been an
7 hour and a half. Would it make sense to take the
8 break while we locate the exhibit?

9 EXAMINER PRICE: Yes, take ten minutes.

10 (Recess taken.)

11 EXAMINER PRICE: Let's go back on the
12 record, please. Proceed.

13 Q. (By Mr. Soules) Mr. Lisowski, do you
14 have a copy of Companies Exhibit 7 in front of you?

15 A. Yes.

16 Q. And if I could direct your attention to
17 page 14 of that exhibit, lines 10 through 12.

18 A. Okay.

19 Q. Do you understand that definition of
20 legacy cost components as stated in those lines of
21 testimony?

22 A. Yes.

23 Q. Okay. And so the companies are proposing
24 that all legacy cost components incurred up through
25 December 31, 2014 will be reviewed and approved by

1 the Commission in this proceeding; is that correct?

2 THE WITNESS: I'm sorry, may I have that
3 question read back, please?

4 (Question read.)

5 MR. ALEXANDER: Objection.

6 EXAMINER PRICE: Grounds?

7 MR. ALEXANDER: Beyond the scope of this
8 witness' testimony. And just to be clear, I do not
9 object to asking the witness about legacy cost
10 components with regard to the numbers, but I do
11 object with regard to the proposal made by the
12 companies as that was addressed by company witness
13 Mikkelson.

14 EXAMINER PRICE: I think that question
15 was just foundational, and he will be getting to the
16 numbers next; is that correct?

17 MR. SOULES: That's correct.

18 MR. ALEXANDER: You can go ahead and
19 answer the question.

20 A. I don't know the answer to that question.

21 Q. (By Mr. Soules) Mr. Lisowski, have you
22 been asked to identify the legacy cost components
23 that are the subject of the Commission's review in
24 the proceeding?

25 A. Yes. And that listing has been provided

1 to the intervenors, and it's my understanding that
2 the intervenors had the ability to review any or all
3 of those contracts in detail if they so wished.

4 MR. SOULES: Your Honor, may we approach
5 the witness?

6 EXAMINER PRICE: You may.

7 MR. SOULES: Your Honor, could we have
8 this document marked as Sierra Club Exhibit 26?

9 EXAMINER PRICE: It will so marked.

10 (SIERRA CLUB EXHIBIT 26 MARKED FOR
11 IDENTIFICATION.)

12 Q. (By Mr. Soules) Mr. Lisowski, you have
13 just been handed a response to discovery request
14 Nucor, Set 1, INT-38. Are you familiar with this
15 discovery response?

16 A. Yes.

17 Q. And are you one of the sponsoring
18 witnesses for this discovery response?

19 A. With Eileen Mikkelson, that's correct.

20 Q. Thank you. Mr. Lisowski, if you could
21 look at subpart A of this request and the response to
22 that. Were you responsible for responding to that
23 portion of the request?

24 A. The response here refers to responses in
25 another response as noted at the bottom. You just

1 provided me INT-38. I do not have in front of me
2 INT-21 or OCC Set 1 or OCC Set 2- INT-4 which is the
3 response.

4 Q. I agree with you. Just for present
5 purposes, I'm just asking if you were responsible for
6 responding to subpart A of this interrogatory?

7 A. Yes.

8 Q. Okay. Your Honor, may we approach?

9 EXAMINER PRICE: You may.

10 MR. SOULES: Your Honor, may we have this
11 marked Sierra Club Exhibit 27.

12 EXAMINER PRICE: It will be so marked.

13 (SIERRA CLUB EXHIBIT 27 MARKED FOR
14 IDENTIFICATION.)

15 Q. (By Mr. Soules) Mr. Lisowski, you have
16 been handed a response to discovery request OCC Set
17 1-INT-21. I recognize that you are not the
18 sponsoring witness for this response, but are you
19 familiar with this document?

20 A. Yes, I'm familiar.

21 Q. And did you rely on this discovery
22 response, in part, in responding to Nucor Set 1,
23 INT-38, subpart A?

24 A. It was one discovery response that was
25 relied on.

1 Q. Okay. Thank you. Would you agree that
2 OCC Set 1-INT-21 does not ask for a complete list of
3 the legacy cost components?

4 A. I'm sorry, may I have that read back,
5 please?

6 (Question read.)

7 A. Yes.

8 Q. (By Mr. Soules) And would you agree that
9 this interrogatory does not ask the companies to
10 identify the cost of each legacy cost component?

11 A. Yes.

12 Q. Okay. If we could turn back to Sierra
13 Club Exhibit 26, the Nucor interrogatory, if you
14 could look at subpart B, were you responsible for
15 responding to this subpart of the interrogatory?

16 A. I believe so. I haven't memorized every
17 single acronym to what I produced, but I believe so,
18 but I would need to see it to confirm that.

19 Q. Okay. Would you agree that the response
20 to subpart B only refers to SC Set 2-INT-74 and no
21 other information?

22 A. Correct. I do not know what the response
23 was for SC Set 2-IN2-74, so there may be additional
24 documents referring to other document here, but I
25 believe the answer is yes.

1 Q. Thank you.

2 MR. SOULES: Your Honor, I have nothing
3 further for the witness.

4 EXAMINER PRICE: Thank you.

5 Let's go off the record.

6 (Discussion off record.)

7 EXAMINER PRICE: Back on the record.

8 OMAEG.

9 - - -

10 CROSS-EXAMINATION

11 By Ms. Hussey:

12 Q. Good morning, Mr. Lisowski.

13 A. Good morning.

14 Q. Could you turn to page 2, line 8 of your
15 testimony, please. Did you testify there that you
16 used the categories to have costs proposed to be used
17 in transaction between the companies and FES as a
18 starting point for the estimates you're sponsoring;
19 is that correct?

20 A. That's correct.

21 Q. Did you personally propose that certain
22 categories of costs that are included in the version
23 of the term sheet that's been submitted to the
24 parties be included in the transaction?

25 A. As a member of the FES team, that was

1 something that was discussed with the EDU teams in
2 those meetings, so I was a part of those discussions.

3 Q. Okay. And did you personally propose any
4 of the terms of the categories of items that appear
5 in the term sheet today?

6 A. I don't recall specifically myself
7 proposing any of those specifically. I was involved
8 with discussing each of those as part of those
9 meetings.

10 Q. Okay. Thank you. And on the same page
11 of your testimony, page 2 at line 10, you testified
12 that you used FES's internal cost projections. For
13 clarity's sake you're talking about FES's internal
14 cost projections for each of the plants; is that
15 correct?

16 A. That's correct.

17 Q. On page 3 at line 8, you testified that
18 the starting balances for net book value and similar
19 cost items used the most recent cost data for each of
20 the plants as recorded by FES. Is that accurate?

21 A. Yes.

22 Q. And you state that the starting balances
23 are regularly recorded based on generally accepted
24 accounting principles. Could you explain what
25 "regularly recorded" means in your testimony?

1 A. Absolutely. Regularly recorded are items
2 that in my normal day-to-day responsibilities in my
3 position that we account for, we track or for things
4 that, perhaps, we even forecast for. As my testimony
5 lays out, my responsibilities, I have a lot of
6 accounting and financial responsibilities, so things
7 like this for the net book value, those are things
8 that we regularly track, review, report and view on a
9 monthly basis.

10 Q. On a monthly basis you said?

11 A. In regards to net book value, on a
12 monthly basis, yes.

13 Q. Okay. Thank you. So how recently has
14 the cost data for each of the plants -- if I say the
15 plants, I'm sorry, let me back up for a second. If I
16 say the plants, you understand I'm talking about the
17 OVEC entitlement and then the Davis-Besse station as
18 well as the Sammis plant?

19 A. Yes.

20 Q. Okay. How recently has the cost data for
21 each plant been updated?

22 A. Well, if you mean by updated, the costs
23 were the most recently available costs that we had at
24 that time. Since my testimony, if there's any
25 revisions to the costs, we would have provided those

1 through responses. But this was the most recent cost
2 data that was used in my forecast.

3 Q. Okay. But cost data has been recorded on
4 a monthly basis since the time that your testimony
5 was advanced or filed?

6 A. Well, if you mean --

7 MR. ALEXANDER: Your Honor, could I have
8 that question reread, please?

9 EXAMINER PRICE: You may.

10 (Question read.)

11 A. So on a monthly basis, FES closes its
12 books and records any costs that were incurred in
13 that month. That's actual costs that were incurred
14 in that month. We are talking about here with my
15 forecast is a projection of that future cost in the
16 future, so I'm not sure I understand exactly your
17 question.

18 EXAMINER PRICE: In the months since you
19 filed your testimony, you have not updated your
20 forecast with any actual data, have you?

21 THE WITNESS: That's correct.

22 MS. HUSSEY: Thank you. I appreciate
23 that.

24 Q. (By Ms. Hussey) And you talk about future
25 costs at page 3, line 14, if you'd turn your

1 attention there. You say that for future costs,
2 including operation and maintenance expenses and
3 capital expenditures, your attachments use FES
4 internal cost projections for the plants. Did I read
5 that accurately?

6 A. Yes, you did.

7 Q. Okay. Thank you. And you testified
8 these projections are made and kept in the regular
9 course of business; is that correct?

10 A. Yes.

11 Q. By whom?

12 A. There's a large number of people at FES
13 and within FirstEnergy generation that are involved
14 with that. We discussed a little bit earlier things
15 like the nuclear fuel. There's a whole entire
16 organization within FirstEnergy Nuclear that's
17 responsible for that. That's one example.

18 There's a number of engineers, project
19 managers, operators, analysts at the sites, at each
20 of these plants that would be involved in this, and
21 there's a lot of people in support organizations for
22 FES and FES generation that would be providing input.

23 Q. Okay. And are there groups specifically
24 aside from I believe you mentioned FENOC, groups
25 within FENOC, are there other groups within FES that

1 are specifically dedicated to this purpose or that
2 you can recollect contribute in a meaningful way?

3 A. Yes. Another group would be our business
4 services group, which is actually in my organization
5 personally. This group includes accountants and
6 financial analysts that are responsible for the O&M
7 and capital for their individual stations. They're
8 actually physically located at the plants.

9 Their responsibilities, which they are
10 reviewed against, quite frankly, for performance
11 ratings each year are around the accuracy of these
12 forecasts. So it's their responsibility to work
13 directly with their site. If it is a fossil plant,
14 the fossil leadership. If it's a nuclear plant, the
15 nuclear leadership, to ensure that those cost
16 projections are the most accurate and complete
17 forecast that they can come up with.

18 Q. And are you familiar with the individuals
19 who would have filed testimony on behalf of the
20 companies in this proceeding, generally?

21 A. Some, I'm generally aware of; others, no.

22 Q. Okay. Are you aware of any -- of whether
23 any of the individuals testifying at this hearing
24 specifically would have contributed to those
25 projections?

1 A. One example earlier would be Mr. Harden
2 we talked about with the nuclear fuel group. That
3 would be one example.

4 Q. Do you have any other examples?

5 A. Another group that we work with very
6 closely is the environmental group which Mr. Evans is
7 responsible for.

8 Q. I know I mentioned Mr. Moul earlier in
9 the context of a price forecast, I believe, or energy
10 or capacity price forecast. Would this be the same
11 for cost forecasting, aside from fuel?

12 A. No, I believe Mr. Moul's responsibilities
13 of costs in this regard would be primarily related to
14 just the fuel.

15 Q. Okay. Thank you. On page 3 at line 17,
16 you testify that FES's forecast for O&M and capital
17 are derived from a base level of maintenance and
18 operations levels. I wondered who determines the
19 base level of maintenance and operation levels for
20 Sammis?

21 A. There's a number of people as --

22 Q. I'm sorry, go ahead.

23 A. There's a number of people as we just
24 talked about. There's fossil leadership. There's
25 individuals at the sites. There's financial analysts

1 and accountants that get involved. There's a large
2 number of people that would be looking at these types
3 of costs as well as these type of operational inputs,
4 if you will.

5 Q. Okay. If I could back up for just a
6 second. Could you share with me what your definition
7 of "base level of maintenance and operations levels"
8 means as used in your testimony?

9 A. Yes. So in the inputs on the model,
10 through 2018 we have a very good forecast at a very
11 granular level of what these plants are going to be
12 spending, where they're going to be spending it, what
13 their very specific outages are going to entail. We
14 require that throughout FES working with all the
15 individuals we just talked about.

16 Beyond 2018, since FES does not have
17 that, we have to come up with a forecast. So working
18 with many of these same folks, we come up with a
19 projection of what do we think -- what does a normal
20 routine outage schedule look like.

21 So every three years, you may do this
22 activity at the plant on the turbine, on the
23 generator, something like that based on best
24 practices. History has told us what that cost is, so
25 we used that as a basis for coming up with what that

1 plant outage spend would be. Same thing with
2 Davis-Besse. So that takes care of really all of the
3 planned outages for these facilities. That's
4 included in my forecast projections, both the O&M and
5 the capital.

6 In terms of everything else, though, for
7 a base level for everything that's non-outage
8 related, we come up with a base level of spend. That
9 base level of spend, we also work with these same
10 folks that come up with that.

11 We inflate that each year. We know costs
12 are going up, there will be a general wage increase,
13 things like that. So we include a 2, 2.5 percent
14 inflation rate. That base level spend then will
15 cover all the other costs that occurred during that
16 period, both environmental costs, nonenvironmental
17 costs, if something needs to be repaired.

18 We don't know what may need to be
19 repaired in 2023, but history has told us that the
20 sites are very comfortable with that and the
21 leadership team at FES and FEG, are very, very
22 comfortable with those assumptions because, quite
23 frankly, history has told them what things typically
24 break, what it costs, and then the sites have always
25 been able to manage those costs that occurred.

1 Q. So it's base level of maintenance and
2 operation levels assume that the plants will be
3 running during that period of time absolutely?

4 A. My forecast assumes that these plants
5 will operate until May 31, 2031.

6 Q. You referred to some individuals and
7 groups earlier with regard to who determines base
8 level of maintenance and operation levels for the
9 different plants, and I wondered if you obtained the
10 information used to derive the cost forecast for O&M
11 and capital from those individuals?

12 A. Can I have that question read back,
13 please?

14 EXAMINER PRICE: Please.

15 (Question read.)

16 A. Yes, we work directly with those
17 individuals that I referred to earlier to come up
18 with all those projections I just discussed.

19 Q. Okay. And they would have directly
20 supplied you with the information?

21 A. If you mean directly supplied, they
22 worked directly with me, my team, to come up with
23 those projections.

24 Q. Okay. Thank you. You also testified
25 that FirstEnergy Solutions costs forecasts for O&M

1 and capital are derived in part from forecasts and
2 outage schedules based on assumptions coordinated
3 with fossil and nuclear operations at page 3,
4 line 18; is that correct?

5 A. That's correct.

6 Q. Can you explain what these assumptions
7 are that you referred to?

8 A. Yes, I believe I explained in a little
9 more detail earlier in very high-level terms, we work
10 with people at the plants, a lot of engineers to look
11 at what the typical outages look like and we project
12 those all out individually unit by unit based on
13 historically what is needed during an outage.

14 There's routine outage schedules that go
15 out very, very far. A history shows what that spend
16 would typically look like, so we use that, rely on
17 that, and we know that the plants are going to use
18 outages, and we know that outages are going to
19 require costs. And so all those costs are already in
20 my numbers. That's part of my forecasts, but that
21 covers all of the outage spend, as well as, quite
22 frankly, that the outage duration, when those outages
23 will occur, that's also input into the dispatch model
24 as well. So it's both the costs as well as the
25 operational constraints of those outages.

1 Q. And those are all built into the model?

2 A. The outage frequency duration, those
3 operational constraints that are internal, those are
4 actually input into the model. So if there's an
5 update, we would update that. So it is not something
6 built into the algorithms, if you will, but it is a
7 part they put into the model.

8 Q. And the update you just spoke of, would
9 that occur on an as-needed basis or would there be a
10 number of, say, outages that might occur before an
11 update would occur in the model? How does that work?

12 A. It's been my experience that outage
13 schedules and when outages are required for a long
14 term duration typically do not change very often,
15 very much because of all of that engineering
16 operational, you have to do the same outage every
17 three years, that kind of stuff.

18 So that stuff doesn't typically change.
19 In the event that it was changed, that would have
20 been an update that would have been done at some
21 point in time into the model.

22 Q. How about assumptions for forced outages?

23 A. Forced outages through 2018, we have a
24 very, pretty detailed level of forecasts and
25 assumptions that I've come up with working with the

1 generation leadership teams, the sites, same type of
2 people we talked about before. Beyond 2018, we had
3 to come up with something new -- or I shouldn't say
4 something new, something because it wasn't already
5 available. So we worked with those same folks who
6 come up with what we expect at the EFOR, forced
7 outage rates beyond 2018.

8 Q. Okay. And a year has elapsed since the
9 time that my understanding you were in the model, a
10 gateway to the results that you have included in your
11 testimony. Have any of your assumptions with regard
12 to forced outages changed such that you changed that
13 in the model today if you were to run it again?

14 A. No, I do not recall any significant
15 changes to the assumptions around EFOR for the Sammis
16 units or for Davis-Besse, or OVEC, for that matter.

17 Q. Thank you. And page 3, line 19, you
18 testified that your cost forecasts for O&M and
19 capital reflect the output of the fuel and variable
20 O&M costs associated with the dispatch model. Can you
21 explain that statement?

22 A. Yes. So these items are costs that
23 plants would incur based on their generation. If
24 they generate more, they're going to consume more
25 fuel, either coal, uranium, reagents, things like

1 that.

2 So we have to come up with the costs
3 associated with these type things. We have to rely
4 on our dispatch model. Our dispatch model we talked
5 about earlier has a variable component to it to
6 determine how plants will dispatch.

7 An output of that model then is also what
8 these fuel costs would be. So if the plant -- I take
9 both extremes, if the plants run very, very hard, run
10 a lot of megawatt hours and generate more
11 megawatt-hours, there's going to be more of a fuel
12 and variable O&M costs that the plant would incur.
13 Likewise, if the plant runs less, that cost, the
14 variable O&M cost would be lower.

15 Q. On the following page, page 4, you
16 testify about OVEC costs and revenues were
17 incorporated into your analysis, and that FES has
18 provided for a 20-year forecast included in the cost
19 projections for fuel, O&M and capital from OVEC.

20 To your knowledge -- I realize you
21 answered a few questions about this previously -- but
22 did the forecast break out cost by unit?

23 A. No, it did not.

24 Q. And to your knowledge, did FirstEnergy
25 Solutions ask for that information, that kind of

1 broken-down information?

2 A. I personally have not asked for that. I
3 do not know if anyone at FES has.

4 Q. Did you direct anyone to ask for that
5 information?

6 A. Not that I recall.

7 Q. Okay. Thank you. So it's my
8 understanding that you used OVEC's fuel and O&M and
9 capital cost projections and put those values into
10 FirstEnergy's Solutions dispatch modeling system,
11 correct?

12 A. The O&M and the capital component of the
13 OVEC forecast would not have an impact on the
14 dispatch model; however, the fuel costs would. And
15 later in my testimony there on that same page and
16 several lines below, 6 through 8, we talk about that
17 because OVEC did not include a carbon projection in
18 their forecast, we needed to layer that in using
19 Mr. Rose's assumptions that you provided me.

20 Q. Okay. But you did use OVEC's fuel
21 projections rather than Mr. Rose's in the model?

22 A. That's correct, and the fuel cost was on
23 a variable cost basis, because, again, the fuel cost
24 is dependent on the output of the units. So OVEC may
25 be assuming the units run slightly different than how

1 we project using our dispatch model.

2 Q. Page 5, line 8, you discuss ancillary
3 revenues related to the plants. And you explain they
4 were based on the actual historical revenues for the
5 plants and then they were adjusted for inflation; is
6 that correct?

7 A. Yes.

8 Q. Which year or years of actual historical
9 ancillary services revenues did you use in making
10 this calculation?

11 A. I believe we went back about four years.
12 We did exclude the ancillary revenues these plants
13 earned during the polar vortex because those we felt
14 were high in that year and we didn't want to
15 overstate our ancillary revenue forecast, so we
16 looked at kind of a more call it typical from what we
17 saw over the last several years.

18 I'll direct you, you can see the
19 ancillary revenues are a separate line item in my
20 attachments, that you can see what we projected
21 there.

22 Q. Thank you. You were talking with
23 Mr. Soules earlier about the FES energy price
24 forecast and capacity price forecast. Do you
25 recollect that conversation?

1 A. Yes.

2 Q. Okay. And I believe you testified that
3 you don't know who in FirstEnergy Solutions
4 specifically develops the energy capacity price
5 forecasts, but that the Business Development Group
6 would have been involved somehow; is that correct?

7 A. Not exactly. I believe what I stated
8 earlier was there's a large number of individuals at
9 FES that are involved in that. Additionally,
10 Business Development is involved providing support to
11 ensure what FES is assuming seems to be reasonable,
12 if you will, to them, as well as their chief risk
13 officer who also gets involved with that as well.

14 Q. Okay. So Business Development provides
15 support, I believe you just said, to kind of review
16 and see if what the results were seemed reasonable to
17 them? Could you just confirm that for me or correct
18 me if I misstated what you said?

19 A. Yes, the Business Development will get
20 involved to assist FES in the creation of its
21 long-term energy and capacity forecast, as well as
22 their chief risk officer for FirstEnergy.

23 Q. Okay. Do members of the Business
24 Development Team have some special expertise in
25 developing energy or capacity price forecasting?

1 A. I've never completed an assessment of
2 those individuals and looked at their backgrounds
3 individually to opine on that.

4 MS. HUSSEY: Okay. Thank you. I have no
5 further questions in the public record.

6 EXAMINER PRICE: Thank you.

7 MR. MICHAEL: OCC will go, your Honor.

8 EXAMINER PRICE: A volunteer, all right.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Michael:

12 Q. How are you, Mr. Lisowski?

13 A. Very well. Thank you.

14 Q. Good. Is the 2006 deferred prosecution
15 agreement between FENOC and United States one of the
16 contracts included in the legacy costs?

17 A. I don't recall.

18 Q. So it may be one of the contracts
19 included in the legacy costs?

20 A. If you have that contract on hand, I'd be
21 more than happy to take a look at it and see if I am
22 able to answer your question.

23 Q. But you were responsible, you testified
24 earlier, for identifying contracts that would be
25 included in the legacy costs, right?

1 A. That's correct.

2 Q. If you saw the contract, that would
3 refresh your recollection as to whether or not that
4 is one of the contracts included in the legacy costs,
5 right?

6 A. I would need to see the contracts to make
7 that determination.

8 MR. MICHAEL: May we approach, your
9 Honor?

10 EXAMINER PRICE: You may.

11 MR. MICHAEL: I'd ask to have it marked,
12 your Honor, as OCC Exhibit 6.

13 EXAMINER PRICE: It will be so marked.

14 (OCC EXHIBIT 6 MARKED FOR
15 IDENTIFICATION.)

16 MR. ALEXANDER: Your Honor, to clarify
17 the record, are we marking or refreshing
18 recollection?

19 MR. MICHAEL: We're going to mark it.

20 THE WITNESS: May I have a minute to read
21 this document?

22 MR. MICHAEL: Of course. Take your time.

23 MR. ALEXANDER: Your Honor, is there a
24 question pending?

25 EXAMINER PRICE: He gave him time to

1 familiarize himself with the document.

2 MR. MICHAEL: I'm sorry, your Honor?

3 EXAMINER PRICE: You were giving him time
4 to look at the document.

5 MR. MICHAEL: That's correct, your Honor,
6 which he asked for.

7 MR. ALEXANDER: Your Honor, for purposes
8 of the record, I'm going to object. There is a
9 discovery response from Mr. Lisowski that has a
10 comprehensive list of all such contracts. I think
11 that would be a much fairer way of allowing
12 Mr. Lisowski to determine if any specific contract is
13 included in the legacy costs components, if you would
14 allow him to see that response.

15 MR. MICHAEL: If he would like to access,
16 he can, your Honor. I have no problem with that.

17 MR. ALEXANDER: The only issue with that
18 is that list is confidential. That would have to
19 wait until the confidential session.

20 MR. MICHAEL: Could I reask my initial
21 question before he looks at the document? Perhaps he
22 recalls that that is one of the contracts included in
23 the legacy costs.

24 EXAMINER PRICE: Yes.

25 MR. MICHAEL: Thank you your Honor.

1 A. I would prefer to compare it to that list
2 to ensure whether it is or is not the case.

3 Q. As you sit here now, do recall whether or
4 not the preferred prosecution agreement is one of the
5 costs included in the legacy costs?

6 A. I prefer not to speculate. I'd prefer to
7 check since we do have the document here.

8 MR. MICHAEL: We will save that, I guess,
9 your Honor, for the confidential portion.

10 Thank you, Mr. Lisowski.

11 Q. Are the subcontracts associated with the
12 \$426 Sammis retrofit included in the legacy cost?

13 A. When you are referring to the
14 \$426 million retrofit, are you referring to a
15 specific document?

16 Q. I am not.

17 A. The capital costs that Sammis incurred
18 associated with the air quality control system is
19 part of the capital cost reflected in my workpapers,
20 which rolls into my forecast, so all of the capital
21 costs associated with air quality control systems and
22 everything else related to the Sammis plant is
23 already included in my forecast, as well as projected
24 future spend associated with those units.

25 Q. Okay. The full value of those retrofits

1 or the depreciated value?

2 A. It would be the depreciated value.

3 Q. Mr. Lisowski, there were no customers of
4 the companies on the EDU team, correct?

5 A. I do not know the employer of each and
6 every individual that was on the EDU team.

7 Q. Okay. My question was, were there any
8 customers of the companies that were a member of the
9 EDU team?

10 A. I do not know who the electric utility is
11 of each of those individuals on the EDU team. There
12 very well may have been.

13 Q. Okay. You testified earlier as you went
14 back and considered your involvement with the EDU
15 team that one of the reasons for the EDU team was to
16 negotiate contracts to make them advantageous to
17 customers, correct?

18 A. That's correct.

19 Q. Okay. And my question were there
20 actually any customers on the EDU team that could
21 represent what they felt was advantageous to them?

22 MR. ALEXANDER: Objection, asked and
23 answered.

24 EXAMINER PRICE: Overruled.

25 A. The members of the EDU team, they may

1 have been a customer of the utilities. I don't know
2 that for a fact. I don't know where they each lived
3 and who their electric utility service providers
4 were.

5 Q. Okay. So the companies didn't ask Ohio
6 Consumers' Counsel to participate in any way, shape,
7 or form in negotiating that transaction, correct?

8 A. I don't know if they did or did not.

9 Q. To your knowledge, they didn't, though,
10 correct?

11 A. To my knowledge I do not know if they did
12 ask Ohio Consumers' Counsel to be involved or did
13 not. I don't know either way.

14 Q. So to your knowledge, they did not form
15 any sort of collaborative to get input on the degree
16 to which the proposed contract was advantageous to
17 customers, correct?

18 A. I was involved on the FES team, not the
19 EDU team, so I do not know what discussions the EDU
20 team had as they were preparing for those meetings or
21 having outside of those meetings.

22 Q. Okay. So to your knowledge they didn't
23 form any sort of collaborative to see whether or not
24 the proposed transaction was advantageous to
25 customers, correct?

1 MR. ALEXANDER: Objection, asked and
2 answered.

3 EXAMINER PRICE: Sustained.

4 Q. You asserted earlier, Mr. Lisowski, that
5 Mr. Rose was an expert, and you made that assertion
6 because you were told he was an expert, correct?

7 A. No, that's not correct.

8 Q. What did you do to evaluate whether he
9 was an expert?

10 A. I did a couple things. One is I looked
11 at his background. I reviewed his resume. I
12 reviewed all of the data that he provided in his
13 testimony, his attachments and his workpapers.
14 Looking at all of those, it was my opinion that he
15 was an expert in his field.

16 Q. You're not an expert on determining who
17 is an expert in his field, right?

18 MR. ALEXANDER: Objection, argumentative.

19 EXAMINER PRICE: Sustained.

20 Q. You said one of the things you looked at
21 to determine if he was an expert was his inputs that
22 he provided for purposes of the dispatch model,
23 correct?

24 A. That was one item that I looked at in
25 addition to many, many other things that I looked at.

1 Q. Okay. But you testified earlier you
2 can't say whether those inputs were reasonable,
3 right?

4 A. I had no reason to believe that they were
5 not reasonable based on his background and based on
6 my opinion that he's an expert.

7 Q. Okay. But you, yourself could not
8 conclude that those inputs were reasonable, correct?

9 A. I, myself, have never run a model to
10 project what energy and capacity prices would be, so
11 I did not do something like that to review his work.
12 I had no reason to do that. I accepted what he
13 provided me based on his background and based on his
14 testimony, on is attachments and his workpapers.

15 Q. Okay. What in his background leads you
16 to believe that he's an expert on projecting energy
17 prices?

18 A. I looked at his resume. I looked at his
19 background, and I looked at all of the various
20 aspects that he considered and looked at his inputs,
21 if you will, into him coming up with his energy and
22 capacity forecasts.

23 Q. Okay. What in his background did you
24 look at to conclude that he was an expert on capacity
25 prices?

1 A. I looked at the varying educational
2 background that he had. I looked at the
3 responsibilities that he has had over his career. I
4 looked at the various positions that he has held, as
5 well as looking at the companies that he has also
6 been involved with.

7 Q. As an expert witness?

8 A. I did not focus when I was looking at his
9 background on which companies he was an expert
10 witness for. I look at it in total, and I looked at
11 all the different things that he has been involved
12 with in his career.

13 Q. Okay. What's his educational background?

14 A. I would prefer to have his testimony in
15 front of me. I don't recall specifically where he
16 went to college and the specific names of things like
17 that.

18 Q. Okay. What companies did he work for?

19 A. ICF is one of them.

20 Q. His current employer?

21 A. I believe that's correct.

22 Q. Okay. So you're asserting that Judah
23 Rose is an expert because, in part, he's employed by
24 ICF; is that correct?

25 A. My personal opinion is that ICF is a

1 credible organization that is out there that can be
2 relied on for its energy and capacity forecasts.
3 With him being involved with that company, I have no
4 reason to doubt that he is not credible or an expert.

5 Q. Even if he is an expert, Mr. Lisowski, he
6 can still be wrong, right?

7 A. Yes. And I see no reason for me to
8 believe that he would be wrong as I sit here today.

9 Q. Okay. You're aware he was wrong when he
10 projected the (redacted) energy and capacity,
11 correct?

12 MR. ALEXANDER: Objection. Objection.

13 EXAMINER PRICE: Don't answer that.

14 MR. ALEXANDER: Your Honor, I move to
15 strike that question from the record.

16 EXAMINER PRICE: Grounds?

17 MR. ALEXANDER: It's confidential.

18 EXAMINER PRICE: I agree with that.
19 Don't answer that.

20 MR. MICHAEL: Your Honor, I apologize.

21 EXAMINER PRICE: Off the record.

22 (Discussion off record.)

23 EXAMINER PRICE: Let's go back on.

24 Q. (By Mr. Michael) On your dispatch model,
25 Mr. Lisowski, did you run any sort of sensitivity

1 analysis on it?

2 A. No. I did not need to because of the
3 reasons Mr. Rose discussed over the last two days,
4 that his model is developed on a probability basis,
5 so there was no reason to run it on a sensitivity.
6 Additionally, he provided me one set of inputs that I
7 used for the dispatch run.

8 Q. Okay. But I'm asking about your dispatch
9 model, not Mr. Rose's model. Okay? Did you perform
10 a sensitivity analysis on your dispatch model?

11 MR. ALEXANDER: Objection, asked and
12 answered.

13 EXAMINER PRICE: Overruled.

14 A. No. I did not need to run a sensitivity
15 analysis for two reasons. One, I was only provided
16 one set of inputs to be used in the dispatch, so
17 there's no way to even run another scenario,
18 sensitivity, to your point.

19 Third, I didn't believe it was necessary
20 to run a sensitivity analysis additionally because of
21 the reason that there was a sensitivity analysis
22 through using probability basis of the inputs which
23 are directly input into this dispatch model.

24 Q. But there are inputs into the dispatch
25 model in addition to what Judah Rose provided to you,

1 correct?

2 A. Yes, there are additional inputs beyond
3 what Mr. Rose provided me for dispatch model, that's
4 correct.

5 Q. Just to be clear, Mr. Lisowski, you did
6 not run a sensitivity analysis as it relates to those
7 inputs?

8 EXAMINER PRICE: Don't answer that.

9 MR. ALEXANDER: Objection.

10 EXAMINER PRICE: One at a time. I
11 understand you have an objection.

12 MR. FISK: Your Honor, I wasn't able to
13 cut in, but I wanted to go back to the question about
14 whether he did a sensitivity and strike everything
15 beyond "no" as unresponsive.

16 EXAMINER PRICE: Overruled.

17 What are your grounds for your objection?

18 MR. ALEXANDER: Asked and answered. For
19 second, he started his answer "no" and then explained
20 why the question didn't make sense.

21 EXAMINER PRICE: Let's have the question
22 back.

23 (Record read.)

24 MR. ALEXANDER: Object.

25 EXAMINER PRICE: Sustained.

1 Q. (By Mr. Michael) Mr. Lisowski, you
2 understand the dispatch model well enough to know
3 whether it is producing accurate results, right?

4 A. Yes.

5 Q. And in order to do that, you need to
6 understand the inputs, correct?

7 A. I would need to have a general
8 understanding of those inputs, and I can rely on the
9 person providing me these inputs when I run the
10 dispatch model.

11 Q. Okay. And you need to understand the
12 assumptions, correct?

13 A. Not in great detail would I need to
14 understand all of the detailed assumptions behind
15 coming up with the energy/capacity forecasts.

16 Q. And you need to understand whether or not
17 the outputs fit with the inputs, correct?

18 A. Could you clarify for me what you mean by
19 the "inputs fit with outputs"?

20 Q. Let's use your words during your recent
21 deposition, if we can, Mr. Lisowski.

22 MR. MICHAEL: May we approach, your
23 Honor?

24 EXAMINER PRICE: You may.

25 MR. ALEXANDER: Your Honor, I don't

1 believe this is proper impeachment. If counsel wants
2 to provide a definition, he's certainly able to do
3 that. It is not proper to impeach when there's been
4 no response to impeach.

5 MR. MICHAEL: Your Honor, I think once we
6 put the testimony in front of him and the Q and A
7 that I just went through, I think your Honor will see
8 that his answer during the deposition is very
9 different than the one he just gave.

10 EXAMINER PRICE: Go ahead.

11 Q. (By Mr. Michael) You recall having your
12 deposition taken in this matter, right, Mr. Lisowski?

13 A. Yes.

14 Q. And you have a copy of the transcript of
15 that deposition, correct?

16 A. Yes.

17 Q. If I could draw your attention to
18 page 22, please, line 21.

19 A. Okay. I'm there.

20 Q. Okay. I'm going to start at line 21.

21 "Okay. And would you -- would you
22 understand how to evaluate the model itself in terms
23 of whether it's producing good results?

24 "What do you mean by good results?

25 "Well, accurate results."

1 Answer: "Accurate, yes."

2 Question: "Okay. What would you do to
3 verify?"

4 Answer: "There's a number of steps that
5 would be involved, understanding the inputs that are
6 being included in there, understanding assumptions
7 that are being included in there, and then
8 understanding the outputs as they appear to fit with
9 those inputs."

10 Did I read that correctly?

11 A. Yes, you read that correctly, and that's
12 not inconsistent with the answer I just provided you.

13 EXAMINER PRICE: You should let your
14 counsel argue the merits on the impeachment.

15 THE WITNESS: Yes, sir.

16 MR. ALEXANDER: Your Honor, I'd like to
17 take that opportunity. The question which impeaches
18 was, Can you provide what you mean by "fit with"? So
19 there's no inconsistency between asking for a
20 definition and what was provided in that response.

21 MR. MICHAEL: Your Honor, I was
22 impeaching him on the three questions I asked him
23 about understanding the inputs, understanding the
24 assumptions, and then understanding the fit. And
25 Mr. Lisowski hedged, to use a charitable word, on

1 whether he needed to understand the inputs, whether
2 he needed to understand the assumptions. There's no
3 hedging in his deposition testimony.

4 EXAMINER PRICE: I think you made your
5 point. Move on.

6 MR. MICHAEL: Thank you, your Honor.

7 Q. (By Mr. Michael) Now, Mr. Lisowski, in
8 order to understand the inputs to be able to come to
9 some conclusion about their reasonableness, correct?

10 A. There are a couple of things you would
11 need to understand the inputs. One, you need to
12 understand are the inputs energy prices for this
13 plant at this node, or is it an energy price forecast
14 for something on a completely different area of the
15 country. That would be one way you need to
16 understand the inputs.

17 You would need to understand there are
18 the inputs being provided in a format that I can use
19 for my dispatch model. That would be another way I
20 would need to understand those inputs.

21 MR. MICHAEL: I move to strike that
22 response. My question was, in order to understand
23 the inputs is to be able to come to a conclusion
24 about the reasonableness of the inputs.

25 MR. ALEXANDER: Can I have the question

1 and answer back again.

2 (Record read.)

3 EXAMINER PRICE: Overruled.

4 Q. (By Mr. Michael) So I can understand your
5 answer, was that a long way of saying yes, to
6 understand the inputs is to come to a conclusion
7 about their reasonableness?

8 MR. ALEXANDER: Objection, asked and
9 answered.

10 EXAMINER PRICE: Overruled.

11 THE WITNESS: May I have the question
12 read back, please.

13 (Question read.)

14 A. My point is merely there's varying
15 degrees of how you need to understand these inputs.
16 Do I need to understand every step of the process
17 that Mr. Rose went through to come up with his energy
18 and capacity forecasts, and the answer to that would
19 be no. But there are other aspects that I would need
20 to have an understanding of before I ran the dispatch
21 model.

22 Q. Okay. To follow up on that, my question
23 is, given input, for example, energy prices, okay, do
24 you need to understand -- in order to understand that
25 given input is to come to some conclusion about the

1 reasonableness of that input, in this example, the
2 energy price itself?

3 MR. ALEXANDER: Objection as to form, and
4 asked and answered.

5 EXAMINER PRICE: Go ahead and rephrase
6 the question.

7 MR. MICHAEL: Certainly, your Honor.

8 Q. If I heard you correctly in your previous
9 answer, you said you didn't need to understand the
10 process that Judah Rose employed in order to get to a
11 given input, correct?

12 A. That's correct.

13 Q. But you need to understand the output of
14 his process, correct?

15 A. No, not necessarily.

16 Q. Okay. So you don't have to -- so contrary
17 to what you said in your deposition, you don't need
18 to understand the inputs; is that correct?

19 MR. ALEXANDER: Objection, improper
20 impeachment.

21 EXAMINER PRICE: Rephrase your question.

22 Q. Let me ask it this way, Mr. Lisowski.
23 The dispatch model is only as good and produces only
24 accurate results to the extent the inputs are
25 accurate, correct?

1 A. Yes.

2 Q. Okay. And Judah Rose didn't run your
3 dispatch model, did he?

4 A. Not that I'm aware of.

5 Q. So he can't testify that the output from
6 your run of the dispatch model for this case is
7 reasonable, correct?

8 A. No, I believe his testimony is around
9 providing the inputs that were used in my dispatch.
10 My testimony is on the results of the dispatch model.

11 Q. But you can't testify to the
12 reasonableness of the inputs that Judah Rose gave
13 you, right?

14 A. I have no reason to believe that his
15 inputs that he provided to me are unreasonable.

16 Q. So the Commission has before it no
17 testimony that the outputs of your dispatch model are
18 reasonable, does it?

19 MR. ALEXANDER: Objection.

20 EXAMINER PRICE: Grounds?

21 MR. ALEXANDER: I'm going to withdraw the
22 objection.

23 EXAMINER PRICE: Okay.

24 THE WITNESS: May I have the question
25 read back, please?

1 (Question read.)

2 A. I disagree with that statement
3 completely.

4 Q. Okay. Whether you disagree with it or
5 not, Judah Rose didn't run your model, right?

6 MR. ALEXANDER: Objection, asked and
7 answered and argumentative.

8 EXAMINER PRICE: Sustained on both
9 grounds.

10 Q. Tell me why you disagree with that
11 statement.

12 A. I disagree with that statement for a
13 couple reasons. One, Mr. Rose's testimony is on the
14 energy/capacity and fuel forecasts as he laid out in
15 his testimony in the last two days. His testimony is
16 on why that is an appropriate forecast for me to use
17 in this proceeding. That's his testimony.

18 My testimony is on what I did with the
19 results of his testimony. So by using those inputs I
20 can discuss and talk about why my dispatch model is
21 accurate because I relied on him and his inputs that
22 he provided me and he discussed why his inputs are
23 appropriate or accurate.

24 So I disagree with that statement on the
25 grounds that Mr. Rose talked about why his forecast

1 is accurate, and I'm here to talk about -- and my
2 testimony talks about why my modeling is accurate.

3 Q. You say in your direct testimony,
4 Mr. Lisowski, that the starting point for your cost
5 estimates is the categories of costs to be included
6 in the proposed transaction, right?

7 A. I'm sorry, sir, are you referring to a
8 specific area?

9 Q. Sure.

10 A. I want to make sure we're looking at the
11 same.

12 Q. Look at your direct testimony, page 2,
13 lines 8 and 9.

14 A. Yes, I'm there.

15 Q. So are there any categories of costs that
16 are going to be included in the proposed transaction
17 that you did not consider in writing your cost
18 estimates?

19 A. Not that I'm aware of.

20 Q. So to the degree there's costs that are
21 going to be included in the proposed transaction, you
22 considered them and run in your dispatch model,
23 correct?

24 MR. ALEXANDER: Objection, misstates
25 prior testimony.

1 EXAMINER PRICE: Read the question back.

2 (Question read.)

3 MR. ALEXANDER: Your Honor, I can provide
4 more clarity if you want.

5 EXAMINER PRICE: State the grounds.

6 MR. ALEXANDER: The witness testified
7 that not all categories of costs were included in the
8 dispatch model.

9 MR. MICHAEL: I thought he said exactly
10 the opposite, your Honor.

11 MR. ALEXANDER: There are fixed costs
12 that are not relevant -- sorry, your Honor.

13 EXAMINER PRICE: Why don't you go ahead
14 and answer the question to the best of your ability
15 to provide some clarity on the situation.

16 MR. MICHAEL: Thank you, your Honor.

17 A. Sure, I'd be happy to. Not all cost
18 components are costs that are part of the dispatch
19 model. As I talked about earlier with Mr. Soules,
20 for example, the dispatch model looks at specifically
21 variable costs, fuel and other variable O&M. Those
22 are costs that have an impact on the dispatch model.
23 Other fixed operating costs, those are not costs that
24 are part of the dispatch model.

25 Q. So all variable costs are included in the

1 dispatch model, correct?

2 A. That's correct.

3 Q. Now, you believe -- let me say it this
4 way. FES routinely uses the dispatch model, correct?

5 A. Yes, they use it whenever they have a
6 need for a long-term dispatch forecast.

7 Q. Okay. And they're constantly updating
8 the dispatch model, correct?

9 A. They're updating it whenever there's a
10 need to update it.

11 Q. And FES makes business decisions based on
12 the dispatch model, correct?

13 A. They will use it as one item of many
14 factors when making business decisions.

15 Q. Okay. And you believe that the dispatch
16 model is reliable for the very reason that it's
17 constantly used, it's constantly updated, FES is
18 basing business decisions on it, right?

19 A. Yes.

20 Q. Okay. But you ran the dispatch model one
21 time with a third party's numbers, correct?

22 A. Yes.

23 Q. So the basis for your belief that the
24 dispatch model is accurate don't apply to using Judah
25 Rose's numbers in it, does it?

1 MR. ALEXANDER: Objection, argumentative.

2 EXAMINER PRICE: He can answer.

3 THE WITNESS: Can I have the question
4 read back, please.

5 (Question read.)

6 A. I don't know if I understand your
7 question. Are you asking me am I saying the dispatch
8 model is accurate because of the results or are you
9 asking questions around the accuracy of just the
10 dispatch model in general?

11 Q. Your asserted reasons for believing the
12 dispatch model is reliable is that FES routinely uses
13 it, right?

14 A. That's a correct statement.

15 Q. It's constantly updating it, right?

16 A. That's correct.

17 Q. It bases business decisions on it, right?

18 A. That's correct.

19 Q. But you ran it with Judah Rose's inputs
20 for purpose of this case one and only one time,
21 correct?

22 A. I only had a reason to run it one time.

23 MR. MICHAEL: I don't have any further
24 questions, your Honor, for the public section.

25 EXAMINER PRICE: Thank you.

1 Mr. Stinson?

2 MR. STINSON: No questions, your Honor.

3 EXAMINER PRICE: Mr. Olikar, you look
4 ready to go.

5 MR. OLIKER: Sure thing, your Honor.

6 - - -

7 CROSS-EXAMINATION

8 By Mr. Olikar:

9 Q. Good morning, Mr. Lisowski.

10 A. Good morning.

11 Q. I want to talk about a few items we
12 touched on earlier about capacity first in the public
13 portion. For purposes of your projections, you have
14 some assumptions regarding different quantities of
15 capacity, correct?

16 A. Are you referring to the, like, for
17 example, the UCAP levels of these plants?

18 Q. We'll get there, but that's one of the
19 assumptions, correct?

20 A. That's correct.

21 Q. So when we're talking about capacity
22 first, could you give me your definition of nominal
23 capacity?

24 A. I don't know what the definition of
25 nominal capacity is, so I'm not sure I understand

1 your question.

2 Q. Do you have a definition for installed
3 capacity?

4 A. I'm aware that PJM has a very specific
5 definition on what they define as installed capacity
6 or ICAP values.

7 Q. So would you agree that the ICAP'd value
8 of a generating unit is typically smaller than the
9 nominal capacity of a generating unit?

10 A. If you are defining nominal capacity as,
11 for example, the net demonstrated capacity of a unit,
12 I would agree with that.

13 Q. Okay. And the unforced capacity level is
14 an even smaller level than an installed capacity,
15 correct?

16 A. Generally speaking, I believe that's
17 correct.

18 Q. And the unforced capacity level I think
19 we established earlier is the installed capacity
20 reduced for equivalent forced out rate, correct?

21 A. Generally speaking, PJM may have other
22 adjustments perhaps as part of that, but generally
23 speaking, I would agree with that.

24 Q. Would you agree pretty much the formula
25 for establishing the unforced capacity level is one

1 minus the forced outage rate multiplied by the
2 installed capacity?

3 A. That's correct. I would add that the
4 equivalent forced outage rate, the EFOR is an Efor'D.
5 That's a definition that PJM comes up with which may
6 be different than what a plant considered to be an
7 EFOR, so it's an Efor'D type of value as part of
8 that, but I would agree with your formula in that
9 regard.

10 Q. To follow up on that, I think you just
11 mentioned this, the unforced outage rate or --
12 scratch that.

13 The unforced capacity level is a number
14 that is determined by PJM interconnection, correct?

15 A. My understanding is that the plant
16 operator works with PJM, there's data that's provided
17 in coming up with what that UCAP level would be.

18 Q. Okay. And for purposes of bidding into
19 the PJM capacity market, the unforced capacity level
20 is the amount you can bid, correct?

21 A. I believe the correct term is offering
22 and that would be correct.

23 Q. You can't clear a level that's higher
24 than the unforced capacity rate, correct?

25 A. I believe that's correct.

1 Q. For purposes of your projections, I just
2 want to be clear, you're not the individual within
3 FirstEnergy or FirstEnergy Service Company that
4 calculated the unforced capacity rate for Davis-Besse
5 and Sammis, correct?

6 A. Are we talking about for the forecast
7 period? Are you talking about the current period,
8 recent auctions? If you can help me understand what
9 context you're talking about.

10 Q. Let's start with your last question. For
11 purpose of bidding into PJM's auctions, you don't
12 make that calculation, correct?

13 A. No, as we just discussed, the plant
14 operator, in this case FES, would work with PJM to
15 determine that number.

16 Q. And likewise for purposes of the unforced
17 capacity ratings that were used in your exhibits,
18 JJL-1 and 2, those calculations were performed by
19 other people?

20 A. I got those forecasts for beyond the
21 year -- for the year '18-19 and beyond, I received
22 all that information from FES who provided it to me.
23 For all the other capacity forecast years, they were
24 dependent on the auction results that had occurred at
25 the time of filing my testimony.

1 Q. Could you please identify the individual
2 at FES that provided those calculations to you?

3 A. There's a number of individuals that get
4 involved with that. Mr. Moul would be someone that
5 would have been involved with it.

6 Q. To the extent that I had questions about
7 the unforced capacity rate assumed in your
8 projections, would those be better directed to you or
9 Mr. Moul?

10 A. Again, we're talking about the planning
11 years '18-19 and beyond or are we talking about the
12 planning years '15-16, '16-17 and '17-18?

13 EXAMINER PRICE: Let's do them one at a
14 time.

15 MR. OLIKER: Thank you.

16 Q. (By Mr. Oliker) Can you start with
17 '18-19, please, and beyond?

18 A. '18-19, I'm familiar with how we came up
19 with the forecast for the UCAP levels.

20 Q. So those questions could be directed to
21 you in the confidential portion?

22 A. I believe so, yes.

23 Q. And for beyond that, would they be
24 directed to you or Mr. Moul?

25 MR. ALEXANDER: Objection. Counsel, did

1 you mean prior to that?

2 MR. OLIKER: No, I said beyond.

3 EXAMINER PRICE: He said '18-19 and
4 beyond in his first question, didn't you?

5 MR. OLIKER: Yes.

6 MR. ALEXANDER: Okay, I didn't hear the
7 beyond. Thank you, your Honor.

8 Q. For the calculations before that, they
9 were based upon actual auctions, did you participate
10 in the offering of the capacity in those auctions?

11 A. No, I was not involved with the actual
12 offer strategy that FES implemented, but I am aware
13 of the results of those auctions as well as the
14 results of the most recent transition in '18-19 BRA
15 results.

16 Q. Okay. Thank you. Just to do as much of
17 this as possible in the public record, if we wanted
18 to -- Let's turn to your workpaper attached to your
19 testimony, JJL-1, understanding that it is all
20 blacked out. We can't use real numbers, but for
21 purposes of quantifying capacity revenue, you agree
22 that the calculation is to take the level of unforced
23 capacity, multiply it by the capacity revenue rate,
24 then times that number by 365?

25 A. In a nonleap-year year, that would be

1 correct.

2 Q. Thank you for that clarification. And
3 all else being equal, if we reduced the unforced
4 capacity rates based upon what's in your projection,
5 then we also reduce the revenue?

6 THE WITNESS: Could I have that question
7 read back, please?

8 (Question read.)

9 A. That's a -- that's a pretty stretched
10 hypothetical to keep everything else equal. I think
11 if the capacity rate was lower, you would need to
12 take a look at a lot of other factors, what is the
13 effect on the energy rate forecast? What's the
14 impact, if any, on the UCAP? Is there any impact on
15 the costs and what the plant is going to spend on the
16 plant side. I think you need to look at the overall
17 picture here in making that type of hypothetical.

18 Q. I'm not sure you answered my question.
19 Maybe I poorly articulated it. My question is, if
20 you reduce the unforced capacity level for a unit,
21 and if you keep all other variables constant, such as
22 the capacity megawatt-day compensation level, then
23 would you agree that the total revenue on your
24 projection would decrease?

25 A. Again, from a forecast perspective, you

1 would need to take a look at what -- if a capacity
2 rate was lower, it could potentially end clearing
3 more megawatts of volume. I guess without looking --
4 I will agree, however that the calculation when
5 you're multiplying one number times another, if you
6 reduce either of those numbers you're going to end up
7 with a result that's less.

8 MR. OLIKER: Can I have the question read
9 back, please?

10 EXAMINER PRICE: You may.

11 (Question read.)

12 MR. OLIKER: Your Honor, I would move to
13 strike his answer which is completely unresponsive to
14 my question which is about the impact of changing the
15 unforced capacity level.

16 MR. ALEXANDER: Your Honor, I would
17 disagree. The answer was clearly responsive. The
18 clear part of his answer, as he said, if you just
19 reduce one number in the series of multiplication,
20 yes, the result is going to be lower. I believe the
21 witness' first part of his answer, he never confused,
22 he was addressing capacity rate rather than UCAP
23 level. I think he may have misheard the question,
24 but the second part of his answer was directly
25 responsive.

1 EXAMINER PRICE: We will just strike the
2 first sentence, and with that we will break for
3 lunch.

4 (At 12:03 a lunch recess was taken until
5 1:15.)

6 EXAMINER CHILES: Mr. Oliker.

7 MR. OLKER: Thank you, your Honor.
8 Could I have his last answer read back so I can know
9 where I am?

10 EXAMINER CHILES: Yes, you may.

11 (Question read.)

12 MR. OLKER: Thank you.

13 Q. (By Mr. Oliker) To follow up on your
14 last answer with a hypothetical example, if the
15 capacity rate for a given delivery year is \$150 a
16 megawatt-day and you've assumed these aren't real
17 numbers -- 900 megawatts of unforced capacity, you
18 agree if you reduce the 900 down to 800 and leave all
19 the other variables the same, the total revenue will
20 decrease?

21 MR. ALEXANDER: Objection.

22 EXAMINER CHILES: Grounds?

23 MR. ALEXANDER: There's nothing to gain
24 by asking the witness to do arithmetic live on the
25 stand when the witness already testified this is the

1 formula by which this calculation would take place.

2 EXAMINER CHILES: Mr. Oliker.

3 MR. OLIKER: Your Honor, I'm just trying
4 to use an example so I can understand. The last
5 answer was a little unclear, and we're just talking
6 about directional movements.

7 EXAMINER CHILES: I'm going to overrule
8 the objection at this point. The witness needs
9 additional time to answer the question. He can ask
10 for it if he needs more time to verify.

11 THE WITNESS: Could I have that question
12 read back, please?

13 EXAMINER CHILES: You may.

14 (Question read.)

15 A. It depends. It depends on why is it that
16 less megawatts cleared. Generally speaking, when
17 less megawatts clear, you would actually see an
18 increase in the rate. So while doing that math, the
19 multiplication would produce a lower number, you
20 really need to look at what's the impact of lower,
21 fewer megawatts clearing in the capacity auction,
22 what impact that has on the overall rate that the
23 capacity market sets out.

24 Q. Mr. Lisowski, did you understand that my
25 hypothetical left all other variables the same,

1 including the capacity rate?

2 MR. ALEXANDER: Objection.

3 EXAMINER CHILES: Grounds?

4 MR. ALEXANDER: The witness identified
5 why that was not a reasonable assumption and then
6 answered that the multiplication, yes, if you reduced
7 one number would lead to a decreased lower number, so
8 he did answer the question. He just identified why
9 the hypothetical didn't make sense.

10 MR. OLIKER: Your Honor, I would just ask
11 that he uses my hypothetical, not the one he wants to
12 answer.

13 EXAMINER CHILES: Could I have the
14 question read back, please.

15 (Question read.)

16 EXAMINER CHILES: Sustained.

17 MR. OLIKER: Thank you, your Honor.

18 Q. (By Mr. Oliker) Maybe I can come at this
19 from a much more simple way. Assuming the
20 megawatt-day rate is exactly the same, \$150 a
21 megawatt-day, if the generation resource has
22 800 megawatts of unforced capacity, it will earn less
23 revenue than a generation resource that has
24 900 megawatts of unforced capacity?

25 A. I would agree with that.

1 Q. Thank you. Could you please turn to your
2 workpaper, which is JJL-1 for the Sammis revenues?
3 Actually, let me make sure this is correct. I
4 believe it is JJL-1. And without getting into any of
5 the numbers that are blacked out, would you agree
6 that the debt rate that's listed on this page is
7 public? That's on the top left-hand corner at
8 4.54 percent.

9 A. For clarification, I believe you said
10 workpapers. Are you referring to workpapers or my
11 exhibits?

12 Q. Your exhibits.

13 THE WITNESS: May I have the question
14 read back, please?

15 EXAMINER CHILES: You may.

16 (Question read.)

17 A. The debt rate that's listed on JJL-1,
18 while it is public, that is not the actual debt rate
19 of FES. In actuality, FES's debt rate is much lower
20 than that which would actually provide -- this
21 provides additional value to customers through a
22 lower cost than if we use the actual true debt rate
23 of FES.

24 Q. Is that rate contained in anyone else's
25 testimony?

1 A. You're asking me -- I'm not aware of
2 FES's actual debt rate being listed in anyone's
3 testimony, but I believe you can get that from
4 publicly available financial information from FES.

5 Q. Okay. Now, you would agree that the debt
6 rate that is on JJL-1 impacts the total amount of
7 interest expense that is part of your exhibit?
8 That's line 23 I'm referring to.

9 A. I may not understand your question fully,
10 but if you look at your bottom under the footnotes,
11 you'll see specifically how line 23 is being
12 calculated.

13 Q. Okay. And we'll get to that in a second,
14 but you would agree that the interest expense line on
15 23, that's related to the long-term debt that FES
16 Solutions holds?

17 A. I wouldn't agree with that. As I
18 mentioned earlier, the 50/50 cap structure that's on
19 JJL-1, lines C and D, is using a 50/50 capital
20 structure. In reality, the FES's capital structure
21 is more along the lines of 35 to 40 percent debt,
22 60 percent or so equity, and so that -- this is what
23 was determined to be used as part of the cost
24 components under the calculation.

25 Q. Maybe there's another way to come at

1 this. If you look at the note that describes
2 line 23, and would you agree that footnote -- line 23
3 describes how the interest expense calculation is
4 performed?

5 A. Yes.

6 Q. And it says line C -- actually, it says
7 first line 37, which is total seller's invested
8 capital. Can you explain what that is?

9 A. Yes. I would refer you to the term sheet
10 associated with this proposed PPA. The seller's
11 invested capital is a defined term in that agreement,
12 and so I would refer you to the definition that's
13 laid out in that document.

14 Q. Would you agree it's similar to a rate
15 base calculation? Let me rephrase it. Would you
16 agree it's similar to things like includes all these
17 other items, it's lines 31 through 36? Isn't that
18 what line 37 says in the footnotes?

19 A. Yes, and that's laid out in the footnote
20 calculation definition at the bottom as well.

21 Q. So going back to line 23, if we wanted to
22 determine an interest expense, we would take line 37,
23 which is the total sellers' invested capital, and we
24 multiply by it line C, which is the assumed debt
25 percent, correct, here we have a 50/50 capital

1 structure, right, that's been assumed?

2 A. That's correct.

3 Q. Okay. So to follow that up, you take the
4 invested capital and then you multiply it by .5 which
5 is our ratio, and then we multiply that number by the
6 debt rate, right?

7 A. That's correct.

8 Q. So am I correct that if the interest
9 expense includes a 4.54 percent debt rate, if that
10 number goes up over the long term, then the interest
11 expense will also go up, all else being equal?

12 A. That's correct, and likewise, if that row
13 E, the cost of long term debt, increased, that would
14 decrease the interest cost of that line.

15 Q. And the reason for that is because I
16 think we established this earlier, there is only a
17 projection of the long-term debt of FirstEnergy
18 Solutions, correct?

19 A. I'm sorry, I don't understand your
20 question.

21 Q. So, for example, the return on equity,
22 that is on line A, 11.15 percent. As part of this
23 application, am I correct you would keep
24 11.15 percent fixed in every year?

25 A. That's correct.

1 Q. But the debt rate would float or sink
2 with FirstEnergy Solutions' actual debt rate, right?

3 A. That's correct.

4 Q. So over this 15-year term, we don't know
5 what that debt rate will be in any given year?

6 A. That's correct. That's an item that I
7 had to forecast for my testimony.

8 Q. Who provided you the 4.54 percent number?
9 Did you calculate it, or did somebody else?

10 A. If you look at the footnotes of the
11 attachment we're talking about here, you'll see at
12 the bottom line E, that that was the weighted average
13 cost of FES's long-term debt.

14 Q. Did you just tell me a little while ago
15 that FES's long-term debt cost is lower than
16 4.54 percent?

17 A. No.

18 Q. Now I'm confused. So 4.54 percent, is
19 that FES's long term debt today?

20 A. I don't know if -- what it is today. It
21 was -- what it was at the time that we prepared the
22 forecast, I don't have any reason to believe it would
23 be materially different at this point in time.

24 What I said earlier is that the 50/50
25 debt cap structure is that FES has a lower debt

1 percentage in terms of its capital, and as a result
2 of that, using a 50/50 debt cap structure reduces the
3 cost to customers under my forecast.

4 Q. Thank you for that clarification. Now I
5 think I understand it. Okay. Let's -- Did you take
6 an actual projection of where interest rates were
7 going when you filed your testimony or did you just
8 use the existing debt rate?

9 A. I used the existing debt rate as my
10 forecast of what the debt rate would be over the 15
11 years. I had no reason to believe that it would
12 change significantly for this forecast.

13 EXAMINER PRICE: Do you have a sense
14 reaching backwards in time whether the interest rate
15 materially changed in your time at the company?

16 THE WITNESS: I have worked in the
17 treasury department before as an analyst. My
18 understanding, most of FES's debt is in short term
19 borrowings and a lot of that actually is with
20 affiliates and provides FES a very, very low cost
21 debt as opposed to going externally, so that's the
22 reason why I think that's going to stay pretty low.

23 Additionally, there is a lot of
24 tax-exempt bonds that FES holds, environmental
25 control bonds. Since those are tax exempt, those

1 seem to have a very low interest rate. In my
2 experience I have not seen significant huge increases
3 or volatility with those types of instruments.

4 EXAMINER PRICE: To the best of your
5 knowledge, it has stayed around 4.54 as long as you
6 can remember.

7 THE WITNESS: I believe 4.54 is a
8 reasonable estimate for my forecast.

9 EXAMINER PRICE: That's doesn't answer my
10 question.

11 THE WITNESS: I apologize.

12 EXAMINER PRICE: In your experience in
13 the company, is it your belief that 4.54 is roughly
14 what FES's long term cost of debt has been since 2004
15 when you joined the company? If you don't know,
16 that's fine.

17 THE WITNESS: I'd prefer -- rather than
18 to speculate, I believe so, but I would want to
19 double-check to be sure.

20 EXAMINER PRICE: That will work.

21 Q. (By Mr. Olikier) Would you agree that the
22 debt rate a company can obtain is largely driven by
23 their credit rating?

24 A. I don't know specifically.

25 Q. Have you negotiated debt instruments?

1 A. Could you clarify for me what you mean by
2 "negotiate it."

3 Q. When FES needs to procure capital through
4 debt, are you involved in those negotiations?

5 A. No, I'm not.

6 Q. Would you agree that the distribution
7 utility is viewed as less risky of an investment than
8 a merchant generator?

9 A. If you could clarify for me what type of
10 context. Less risky from a financing perspective?

11 Q. Yes.

12 A. I don't know if I have an opinion on
13 that.

14 Q. Is there a witness testifying for
15 FirstEnergy that would be better with respect to that
16 question, if you know?

17 A. I don't know.

18 Q. Would you agree the distribution
19 utilities can typically obtain financing at a lower
20 rate than a company in the wholesale generation
21 business?

22 A. I don't know if I would agree with that,
23 for the point I just made earlier. FES has a
24 number -- a large number of tax exempt environmental
25 pollution control bonds. Those provide very, very

1 low cost interest as compared to other secured and
2 unsecured. So based on the experience when I was in
3 the treasury department, I don't think that's
4 necessarily an accurate point.

5 EXAMINER PRICE: FES is also part of some
6 sort of corporate money pool, aren't you?

7 THE WITNESS: That's correct.

8 EXAMINER PRICE: Where there's
9 interaffiliate lending and borrowing.

10 THE WITNESS: That's correct, yes.

11 Q. (By Mr. Olikar) Would you agree that the
12 currently approved long-term debt rate for the
13 FirstEnergy utilities in the state of Ohio is
14 6.54 percent?

15 A. I don't know.

16 Q. You have a copy of Eileen Mikkelson's
17 testimony. Is that her direct testimony?

18 A. Yes. Company Exhibit 7 we are talking
19 about?

20 Q. Does it say direct testimony? I get the
21 numbers messed up.

22 A. Yes, it does say direct testimony.

23 Q. Can you turn to page 11? I believe it's
24 line 10. Let me know when you're there.

25 A. Okay. I'm on page 11.

1 Q. Would you agree that Ms. Mikkelson
2 proposes a 6.54 percent long-term debt rate in their
3 distribution rider in this proceeding?

4 MR. ALEXANDER: Objection.

5 EXAMINER PRICE: Grounds.

6 MR. ALEXANDER: Miss Mikkelson's
7 testimony speaks for itself.

8 EXAMINER PRICE: Rephrase it.

9 Q. (By Mr. Olikier) Does that refresh your
10 recollection to what the distribution long-term debt
11 recovery rate FirstEnergy's requesting in this
12 proceeding?

13 A. I'm not directly familiar with this
14 aspect of Ms. Mikkelson's testimony.

15 Q. But you don't disagree with it
16 necessarily, do you?

17 A. I don't know if I agree or disagree. You
18 read line 9 and 10 correctly. I believe
19 Ms. Mikkelson's testimony speaks for itself, and as I
20 stated before, I'm just not familiar with this aspect
21 of her testimony.

22 Q. Now, earlier you indicated that you
23 relied on Judah Rose's projections of long term
24 energy and capacity prices, correct?

25 A. That's correct.

1 Q. And in your opinion, Mr. Rose is an
2 expert in his field, correct?

3 A. Yes.

4 Q. You did not rely on Mr. Rose's forecast
5 of long term debt rates, did you?

6 MR. ALEXANDER: Objection.

7 EXAMINER PRICE: Grounds?

8 MR. ALEXANDER: Mr. Rose's testimony
9 doesn't include any such forecast.

10 MR. OLIKER: But it does.

11 EXAMINER PRICE: Overruled.

12 THE WITNESS: May I have the question
13 read back, please?

14 (Question read.)

15 A. No.

16 MR. OLIKER: Trevor, could you -- I don't
17 know exactly what is marked as the workpapers of
18 Judah Rose. Could you provide a copy of that to the
19 witness, or I can if you would like me to.

20 MR. ALEXANDER: Go ahead.

21 EXAMINER PRICE: Company Exhibit 20.

22 Q. (By Mr. Oliker) Mr. Lisowski, before you
23 filed your testimony, did you look at these
24 workpapers?

25 MR. ALEXANDER: Your Honor, at this

1 point, I'm going to object solely due to the fact
2 these are confidential workpapers. To the extent
3 counsel is not going to be referencing anything
4 confidential in those workpapers, I'm happy to
5 proceed. But if counsel is going to be asking about
6 anything confidential, then I suggest we move this to
7 the confidential portion.

8 MR. OLIKER: The page I will talk about
9 is solely in the public record and is filed in the
10 Commission's docket sheet. I'm referring to the page
11 discussing debt rates and equity rates for plant
12 construction. It's toward the back.

13 Are we waiting for your Honor?

14 MR. ALEXANDER: Note that clarification.

15 EXAMINER PRICE: We were both on board.

16 MR. OLIKER: Okay, thank you.

17 Q. (By Mr. Oliker) My question was are you
18 on the page that says ICF New Plant Proxy Assumptions
19 for PJM-AEP/Dayton?

20 A. Yes, that's what it says at the very top.

21 Q. And you understand these are the
22 workpapers of Judah Rose?

23 A. Yes.

24 Q. Now, do you understand that Mr. Rose
25 forecasted that one of the reasons why prices are

1 going to rise in the long term is because long-term
2 debt rates are going to rise?

3 A. I don't recall him specifically saying
4 that, personally.

5 Q. Do you disagree that long term debt rates
6 will rise over the next 15 years?

7 A. I've never done an assessment or analysis
8 to project out what long-term debt interest rates
9 would be for new plant financing assumptions for
10 someone building a new power plant.

11 Q. Would you defer to Mr. Rose?

12 A. I want to clarify, you're asking
13 personally would I defer to him?

14 Q. Would you defer to Mr. Rose's conclusions
15 about long-term debt rates?

16 MR. ALEXANDER: Objection.

17 EXAMINER PRICE: Grounds.

18 MR. ALEXANDER: Mr. Lisowski's testimony
19 addresses the debt rates for FES. Mr. Rose's
20 testimony addresses the new plant debt rates.

21 EXAMINER PRICE: Can you clarify what
22 type of debt you are asking him to defer to Mr. Rose
23 on?

24 MR. OLIKER: Sure.

25 Q. (By Mr. Oliker) Would you defer to

1 Mr. Rose's conclusions about long-term debt rates for
2 merchant generators?

3 A. If you -- you used the word defer. Do
4 you mean would I take into consideration or look at
5 what he produces? That is something I would look at.

6 Q. Would you believe that his conclusions
7 are reasonable?

8 MR. ALEXANDER: Objection.

9 EXAMINER PRICE: Grounds?

10 MR. ALEXANDER: Not asking whether
11 hypothetical conclusions or hypothetical topic are
12 reasonable.

13 EXAMINER PRICE: I don't think it is
14 hypothetical. I mean, he has a workpaper here he's
15 referring to.

16 MR. OLIKER: Yes.

17 EXAMINER PRICE: Why don't you rephrase
18 your question more specifically in terms of
19 workpaper.

20 Q. (By Mr. Oliker) Okay. The workpaper
21 that's in front of you regarding plant financing, do
22 you believe Mr. Rose's conclusions are reasonable?

23 A. Looking at the workpaper here, I do not
24 believe necessarily that this would be reasonable for
25 FES.

1 MR. OLIKER: Your Honor, that doesn't
2 answer my question. The question relates to this
3 workpaper.

4 Q. Do you believe this workpaper is
5 reasonable, Mr. Lisowski?

6 MR. ALEXANDER: Objection.

7 EXAMINER PRICE: Grounds?

8 MR. ALEXANDER: Mr. Lisowski has not
9 offered any opinions as to the cost of constructing
10 of a new plant. He's only offered opinions of FES's
11 cost. So his opinions as to Mr. Rose's projection
12 for new plant construction are irrelevant.

13 EXAMINER PRICE: Mr. Olikar?

14 MR. OLIKER: Your Honor, if you look at
15 the workpaper, there are clearly two different rates.
16 One applies to the utility and one applies to
17 merchant generator. And I think it is illustrative
18 of the rates viable in the market of a generator
19 versus a utility over the long term.

20 EXAMINER PRICE: The part I'm not
21 understanding about your cross-examination is he's
22 presenting a lower cost of debt than the one that
23 you're referring to. Doesn't that benefit customers?

24 MR. OLIKER: If that lower cost of debt
25 is indeed accurate.

1 EXAMINER PRICE: Okay. And he has
2 explained where he got it from and what is special
3 about FES as to why he got that. I think what
4 you're -- what I'm not understanding in your
5 questioning is, yeah, this generally is for other
6 merchant plants, but Mr. Rose apparently projected,
7 which the witness has not looked at, percentage. But
8 he's already explained why he thinks FES's
9 circumstances are different.

10 MR. OLIKER: He has said that, but he
11 also said he hasn't looked at what they will be over
12 the long term. He took a snapshot in time when we
13 all know debt rates are at all-time lows.

14 EXAMINER PRICE: Well, why don't you ask
15 him about the propensity for FES's debt rates to go
16 up, then? I mean, it doesn't matter if interest
17 rates are going up if they're tied into a bunch of
18 50-year control bonds. It might matter if tied into
19 a bunch of three-month bonds, you know what I'm
20 saying?

21 MR. OLIKER: I'll try to go that route
22 and come back to this. I'm not sure he will know the
23 answer to all those questions, but we'll find out.

24 EXAMINER PRICE: We'll find out.

25 Q. (By Mr. Olikier) Mr. Lisowski, do you

1 have an idea what percentage of FirstEnergy Solutions
2 debt is tied to short term debt?

3 A. I do not have that number in front of me
4 and I don't feel comfortable speculating.

5 Q. Do you know how much of FirstEnergy
6 Solutions' debt is tied to the long-term debt?

7 A. That would be the same response on the
8 short term side.

9 Q. Okay. And your 4.54 percent debt rate, do
10 you know how that debt rate is influenced by current
11 market conditions for debt, which are quite low?

12 MR. ALEXANDER: Objection.

13 EXAMINER PRICE: Grounds?

14 MR. ALEXANDER: The characterization of
15 current debt rates included in the question.

16 EXAMINER PRICE: Mr. Lisowski, federal
17 short term borrowing is at zero balance, isn't it?

18 THE WITNESS: That is my understanding.

19 EXAMINER PRICE: Can't get any lower than
20 zero, can it?

21 THE WITNESS: We have bigger issues if it
22 is.

23 EXAMINER PRICE: Okay. I think we
24 established they are low.

25 MR. OLIKER: Okay.

1 EXAMINER PRICE: You can answer the
2 question.

3 THE WITNESS: May I have the question
4 repeated, please?

5 (Question read.)

6 A. I would expect interest rates to have
7 some effect on the overall debt borrowings, and I
8 would add that it's been my experience especially
9 since I worked in the treasury department back in
10 2009, at that point we thought debt rates were going
11 to be going up very significantly and very quickly,
12 and here we are in a position where they still
13 continue to be very low.

14 Q. Would you agree there is a potential for
15 them to rise? By them, I mean debt rates.

16 A. I think there's the potential for debt
17 rates to rise, certainly. And that may or may not
18 have an impact on FES's specific rate interest debt
19 that is forecasted in my attachments.

20 Q. If FES has to make new capital
21 expenditures to maintain its generating fleet, those
22 new expenditures will have a higher debt rate
23 associated with them, correct?

24 A. No, not necessarily. If FES uses its own
25 cash that it has on hand and uses that cash to invest

1 in capital expenditures, that has zero impact on the
2 overall borrowing rate, the interest rate for FES, it
3 would have zero impact on my testimony.

4 Q. And in what you described -- Is it your
5 experience that FirstEnergy Solutions always uses
6 cash on hand or retained earnings to fund their
7 capital expenditures?

8 A. Anytime FES makes a capital expenditure,
9 it's going to, from a financing perspective, take a
10 look and use a combination of both. It just depends
11 on that particular period. There's a lot that goes
12 into that decision making of how you finance a
13 capital project.

14 Q. So to give an example, Davis-Besse had, I
15 think the public records indicated, somewhere in the
16 \$600 million investment a few years ago, right?

17 A. Yes.

18 Q. So for that \$600 million, you would
19 capitalize that, and under this structure, half of
20 that would receive the return on equity rate of
21 11.15 and the other half would be applied the debt
22 rate that exists at the time, correct?

23 A. We would also, though, net against it any
24 type of accumulative deferred taxes, and there may be
25 other adjustments from a seller's invested capital.

1 Notwithstanding that, I would agree.

2 Q. Thank you. And sticking with the example
3 of a \$600 million investment, say five years down the
4 road such an investment is required and interest
5 rates are, in fact, 7.8 percent, you would agree that
6 the long-term debt rate for FirstEnergy Solutions
7 will rise for purposes of the rider you're requesting
8 in this proceeding?

9 MR. ALEXANDER: Your Honor, I object.

10 EXAMINER PRICE: Grounds?

11 MR. ALEXANDER: The witness already
12 testified that the debt rate would fluctuate with
13 FES's debt rate. I don't understand what going
14 through all these various hypotheticals does for the
15 record. It is cumulative.

16 EXAMINER PRICE: We will continue to give
17 Mr. Olier leeway on this question. Please answer
18 the question.

19 THE WITNESS: May have I have the
20 question read, please?

21 (Question read.)

22 A. I would not agree with that hypothetical
23 for a couple of reasons. One is there is no capital
24 addition at Davis-Besse or Sammis of that magnitude.
25 My forecast lays out 15 years of capital forecast for

1 all of these plants, so that hypothetical has a
2 significant flaw in it, so I would not agree with
3 that.

4 MR. OLIKER: Your Honor, I ask the
5 witness answer the hypothetical he has been
6 presented. Feel free to disagree with the
7 hypothetical, but the witness should at least have to
8 answer it.

9 EXAMINER PRICE: Why can't you ask the
10 hypothetical grounded in capital projections that
11 he's offered?

12 Here's the reason I ask, I just don't
13 want a number floating around in the record that
14 sounds like there could be, I don't know what it is,
15 a \$30 million increase in interest that's not at
16 least somewhat grounded in the record. So can you
17 ask your hypothetical based upon the capital
18 projections he's already given you?

19 MR. OLIKER: I could in the confidential
20 record. I was just trying to use as example. I can
21 use a smaller number if you would be more comfortable
22 with that, your Honor.

23 EXAMINER PRICE: I would be more
24 comfortable with a smaller number.

25 Q. (By Mr. Olikier) Mr. Lisowski, assume

1 there is a \$30 million capital expenditure that
2 FirstEnergy Solutions has to go out and make five
3 years from now. You would agree that if the debt
4 rate at the time is 7.8 percent in the market, that
5 could increase the weighted long-term debt rate for
6 FES?

7 A. That could have an impact on the interest
8 rate, and you would also need to take a look, though,
9 at what depreciation occurs during that period. As
10 we talked about this morning, the depreciation
11 reduces the sellers' invested capital number. So
12 while the interest rate may go up, the sellers'
13 invested capital during that period of time would
14 reduce the overall investors' capital, which would
15 reduce the base rate by that percentage off.

16 Q. Okay. But functionally what you are
17 talking about is the total number that shows up on
18 the interest expense line, correct?

19 A. Yes. I'm talking about the various
20 components of what would impact that line.

21 Q. But a higher long term debt rate -- never
22 mind, scratch that.

23 EXAMINER PRICE: Just let me try.

24 If you make a capital investment five
25 years down the line and we hypothetically have a

1 steadily increasing interest rate environment, that's
2 going to put upward pressure on your long term cost
3 of debt, isn't it?

4 THE WITNESS: Looking only at that one
5 single line item.

6 EXAMINER PRICE: One single line item.

7 THE WITNESS: Excluding any other impacts
8 it would have which I would expect it to have on
9 other aspects, that would be correct.

10 Q. (By Mr. Olier) If you follow up on
11 that, all else being equal if the long term debt rate
12 rises over time, so will the amount of money that
13 FirstEnergy Solutions plants need to earn in the
14 market to keep your projections the same?

15 MR. ALEXANDER: Objection. Let's just
16 clarify that it's impossible to keep all else equal
17 in this situation. He explained why in great detail.
18 This has been asked and answered.

19 EXAMINER PRICE: Assume that all other
20 things are equal, answer the question. You can
21 explain later why they won't be.

22 THE WITNESS: Can you read it back?

23 (Question taken.)

24 EXAMINER PRICE: You're in the market in
25 order to ensure the impact of your projection also is

1 the same?

2 THE WITNESS: That's a very speculative
3 hypothetical. I really don't feel comfortable
4 answering that because of all of the factors that you
5 need to be taking a look at in terms of what it means
6 for customers in this forecast.

7 EXAMINER PRICE: With that caveat, we
8 will leave that caveat on the record, I will direct
9 you to go ahead and answer the question.

10 THE WITNESS: If you would adjust the
11 interest rate number that's in my workpapers up, it
12 would have an increase in interest costs and require
13 the plants to earn more higher revenues to offset.

14 MR. OLIKER: Thank you.

15 If I could have one minute, your Honor.

16 EXAMINER PRICE: Not on this topic,
17 right?

18 MR. OLIKER: I may be done.

19 EXAMINER PRICE: Okay.

20 MR. OLIKER: Those are all the questions
21 I have for the public record. Thank you,
22 Mr. Lisowski.

23 EXAMINER PRICE: Thank you.

24 NOPEC.

25 MR. BORCHERS: No questions, your Honor.

1 EXAMINER PRICE: Mr. Borchers?

2 MR. BORCHERS: No questions.

3 EXAMINER PRICE: Ms. Fleisher?

4 MS. FLEISHER: Just a few questions.

5 EXAMINER PRICE: Let's go off the record
6 real fast.

7 (Discussion off record.)

8 EXAMINER PRICE: Back on the record.

9 Ms. Fleisher.

10 - - -

11 CROSS-EXAMINATION

12 By Ms. Fleisher:

13 Q. Mr. Lisowski, I'm Madeline Fleisher
14 representing the Environmental Law and Policy Center.
15 Is it correct that late last year the companies
16 issued a revised JJL-3 exhibit to your testimony?

17 A. Yes.

18 Q. And is it correct that that was because
19 the initial projections for OVEC had failed to
20 include the carbon price provided by Mr. Rose?

21 A. Yes.

22 Q. And I just want to follow up quick and
23 make sure I understand on your discussion with
24 Mr. Soules about your dispatch model. I believe you
25 established with Mr. Soules that energy efficiency or

1 demand resources are not an input into the model.
2 And I just want to verify that energy efficiency
3 would never be an output of the model; is that
4 correct?

5 A. I think there's a couple questions in
6 there, so I'll try to address each one individually
7 if that's okay.

8 Q. Sure, of course.

9 A. Related to the first two inputs, that's
10 correct, those are not something for the input
11 because those are input inserted into Mr. Rose's
12 forecasts when he provides me the energy and capacity
13 forecast, so that's not part of mine.

14 On the energy efficiency, that is also
15 not an input into my model. That's something that I
16 rely on his assumptions, Mr. Rose's, and there's
17 nothing that would come out of my model that would
18 predict energy efficiency.

19 Q. Okay. That answers my question. And do
20 you have any familiarity with the PJM load
21 forecasting process?

22 A. No.

23 Q. So you would have no opinion as to
24 whether the load projected by PJM would be an
25 appropriate assumption to use in calculating market

1 prices?

2 A. That's correct.

3 Q. And I believe you testified earlier that
4 your calculation of capital costs or your projection
5 of capital costs for Sammis would include the
6 depreciated value of all air quality controls; is
7 that correct?

8 A. Can I have that question read back,
9 please?

10 EXAMINER PRICE: Please.

11 (Question read.)

12 Q. Actually, I'm sorry, I withdraw that. I
13 meant to say your definition of legacy costs would
14 include the depreciated costs for Sammis air quality
15 controls?

16 A. Yes. Capital costs have already been
17 spent as a component of legacy cost components.

18 Q. And that would include costs incurred in
19 connection with the 2005 EPA consent decree relating
20 to Sammis?

21 A. I'm sorry, I'm not familiar specifically
22 with that document.

23 Q. Okay. With respect to the FES internal
24 energy and capacity price projections, do you know
25 whether those will be updated based on recent

1 capacity performance option results?

2 A. Yes.

3 Q. Do you know when that will happen?

4 A. Just for clarity, are we talking based on
5 the results that just came out, or are we talking
6 about redoing -- We talked about the capacity price
7 being 15 years. I want to make sure we're clear on
8 which one.

9 Q. I'm talked about the forecasted prices
10 over the long term that you just discussed with
11 Mr. Soules. I could take a step back to make sure we
12 are talking about the same thing.

13 A. Yes, ma'am.

14 Q. I believe you discussed with Mr. Soules
15 that FES has long term projections of capacity
16 prices; is that correct?

17 A. That's correct.

18 Q. And will those long term projections be
19 updated based on the results of the recent capacity
20 performance options?

21 A. Yes. I would expect FES to not only
22 update just for the actual results of the last couple
23 auctions that just came out, but also to reforecast
24 the next 15 years. I do not, however, know when that
25 will be done, necessarily.

1 Q. Okay. And I think you mentioned to
2 Mr. Olier that you were involved in developing the
3 EFOR assumption you used for your projections; is
4 that correct?

5 A. Yes. I worked with a number of
6 individuals in FES and FEG to forecast that
7 assumption.

8 Q. Am I correct in understanding that
9 involves projecting an amount percentage-wise of
10 forced outages?

11 A. That's correct. The EFOR outage rate is
12 a percentage.

13 Q. And is there also any projection as to
14 when those outages will occur?

15 A. Yes. FES has to make an internal
16 decision as part of the dispatch model when those
17 outages are going to occur. My experience, power
18 plants don't know when power prices are \$100 or \$10.
19 They trip when they trip. So to take into
20 consideration all that, we allocate that across both
21 on and off peak hours in the model. We feel that's a
22 very accurate way to kind of capture both equally,
23 that that occurs in very low, maybe even on
24 uneconomic times or to cover for when the plant, if
25 it trips during a higher-priced day.

1 Q. So I understand correctly that it is
2 basically spread proportionally across all hours?

3 A. I wouldn't say it's proportionate across
4 all hours. We take into consideration both on and
5 off peak hours. As Mr. Rose talked about earlier, on
6 and off peak hours are close to 50/50 but not exactly
7 so we take into account a little bit of that tweaking
8 if you will.

9 Q. So let's say if we're 30 percent on peak,
10 70 percent off peak, your model would put 70 percent
11 of the outages in off-peak time times and 30 percent
12 in on peak; is that correct?

13 A. Generally speaking, I would agree with
14 that.

15 Q. And do you have any knowledge as to for
16 historical outages whether that had been the reality,
17 that they've occurred across all on-peak and off-peak
18 hours?

19 A. I personally have never done an analysis
20 to look at times when EFOR has occurred.

21 Q. Do you know whether anyone at FES has
22 done so?

23 A. I don't know.

24 Q. And I believe you describe the dispatch
25 model as providing for dispatch of a plant if the VOM

1 costs are below the energy price; is that correct?

2 A. Yes. You use VOM, VOM including also the
3 fuel costs and those other fuel related costs we
4 talked about earlier. I want to make sure that's
5 very clear because when we get to the confidential,
6 VOM is its own category of costs. So I want to make
7 sure that's very clear.

8 Q. Sure. And is that true regardless of how
9 much or how little below the energy price those
10 variable costs are?

11 A. May I have the question read back,
12 please.

13 EXAMINER PRICE: You may.

14 (Question read.)

15 Q. (By Ms. Fleisher) I'm happy to phrase.

16 A. That would be helpful, please.

17 Q. So is it correct that in your dispatch
18 model if the variable costs were a dollar below the
19 market energy price, the model would have the plant
20 dispatch?

21 A. That's correct.

22 Q. And it would be true if it were 50 cents
23 below?

24 A. That's correct.

25 Q. And one cent below?

1 A. That's correct.

2 Q. Okay. And when you're inputting costs
3 into the model, those costs are on a plant-wide
4 basis, correct, as opposed to a per-unit basis?

5 A. No, I wouldn't agree with that. We're
6 going to start to get into some of the inputs of the
7 models, so I'll try to stay in the public section
8 here, but there are certain types of variable costs
9 that are very unit specific. That's not plant-wide.

10 Q. Okay. I believe Mr. Rose testified to
11 this but just to close the loop, you relied on his
12 forecast for emission allowance prices as an input to
13 your modeling?

14 A. That's correct.

15 MS. FLEISHER: That's all I have. Thank
16 you.

17 EXAMINER PRICE: Thank you.

18 Mr. Settineri?

19 MR. SETTINERI: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Settineri:

23 Q. Good afternoon, Mr. Lisowski.

24 A. Good afternoon.

25 Q. Just to follow up on some questions from

1 Mr. Olikar to clarify for the record. When you refer
2 to short term debt, is that debt less than one year?

3 A. It would include that as well as any type
4 of affiliated monies pool borrowings that we were
5 also referring to earlier.

6 Q. And I believe you mentioned earlier that
7 FirstEnergy Solutions would have the ability to pay
8 for capital investments out of cash on hand. Do you
9 recall that answer?

10 A. I do.

11 Q. Okay. You're familiar with the
12 consolidated balance sheet for FirstEnergy Solutions?

13 A. Generally speaking, yes.

14 Q. Are you involved in its preparation?

15 A. If you mean preparation that I receive
16 it, review it before we file it with the Securities
17 and Exchange Commission, yes.

18 Q. Okay. And on that balance sheet, where
19 would cash on hand be reported?

20 A. It could be located -- Really in two
21 places. And I believe I need to explain this. One
22 is the cash and cash equivalents line. That's pretty
23 obvious.

24 The second is that FES may have cash on
25 hand that it had lent to affiliates through the money

1 pool. That would show up in either the account
2 receivable with associated or maybe it says
3 affiliated companies and/or the notes payable to
4 associated or affiliated companies.

5 Q. Thank you. And are you familiar as of
6 the close of December 31, 2014 how you define cash on
7 hand, what that amount would be -- was approximately
8 for FES on a consolidated basis?

9 A. I don't recall.

10 Q. Okay. If I told you it was slightly
11 north of \$500 million, would you agree with me?

12 A. I'd prefer not to speculate. If you have
13 a document, I'd be more than happy to look at it.

14 MR. SETTINERI: If I may, your Honor, I'd
15 like to refresh his memory with a copy of the
16 consolidated balance sheet.

17 EXAMINER PRICE: You may.

18 MR. SETTINERI: Thank you.

19 THE WITNESS: Is there a pending
20 question?

21 EXAMINER PRICE: No, I don't believe so.

22 Q. (By Mr. Settineri) I'm asking you to look
23 that document over and see if it refreshes your
24 recollection. Then I can ask a question.

25 A. So the document you've provided me

1 appears to be FirstEnergy's annual report and this is
2 actually not a financial statement for FirstEnergy
3 Solutions Corp. This is a footnote to the
4 FirstEnergy corporate consolidated financial
5 statements if you refer to that a few pages before
6 that. I want to make sure that's very clear. This
7 is footnote 17, supplemental guarantor information,
8 so this is not correct to say that this is
9 FirstEnergy Solutions' consolidated balance sheet.

10 Q. That's fine. I'm just asking you a
11 question. Does it reflect cash on hand as you
12 defined it at the end of December 31, 2014?

13 A. That appears correct, 2 million in cash,
14 525 million in affiliated receivables.

15 Q. Thank you. Mr. Lisowski, just to make
16 clear for the record, at page 2, line 5 of your
17 direct testimony, do you have that in front of you,
18 sir?

19 A. I do.

20 Q. Thank you. Your reference on line 5 a
21 proprietary modeling software. Do you see that
22 reference?

23 A. I do.

24 Q. Okay. Now, is that reference to the
25 dispatch model we have been discussing today in your

1 testimony?

2 A. Yes.

3 Q. Also earlier today we discussed I think
4 what was phrased as an FES projection run that was
5 done approximately in August 2014. Do you remember
6 that discussion?

7 A. Yes.

8 Q. All right. Did that FES projection run
9 cover all the units in the FES fleet?

10 A. Yes, it would have.

11 Q. And just to be clear, how far out was
12 that -- how many years did that projection cover?

13 Let me rephrase that. That was clunky.
14 How far out was that forecast that was run for the
15 FES projection??

16 A. It went out at least through the time
17 period of the proposed PPA, so at least May 31 of
18 2031.

19 Q. And how long have you been -- how long
20 have you used that model? Let me rephrase that.

21 Since you've been working at FirstEnergy
22 Service Company, how long have you utilized this
23 model?

24 A. I'm aware that the model existed since I
25 started with FirstEnergy back in 2004. Actually

1 using the model was when I entered my current role
2 which was in 2012.

3 Q. Okay. And since 2012, what is the
4 longest forecast you've seen produced using this
5 model?

6 A. Approximately 20 years.

7 Q. Okay. And how often have you seen that
8 type of forecast run?

9 A. Not very often.

10 Q. Okay. Is it fair to say that most of the
11 FirstEnergy Solutions' forecasts run using that model
12 are in the range of four years?

13 A. Yes, FES does more forecasts of a
14 four-year period more routinely than something like
15 15 years or 20 years.

16 Q. Thank you. Let me just ask a general
17 principle question on modeling. Is it fair to say
18 that the output model is only as accurate as the
19 inputs for the model?

20 A. May I have that question read back,
21 please?

22 (Question read.)

23 A. I wouldn't say only. I would agree it's
24 important, it has a very big impact on it. The
25 inputs are a very, very important aspect of the

1 model, but I wouldn't say it's the only thing.

2 Q. Thank you. Earlier today, I think the
3 discussion centered around FES's ownership of the
4 units, and my question for you is, the Sammis unit,
5 is that an asset owned by FirstEnergy Generation?

6 A. All seven units of the Sammis, including
7 the diesel, are owned by FirstEnergy Generation, LLC.

8 Q. And the Davis-Besse unit, is that owned
9 by FirstEnergy Nuclear Generation?

10 A. FirstEnergy Nuclear Generation, LLC.

11 Q. Does FES incur charges from FirstEnergy
12 Nuclear Generation?

13 A. I'm sorry, I'm not understanding your
14 question. Could you rephrase it for me?

15 Q. Sure. Let me ask it a different way.
16 How does FES account for any charges from FirstEnergy
17 Generation?

18 A. Well, FirstEnergy Generation, LLC and
19 FirstEnergy Nuclear Generation, LLC are both wholly
20 owned subsidiaries of FES. FES, fully consolidates
21 those entities, all the costs, all the revenues that
22 those plants earn. So when FES prepares a
23 consolidated financial statement, it would include
24 all the revenues and costs associated with those
25 companies who own the plants.

1 Q. Okay. Now, does the -- in regards to the
2 FirstEnergy Solutions consolidated statement of
3 income, does it reflect purchased power from
4 affiliates?

5 A. If you have a document you're referring
6 to, I'd be more than happy to take a look at it.

7 Q. Let me tell you what I'm trying to
8 understand. You have two separate LLCs that report
9 up to a member LLC -- or I should say a member
10 corporation, FirstEnergy Solutions. What I'm trying
11 to understand, if there are any contracts, et cetera,
12 where the output from the Sammis units, the output
13 from Davis-Besse are sold to FirstEnergy Solutions?
14 What I am trying to understand is how those book
15 transfers are done? Is it done on a contractual
16 basis?

17 A. I'm aware of a transaction where because
18 FES is the one that is actually dispatching these
19 units, they're the ones that are going out and
20 selling that power in the day ahead from a dispatch
21 PJM interface position. FES is acting on behalf of
22 both of those generation companies. I don't know if
23 that answers your question. I believe because of
24 that, there's some affiliated transactions between
25 FES and the generation companies.

1 Q. Okay. And would those affiliated
2 transactions be, as we say, papered up, meaning
3 written as contracts between the two entities?

4 A. There may be. I don't know that for a
5 fact.

6 Q. And would -- recognizing you said you
7 didn't know, but assume that those transactions are
8 papered up subject to written contracts, would the
9 costs -- would those costs be recovered through the
10 proposed transaction that the generating affiliates
11 would be charging to FES?

12 MR. ALEXANDER: Objection. Objecting to
13 the hypothetical with regards or with regard to the
14 assumed contracts that the witness didn't know about.
15 I'm not sure how he could provide an opinion as to
16 whether a hypothetical contract would or would not or
17 how it would or would not pass through costs.

18 MR. SETTINERI: Your Honor, it's just a
19 matter of accounting for the charge, and then also
20 being a member of the FES team in negotiation, the
21 question is whatever is recovered, would that type of
22 charge be recovered under the proposed transaction?

23 EXAMINER PRICE: I'll allow it.

24 THE WITNESS: May I have the question
25 read back, please?

1 (Question read.)

2 A. The proposed PPA term sheet is very
3 specific on what costs would be charged to the
4 companies. Those -- My understanding of a term sheet
5 is that there's no additional costs that are out
6 there for anything that is affiliated between FES and
7 Generation whether some contract exists or doesn't
8 exist. If there's hypothetically some costs
9 associated with that, my understanding of the term
10 sheets, those costs wouldn't be passed through. It
11 would just be limited to the costs as defined in the
12 term sheet.

13 Q. And that cost includes the cost of the
14 output from the plants, correct?

15 A. Yes, it would include the operating costs
16 associated with those plants.

17 Q. And if that cost of the output from the
18 generating affiliates increased to FES, that cost --
19 that increase would be captured under the proposed
20 transaction, correct?

21 A. I'm struggling understanding the cost to
22 FES and the terms you're using. I would say I refer
23 to the PPA term sheet as very specific around what
24 costs the companies would incur under this proposed
25 transaction. Those are costs that those plants

1 incur.

2 Those are the costs and only those costs
3 are those that would be transferred to the companies.
4 So I'm -- I don't know if that helps. I'm confused
5 by what this means with FES.

6 Q. Right. Let me just boil it down then.
7 Would there be an opportunity if there was a
8 contractual relationship between the generation
9 affiliates and FES for the price of the output in
10 that contract to be inflated above the actual cost to
11 create that output?

12 MR. ALEXANDER: Could I have that
13 question read, please?

14 (Question read.)

15 MR. ALEXANDER: Objection. Calls for
16 speculation as to what the hypothetical contract
17 would or would not allow.

18 EXAMINER PRICE: He can answer if he
19 knows.

20 A. In my current position, I'm responsible
21 for the accounting associated with these plants. The
22 way I'm understanding your question, sir, is, is
23 there a way that FES could somehow overinflate these
24 costs.

25 As being chiefly responsible for all

1 accounting matters for FES, FE Generation in these
2 plants, I can tell you that you cannot account and
3 recognize overly inflated expenses. The expenses
4 these plants incur are the ones they incur and we
5 recognize as their expenses. There's not some
6 affiliated means that somehow can be overinflating
7 these costs.

8 Q. Who at FES would know the answer to
9 whether contracts exist between FirstEnergy
10 Generation and FirstEnergy Nuclear Generation and
11 FES?

12 A. I would expect legal counsel.

13 Q. Let me ask you this question: Do you
14 believe that the Commission should have oversight
15 over any charges between the generation affiliates
16 and FES?

17 THE WITNESS: May I have that question
18 read back, please?

19 (Question read.)

20 A. I don't know. I haven't given that much
21 thought.

22 Q. You were a member of the FES team that
23 worked on developing the proposed transaction,
24 correct?

25 A. Yes.

1 Q. You were present during those
2 discussions, correct?

3 A. I attended some of the meetings. I may
4 not have been at every single one of them.

5 Q. Did the companies ever request that the
6 Commission have oversight over any charges that would
7 be recoverable under the proposed transaction?

8 A. I don't recall any discussions with the
9 FES team on that matter.

10 Q. To your knowledge, did the companies
11 request that the Commission have oversight over those
12 charges?

13 A. I don't know.

14 MR. SETTINERI: Excuse me, your Honor.
15 Since a lot of questions have been asked, I'm going
16 to jump around here, and I need to get my bearings.

17 EXAMINER PRICE: No problem.

18 Q. (By Mr. Settineri) Mr. Lisowski, does FES
19 have unfunded pension liability on its books?

20 A. Could you define for me what you mean by
21 "unfunded".

22 Q. Let me rephrase that. Does FES have any
23 pension liability on its books?

24 A. Yes.

25 Q. And to the extent you know, are all of

1 the pension plans -- Let me start -- Let me keep
2 going.

3 To the extent you know, are all pension
4 plans in which any of the FE, nuclear FE generation
5 or FE company employees participate fully funded?

6 A. I don't know.

7 Q. To the extent any of those plans are not
8 fully funded or in the future lack -- or are not
9 fully funded, would any obligations for funding those
10 plans be recoverable under the proposed transaction?

11 A. I don't believe a contribution made by
12 the generation companies would be recoverable. There
13 is a pension and OPEB costs that we have projected
14 and is included as a separate line item in my
15 attachments. My understanding of the term sheet is
16 just that pension and OPEB costs that expensed and
17 recognized as the only cost related to pension
18 liabilities that would be paid for by the companies.

19 Q. Okay. To clarify one point, are you
20 familiar with multiemployer pension plans?

21 A. Not very familiar at all.

22 Q. Are you familiar with multiemployer
23 pension fund withdrawal liability?

24 A. No.

25 Q. Okay. Thank you. Going back to some

1 earlier questions from today but a general question
2 for you here is, would you agree that one reason the
3 dispatch model inputs are updated is to improve the
4 accuracy of the model?

5 A. Yes, I would agree with that.

6 Q. Has FES ever retained Judah Rose to
7 provide forecasts on energy, capacity, and carbon
8 pricing?

9 A. I don't know.

10 Q. Who would know that?

11 A. I don't know. I know I personally never
12 have.

13 Q. Am I correct that when FES prepares its
14 revenue forecasts for its generating units using the
15 dispatch model, it's always going to use its own
16 internal projections?

17 A. Yes, if FES is going to create its own
18 forecasts, it will determine what assumptions to use
19 in that forecast.

20 Q. And it will not use projections from
21 third parties, correct?

22 A. It's always possible that FES could go
23 get its third set of assumptions. I'm not aware of
24 FES ever doing that.

25 Q. Thank you. To that extent, then you

1 wouldn't be aware whether FES would have ever
2 retained Mr. Rose to provide forecasts on market
3 pricing for capacity, energy, and carbon, correct?

4 MR. ALEXANDER: Objection.

5 EXAMINER PRICE: Grounds?

6 MR. ALEXANDER: Asked and answered.

7 EXAMINER PRICE: May I have the question
8 read back again?

9 (Record read.)

10 EXAMINER PRICE: Mr. Settineri, response?

11 MR. SETTINERI: Your Honor, I think I'm
12 just following up on the question just prior where he
13 indicated that third parties are not utilized by FES.
14 So I want to clarify for the record that FES has not
15 retained Mr. Rose.

16 MR. ALEXANDER: The issue is the question
17 before that where the witness said he didn't know if
18 FES ever obtained Mr. Rose. The following question
19 was did he know anyone that would know that, and the
20 witness said he didn't know. The question and answer
21 I'm referring to is my objection.

22 EXAMINER PRICE: Sustained.

23 Q. (By Mr. Settineri) The question on the
24 model, when the model is run, is there only one push
25 of the button, meaning you don't have to run the

1 spreadsheet for every year?

2 A. That's correct.

3 Q. So the number of years for the forecast
4 is an input to the model?

5 A. Yes. I agree with that.

6 Q. We had some discussions earlier about how
7 often FES prepared revenue forecasts. Does FES
8 prepare a revenue forecast more than once a year?

9 A. FES -- It depends. FES, if they have a
10 requirement or a need to, they will. If they don't
11 have a requirement or a need for one, they won't. So
12 it really just depends on that year in particular.

13 Q. Since 2012, have you seen a year where
14 one was not prepared?

15 A. Just to clarify your question, are you
16 asking me are there any years where there was more
17 than one done in the current year, or are you asking
18 me am I aware of any energy forecasts?

19 Q. Let's break it down. 2012, 2013, 2014,
20 was the model used by FES to run forecasts in all
21 those years at least once?

22 A. I don't recall the specific dates, and I
23 don't recall specifically in 2012 because I entered
24 my position at the end of September, so there may
25 have been one before I got there. I just don't know.

1 But I do recall one being run in each '13 and '14.

2 Q. And in '13 and '14, was it run more than
3 once for FES to project revenues?

4 A. No, in each of those years, it was only
5 done once.

6 Q. Thank you. You also indicated that the
7 FES most recently ran revenue projections in
8 approximately January to February of 2015 for the
9 Sammis plant and the Davis-Besse unit. Do you recall
10 that?

11 A. There was a short-term illustration of
12 plants that was run earlier this year that we
13 provided through a second subpoena to the Sierra
14 Club.

15 Q. No other -- Was there any other reason to
16 run that forecast other than responding to the
17 subpoena?

18 A. Well, actually that was something that
19 FES had already done. It was not done something
20 special. That forecast was used as really kind of
21 some financial forecast that we were using with many
22 of the plants. I don't know if I would necessarily
23 call it a full-blown detailed forecast.

24 It was more of an illustration when we
25 are discussing with some of the plants to show them

1 here's what your plant looks like on a fully --
2 here's all of your revenues, here's all of your costs
3 across the entire fleet for them to have an
4 understanding of their contribution with low energy
5 prices we have seen this year.

6 Q. Was that forecast intended to be an
7 accurate forecast for those plants?

8 MR. ALEXANDER: Objection,
9 Mischaracterizes his testimony.

10 EXAMINER PRICE: Would you rephrase that?

11 Q. (By Mr. Settineri) Was that run, the
12 model that provided revenue projections, were the
13 results of that intended to be accurate?

14 A. Well, the set of inputs that were used in
15 it was not using what FES -- the approved FES energy
16 and capacity forecasts. We used something different
17 in that forecast. I call it a forecast. I hesitate
18 to call it a forecast because a forecast is something
19 that the FES executive leadership, some person from
20 corporate would come in. There's an approval process
21 there.

22 That was something we took out, we looked
23 at some energy prices. O&M and capital costs, those
24 were forecast. Those were provided by the plants.
25 It was really used more as a tool to help explain to

1 generation plant employees, essentially management at
2 the plant for them to understand not just their own
3 end but a full financial picture of their plant
4 giving where energy prices were at that time.

5 Q. And the key point you said given where
6 energy prices were at that time. Let me go to why
7 weren't the normal FES energy forecasts used for that
8 model?

9 A. We really -- There's a couple reasons.
10 One was at that point in time, we just -- we pulled
11 some energy forwards out of ICE. That was also part
12 of the subpoena response to the Sierra Club. That
13 was very convenient.

14 As you can imagine, as Mr. Rose talked
15 about over the past few days, coming up with an
16 energy and capacity forecast is very involved. We
17 wanted to give the plants a sense of -- At that point
18 energy forwards were very low. It's not liquid, but
19 if you just look at the energy forwards, they're very
20 low.

21 We wanted to drive some discussions with
22 the plants that if those energy prices stay where
23 they're at, here's what the plants would look like.
24 That was the purpose for those illustrations, so I
25 hope that helps.

1 Q. Yeah, thank you. Correct me if I am
2 wrong here, but is it your opinion you believe the
3 model is a reliable model?

4 A. Yes.

5 Q. Okay. To your knowledge, did the EDU team
6 from the companies push for a guarantee on the
7 revenue projections under this proposed transaction?

8 A. Could you elaborate more on "guarantee"?

9 Q. Okay. In your negotiations or
10 discussions on the proposed transaction, correct?

11 A. I was.

12 Q. All right. And you performed a revenue
13 forecast as part of those discussions to create the
14 proposed transaction, correct?

15 A. That's correct.

16 Q. Okay. And you believe the model is
17 reliable, correct?

18 A. That's correct.

19 Q. In those discussions with the EDU team,
20 did they seek to cap, put a cap in place, on any of
21 the under-recovery in the near term and a floor on
22 the over-recovery going forward?

23 A. There was a cap in terms of if there was
24 an extended, unplanned outage especially related to
25 good utility practice that I have to -- I believe

1 that's a cap where FES would have to give replacement
2 power, capacity, ancillary services. I know that was
3 an item that was discussed at length with the EDU
4 team. They wanted to make sure there was some
5 protection for customers in that regard, so that's
6 why that section was added. So I would view that
7 section or the term sheet to be a cap, if you will.

8 Q. Okay. But that really wasn't my
9 question. During the negotiations, that your model
10 has projected a certain under-recovery and
11 over-recovery, correct?

12 A. Correct.

13 Q. All right. And that really relates to
14 Mr. Ruberto's summary here. During the negotiations,
15 was there any attempt by the companies to cap the
16 level of under-recovery at any point during the
17 proposed transaction?

18 A. With that clarification, I don't recall.

19 Q. You're not aware of any request by the
20 companies to impose such a cap, correct?

21 A. I don't know. I don't know if they are.
22 I don't know if they're not.

23 Q. The same with an over-recovery with the
24 model being reliable, did the EDU team ever propose a
25 minimum floor on the over-recoveries that would be

1 guaranteed by FES?

2 A. I don't recall that being any discussion
3 point with the FES team.

4 Q. Does it make economic sense from the EDU
5 side to request such a cap?

6 MR. ALEXANDER: Objection. Calls for
7 speculation. Mr. Lisowski was on the FES team, not
8 EDU team.

9 EXAMINER PRICE: Sustained.

10 Q. (By Mr. Settineri) In your role,
11 Mr. Lisowski, on the FES team, was your role to
12 ensure that the proposed transaction made economic
13 sense to FES?

14 A. Generally speaking, that's correct.

15 Q. If the rate of return was lowered to a
16 percentage point less than 11.51 percent, do you
17 think the proposed transaction still makes economic
18 sense for FES?

19 THE WITNESS: Can I have that read back?

20 (Record read.)

21 MR. ALEXANDER: Objection. The term
22 sheets are not before the Commission, only rider RRS
23 is before the Commission at this point; therefore, it
24 is beyond the scope of Mr. Lisowski's testimony.

25 MR. SETTINERI: Your Honor, if I may.

1 EXAMINER PRICE: You may.

2 MR. SETTINERI: That objection, I believe
3 it doesn't apply here. It's outside the scope of
4 direct examination and cross and is allowed as to
5 what's relevant and credibility.

6 EXAMINER PRICE: But the proposed
7 transaction is not in front of us, that's the
8 difficulty.

9 MR. SETTINERI: Okay. Let me rephrase my
10 question, sir.

11 EXAMINER PRICE: Let me ask a question
12 then, then you can rephrase yours.

13 MR. SETTINERI: Okay.

14 EXAMINER PRICE: If the Commission were
15 to limit the rate of return on equity contribution to
16 what's being recovered by FirstEnergy, the operating
17 utility, by one point, the operating utilities can
18 recover no more than 10.15 percent, the equivalent
19 return on equity, FirstEnergy Solutions would be
20 indifferent to that; would it not?

21 THE WITNESS: Your Honor, I'm not here to
22 negotiate the terms of the contract.

23 EXAMINER PRICE: I'm not asking if you
24 are negotiating the terms of the contract. I'm
25 asking whether you would be economically indifferent

1 if we limited the recovery of the operating units?

2 MR. ALEXANDER: Objection. Mr. Lisowski
3 is also testifying here on behalf of the companies as
4 stated in his direct testimony. His earlier question
5 was with regard to the FES team. Right now your
6 question is to the companies.

7 EXAMINER PRICE: That's a good point.
8 I'll break my question up. As a member of the FES
9 team, FES would be indifferent economically if the
10 Commission limited the recovery of the utilities?

11 THE WITNESS: Well, I don't know. And
12 the reason for that is I haven't run my projections
13 using the lower ROE, so I don't know what that means
14 to FES and whether FES would still be willing to do
15 this transaction. I just don't know.

16 EXAMINER PRICE: I'm not sure what you
17 mean, but that's okay.

18 Mr. Settineri?

19 Q. (By Mr. Settineri) Based on your last
20 answer, Mr. Lisowski, am I correct the return on
21 equity was not a negotiated term in the term sheet?

22 A. In the meetings I attended, I don't
23 recall that specific item being discussed.

24 Q. Well, am I correct that if a lower return
25 on equity was presented by the EDU team, then you

1 would have run the calculations to see if it made
2 economic sense to FES?

3 A. Probably, probably.

4 Q. Are you familiar with Mr. Ruberto's
5 calculation of a net present value for the projected
6 under and over-recovery from the three plants that
7 are included in the attachment to his testimony?

8 A. If your meaning of the word "familiar
9 with" means did I take a look at his testimony, look
10 at his workpapers, make sure he took my numbers
11 correctly, I did do that.

12 Q. Do you know what the net present value
13 that is presented in his amended direct testimony is?

14 A. I don't have his testimony in front of
15 me. I don't recall what the net present value is. I
16 know the undiscounted number is in excess of
17 \$2 billion.

18 Q. Do you believe that the net present value
19 of the future under or over-recoveries is an
20 indicator of whether this transaction makes economic
21 sense to FES?

22 THE WITNESS: May I have the question
23 read back, please?

24 EXAMINER PRICE: You may.

25 (Question read.)

1 A. I think that is an indicator, and the
2 reason for that is FES is in a position with these
3 plants where these plants are questionable on whether
4 financially they're going to survive in the next
5 couple of years based on the next several years.

6 While the net present value is going to
7 show positive, the issue at hand is while FES, with
8 my belief, I would love to keep these plants around
9 for 15 years to get all that value, they may not be
10 in a financial position to continue to have earnings
11 losses and maybe cash associated with these plants in
12 the short term.

13 So while looking at that net present
14 value number and saying, well, does that make
15 economic sense to FES, I think it does make economic
16 sense to FES, given the reasons I just spoke of.

17 Q. And I'm sorry, your Honor, if I could
18 have the question reread to me, I'd appreciate it.

19 (Question and answer read.)

20 MR. SETTINERI: I'd like to move to
21 strike everything in that answer after the first time
22 he used the word "indicator".

23 MR. ALEXANDER: Your Honor, the net
24 present value is, as you're aware, takes a whole
25 series of future numbers and breaks it down to one

1 present number. And the witness was explaining why
2 that one present number today is not in and of itself
3 a full indicator and the timeframe is important. So
4 the entirety of his answer was going different times
5 which cost and revenues were being incurred and why
6 that would matter to FES's transaction.

7 EXAMINER PRICE: I think you asked a very
8 broad question, and he kind of bounced around a
9 little, but I think he was trying to answer your
10 question, so your motion to strike will be denied.

11 MR. SETTINERI: Okay.

12 EXAMINER PRICE: While we are on this
13 break, would it be a good time for a short break?

14 Let's go off the record.

15 (Discussion off record.)

16 EXAMINER PRICE: Back on the record.

17 Q. (By Mr. Settineri) Subject to check, if
18 you assume Mr. Ruberto's projection of net present
19 value is 770 million and then assume that the net
20 present value doubles to \$1.54 billion, would you
21 believe that the proposed transaction still makes
22 economic sense to FES at that point?

23 EXAMINER PRICE: Read the question back
24 again.

25 (Question read.)

1 A. Using your hypothetical and your use of
2 the net present value number, I believe you would
3 need to look at using the latter, 1.4 billion rough
4 number, what was the earnings of cash flow in the
5 near term associated with those plants. As I said in
6 my prior response, it's not just about the net
7 present value for 15 years, it's also what do these
8 plants look like over the next couple years.

9 Q. (By Mr. Settineri) And just looking
10 beyond, let's say, 2020, assuming there's an
11 over-recovery throughout those years, would you agree
12 with me that as that net present value and that
13 over-recovery increases, that this transaction may
14 make less economic sense to FES?

15 A. Can I have that question read back,
16 please?

17 EXAMINER PRICE: You may.

18 (Question read.)

19 A. Sir, when you say over-recovery, you mean
20 that the revenues are in excess of the expenses,
21 so --

22 Q. Correct.

23 A. I want to make sure we are on the same
24 page. Thank you.

25 I would say if the plants are expected to

1 have significantly over-recovery over the next
2 several years and that number just continues, FES
3 would be in a lower or lesser position to want to do
4 this type of transaction.

5 Q. Okay. And assume then that the
6 under-recovery stays as is going forward, and if an
7 over-recovery increases in the out years, the net
8 present value increases obviously, would that also
9 make this transaction be of less economic sense for
10 FES?

11 A. A key aspect of that that would in my
12 opinion decide whether it is or isn't is what do
13 those cash flows and earnings look like over the next
14 couple years. You have very, very high value in
15 those last couple years that make the net present
16 value look very, very good, but at the end of the
17 day, it still may be FES not having an ability to
18 contain or withstand earnings losses and negative
19 cash flow in the near term.

20 Q. I guess what I'm getting at, though, is
21 assume, as listed in Mr. Ruberto's testimony, we show
22 an under-recovery, 2016, '17 and '18, assume that for
23 me. The over-recovery years start in 2019. If the
24 over-recovery increases throughout that term, you
25 would agree that would increase the net present value

1 calculation that he's presented, correct?

2 A. That's correct.

3 Q. Okay. As that net present value
4 increases, would you agree with me that the proposed
5 transaction may make less economic sense for FES?

6 A. No, I would not agree with that for the
7 many reasons I've talked about because the issue at
8 hand with FES and these plants are the next several
9 years and whether FES can continue -- has the ability
10 to continue to experience losses and negative cash
11 flow for those plants. To me, it's those next few
12 years is what is critical for FES in how they look at
13 these plants, not what it looks like it's going to be
14 15 years from now.

15 EXAMINER PRICE: I'm going to interpret
16 you. Let's say the next several years passes and
17 you're through your critical years, doesn't FES have
18 the incentive then to seek to renegotiate the
19 contract since you're through your danger zone and
20 it's only downside from that point on?

21 THE WITNESS: I don't believe that FES
22 has that ability based on the term sheet.

23 EXAMINER PRICE: You don't believe --
24 they don't have the ability to even propose to seek
25 to renegotiate the contract? Where does it say that

1 in the term sheet?

2 THE WITNESS: I guess my review of the
3 term sheet, which I do believe speaks for itself, is
4 that FES could not get out of the contract early.
5 You asked me could they try to renegotiate it?

6 EXAMINER PRICE: Sure. I mean -- Let me
7 interrupt you, because let's be clear, the proposed
8 transaction is not before the Commission for review;
9 is that right?

10 THE WITNESS: That's my understanding.

11 EXAMINER PRICE: So FES would not need to
12 seek the Commission's permission to renegotiate those
13 transactions. It would simply be a negotiation
14 between FES and the companies; isn't that right?

15 MR. ALEXANDER: Your Honor, objection.
16 Mr. Lisowski is not a lawyer. He may not know if
17 there are legal options that may or may not be
18 available.

19 EXAMINER PRICE: I asked him actually
20 whether they had economic incentive to renegotiate.
21 He response was I don't believe that we can. So if
22 he would like to respond to my economic question and
23 leave the legalities to the lawyers, I'm happy with
24 that too. Let's go back to the original question.
25 Once you are through your critical years, assuming

1 your projections are 100 percent accurate, won't FES
2 have an economic incentive to renegotiate the
3 contract?

4 THE WITNESS: I'm sure FES would want to
5 do that. I just don't know if they have the ability
6 because of the fact that the companies would have to
7 agree to that.

8 EXAMINER PRICE: I understand that, but
9 you would agree the Commission would not have to
10 agree to that because the proposed transaction was
11 apparently not jurisdictional to the Commission?

12 THE WITNESS: That's where I'm not an
13 attorney, so I don't know if I have an opinion on
14 that.

15 EXAMINER PRICE: Fair enough.

16 Mr. Settineri.

17 Q. (By Mr. Settineri) Mr. Lisowski, I
18 believe you earlier, if you recall, had questions for
19 in regards to cash on hand. And if I recall
20 properly, I believe you indicated that cash on hand
21 for FES was approximately just slightly north of
22 \$500 million; do you recall that?

23 A. I do.

24 Q. Okay. Can that cash -- Let me rephrase
25 that. Are you familiar with the level of

1 under-recovery that Mr. Ruberto has projected based
2 on using your model results in his direct testimony?

3 A. No, I don't recall that.

4 Q. Subject to check, 2016 NPV under-recovery
5 155 million, 2017, NPV under-recovery 167 million,
6 and NPV 2018 of 82 million.

7 MR. ALEXANDER: Objection.

8 Q. If you can assume that for me, sir, I
9 appreciate it. And my question to you, with that
10 assumption, subject to check, that totals
11 \$404 million. Could FES rely on its cash on hand to
12 offset any under-recoveries in the near term?

13 EXAMINER PRICE: Don't answer that. Your
14 counsel has had a pending objection. Grounds?

15 MR. ALEXANDER: The witness testified
16 he's not familiar with Mr. Ruberto's projections, so
17 if counsel would like to rephrase the question and
18 ask the question with the hypothetical number only
19 without reference to Mr. Ruberto, maybe we could
20 proceed that way.

21 EXAMINER PRICE: Mr. Settineri?

22 MR. SETTINERI: Sure.

23 Q. (By Mr. Settineri) Assume for me,
24 Mr. Lisowski, that there will be an under-recovery in
25 the proposed transaction in 2016 of \$155 million,

1 there will be an under-recovery in the proposed
2 transaction in 2017 of \$167 million and that there
3 will be an under-recovery in 2018 of 82 .

4 Subject to check, that totals
5 404 million. Would you agree with me that FES could
6 utilize its cash on hand to offset any under-recovery
7 in those three years?

8 A. First, I don't have a calculator in front
9 of me, so I don't want to make a mistake with the
10 math. I don't want try to do the math here on the
11 spot or anything like that.

12 I will say regarding that, that each of
13 FES's power plants financially needs to stand on its
14 own, each and every one of them. FES needs -- is not
15 going to just take the total number. There may be
16 other things that the number you provided me, sir,
17 was as December 31 of 2014. We are sitting here nine
18 months later and I don't recall what the balance
19 sheet looks like currently.

20 Q. That's not what I asked you, sir. I
21 believe I asked you simply could FES absorb -- use
22 its cash on hand to pay for any under-recoveries in
23 those three years?

24 A. I wouldn't agree with that assumption
25 because that is a cash number that was out there nine

1 months ago. I do not know what FES has currently in
2 terms of cash on hand.

3 Q. We'll assume it will have \$500 million
4 cash on hand at the end of this year. Could it apply
5 that cash on hand in 2016 to absorb an under-recovery
6 of \$155 million?

7 A. In that scenario, that would leave
8 essentially no liquidity on hand at that point in
9 time which would severely weaken FES's balance sheet.
10 So I believe some of that cash could not be used to
11 offset.

12 Q. There's no prohibition against using that
13 cash on hand to offset any under-recovery, correct?

14 A. From a -- my opinion would be from a
15 prudent financial perspective, a company needs to
16 have liquidity on hand and is not going to deplete
17 its cash reserves.

18 Q. But, again, it's possible those cash
19 reserves could be used to offset the under-recovery
20 in 2016?

21 MR. ALEXANDER: Objection, asked and
22 answered.

23 EXAMINER PRICE: Sustained.

24 MR. SETTINERI: Okay.

25 Just one moment, your Honor, please.

1 EXAMINER PRICE: Okay.

2 Q. (By Mr. Settineri) Let me ask you a
3 question here. Just assume if FES were to invest a
4 billion dollars to retrofit a coal plant to a gas
5 plant and did so with long-term debt and interest
6 rate of 7 percent, would that financing impact the
7 debt rate that is used to calculate the rates for the
8 RRS?

9 MR. OLIKER: Could I ask for
10 clarification?

11 EXAMINER PRICE: No.

12 MR. ALEXANDER: And your microphone went
13 out.

14 EXAMINER PRICE: First let's go and
15 reread that question.

16 (Question read.)

17 MR. ALEXANDER: Objection to the
18 incomplete hypothetical.

19 EXAMINER PRICE: How is it incomplete?

20 MR. ALEXANDER: The hypothetical assumes
21 \$1 billion restructuring and does not provide the
22 year. I'm sorry, your Honor, did you want me to go
23 on?

24 EXAMINER PRICE: Yes, I'm listening.

25 MR. ALEXANDER: The hypothetical assumes

1 a \$1 billion capital restructure and doesn't define a
2 year. The hypothetical assumes that dollars will be
3 spent but didn't say where those dollars would come
4 from. The hypothetical asks, okay, assume the
5 dollars come from somewhere, how would that spending
6 affect the long term debt rate which implies that the
7 spending of that capital would, in fact, affect the
8 long-term debt rate.

9 Here the witness has been very clear as
10 to what goes into each of those characterizations is
11 so I'm not sure what is gained going through the
12 incomplete hypothetical or the speculative
13 refurbishing of Sammis from coal to gas.

14 EXAMINER PRICE: Sustained.

15 MR. SETTINERI: No further questions at
16 this time, your Honor.

17 EXAMINER PRICE: Thank you.

18 Mr. Dougherty?

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Dougherty:

22 Q. Good afternoon. My name is Trent
23 Dougherty and I'm representing Ohio Environmental
24 Council and Environmental Defense Fund. Hopefully I
25 have a very brief set of questions for you, but I

1 need to go back a little bit. Your title is
2 assistant controller of FES/FEG. Is that close
3 enough to your title?

4 A. That's correct.

5 Q. And on page 1 of your testimony, you lay
6 out your responsibilities under that role as being
7 responsible for all accounting and financial
8 reporting related to matters associated with FES, its
9 generation plants and generation business budgeting,
10 correct?

11 A. That's correct.

12 Q. And by its generation plants, so we're
13 talking about the Sammis coal plant, Davis-Besse
14 nuclear plant that we've been talking about, correct?

15 A. That's correct, among the rest of FES's
16 plants as well.

17 Q. That's my next question. What other
18 plants are under your purview -- excuse me, what
19 general plants are under your purview?

20 A. It would be all power plants that FES,
21 Allegheny Energy Supply, LLC and Monongahela Power
22 Company.

23 EXAMINER PRICE: How many power plants is
24 that?

25 THE WITNESS: It's a lot. I have to

1 write them down. I don't want to make a mistake.
2 It's three nuclear plants, a total of four units.
3 There are two supercritical coal plants under
4 Monongahela Power. There's a large number of smaller
5 hydro assets that are also regulated.

6 Under FES, we have got two additional
7 super criticals other than the plants here. For
8 Allegheny Energy Supply, there's a gas plant and a
9 coal plant.

10 EXAMINER PRICE: Thank you. Thank you
11 Mr. Dougherty.

12 Q. (By Mr. Dougherty) I think we got all of
13 that list, but just for a couple of specific
14 examples, would one of those be the Bruce Mansfield
15 plant?

16 A. Yes.

17 Q. And would one of those nuclear plants be
18 the Perry nuclear power plant?

19 A. Yes.

20 Q. And you mentioned there are a number of
21 others that we could look into, but I'll just stop
22 right there on particular examples, but for those
23 power plants, those generation power plants, as well
24 as these other generation power plants that are under
25 your purview, do those power plants like Davis-Besse

1 and Sammis routinely provide internal cost
2 projections -- excuse me. Are internal cost
3 projections done for each of these plants?

4 A. Yes.

5 Q. And those are done I believe as you say
6 in your testimony, they are kept in the regular
7 course of operations of the plants?

8 A. In the normal activities of FES, correct.

9 Q. Okay. And the same can be said for
10 dispatch modeling that's done for each of these
11 plants?

12 A. That's correct.

13 Q. And these -- each of these dispatch
14 modeling and cost -- and cost projections that were
15 done for and have been done for all of the plants,
16 generation plants, under your purview, did you use
17 those cost projections in comparing the cost
18 projections -- excuse me, strike that.

19 Let's go back to a question that was
20 asked just earlier, you were part of the team to
21 develop the proposed transaction; is that correct?

22 A. No, I wasn't involved in that aspect.

23 Q. Not in the development. Were you
24 involved in the negotiations of the proposed
25 transaction?

1 A. I was on the FES team that was
2 negotiating the term sheet.

3 Q. And when you were negotiating that term
4 sheet, did you compare the -- any of the costs or
5 revenue projections for the other FES plants,
6 generation plants under your purview with those of --
7 that you had done for Davis-Besse and Sammis?

8 A. I was never a part of any discussions
9 related to the other power plants and that was never
10 a discussion item at least for the meetings I
11 attended between the FES and the EDU team.

12 Q. So no modeling was done utilizing those
13 documents for the other power plants and any
14 forecasting that was done by either witness Rose or
15 someone else to develop the model that you speak of
16 in your testimony for Sammis and Davis-Besse?

17 MR. ALEXANDER: Can that question be
18 re-read?

19 (Question read.)

20 Q. (By Mr. Dougherty) Was there forecasting
21 done for those other power plants that was used for
22 those negotiations?

23 A. No.

24 Q. Did anyone on the EDU team ask you or any
25 other member of the FES team for any cost or revenue

1 projections for the other plants in the fleet?

2 A. No one asked me. I can't speak for
3 others on the FES team.

4 Q. And under the proposed transaction or
5 under the draft term sheet as we have been talking
6 about, is there a requirement on FES to update the
7 model under the life of the power purchase agreement?

8 A. May I have that question read back,
9 please?

10 EXAMINER PRICE: You may.

11 (Question read.)

12 A. I'm not aware of that being a specific
13 provision in the term sheet.

14 Q. If the companies at any point in time
15 requested an updated model or updated forecast, could
16 that be completed for them under this power purchase
17 agreement?

18 A. Just to clarify your question, you're
19 asking could the model be rerun again during the term
20 of the PPA at any time for the companies?

21 Q. Correct.

22 A. Thank you. While it's not a requirement
23 under the term sheet, my personal opinion would be is
24 that FES would do that for the companies if they
25 needed it.

1 Q. Thank you. One more -- or maybe one or
2 two more questions here. Do you know whether the
3 capacity projections for the Sammis model considered
4 parasitic load for the Sammis plant?

5 A. Could you define what you mean by
6 "parasitic load"?

7 Q. The electricity generated that is used
8 for, let's say, for example, you know, the other --
9 other parts of the plant not necessarily going
10 towards electric generation to be, you know,
11 delivered elsewhere, essentially used for the
12 environmental retrofit equipment or any other
13 equipment for the power plant.

14 A. Thank you for that clarification. I do
15 recall a similar question of this nature in my
16 deposition. I believe I said I did not know. I did
17 go back and confirm the model that it is the net
18 generation, the net megawatt-hours and capacity that
19 goes to the grid, net of any station use is what is
20 being forecasted using my dispatch model. So I think
21 the short answer to your question is yes.

22 Q. Is yes. That would be the same -- I
23 think I asked under the Sammis -- for the Sammis
24 plant. Would that also be the case for the OVEC
25 units as well; do you know?

1 Q. Yes, we do have an assumption in there
2 for OVEC, and it's a net generation number, not a
3 gross generation number. Same thing for Davis-Besse
4 as well.

5 MR. DOUGHERTY: That's all I have for the
6 public session.

7 EXAMINER PRICE: Thank you.

8 Mr. McNamee.

9 CROSS-EXAMINATION

10 By Mr. McNamee:

11 Q. Good afternoon.

12 A. Good afternoon.

13 Q. Does FirstEnergy Solutions have a
14 protocol or process for determining when and whether
15 to close a power plant?

16 A. I'm not aware of a formal process that
17 FES has to follow like a document or something like
18 that. I'm not aware of something like that if that's
19 your question.

20 Q. That was my question. Have you been
21 involved in any of the companies' consideration of
22 whether to close power plants or not?

23 A. I was never involved -- I've never been
24 involved, I should say, in the actual decision making
25 of closing the power plants. I have provided

1 financial information to both FES and FE Generation's
2 executive management teams in leadership related to
3 plants that ultimately did close.

4 Q. Okay. Have you provided that sort of
5 information for the plants involved in this case?

6 A. Yes, I have provided a number of
7 financial information relating to these plants to
8 both FES and FE Generation leaders.

9 Q. Okay. The sorts of analyses that would
10 be used to make a determination as to whether to keep
11 the plants open or close them?

12 A. My opinion, there are a number of factors
13 that would go into the decision of closing a plant.
14 I think the financial aspect is one of them. I've
15 provided financial information related to these
16 plants to those decision makers.

17 (CONFIDENTIAL PORTION EXCERPTED.)
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(END OF CONFIDENTIAL.)

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Q. Okay. In responding to some questions from Mr. Settineri, you referred to losses being experienced. Do you remember that?

13

A. I do.

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Q. Okay. In that answer, by losses, you indicated -- or you meant, I believe, that these plants have a positive return but that return is too low to be fully compensatory to the company; is that correct?

19

A. No, that's not correct at all.

20

Q. Okay. Then explain to me what you meant.

21

22

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A. Sure. I believe Mr. Moul's supplemental testimony lays this out in much greater detail including the exact numbers. His numbers do show that going back since 2009, these plants have experienced significant earnings losses with no

1 assumption for any type of return on its investment,
2 no return on equity and, in fact, no interest costs
3 associated with those plants.

4 MR. McNAMEE: That's it. Thank you.

5 EXAMINER PRICE: Are you familiar with
6 the balance sheets of all the plants that you have
7 described to me earlier?

8 THE WITNESS: We don't do full
9 consolidated balance sheets, but if you are talking
10 like the net book value?

11 EXAMINER PRICE: No, what I'm saying is
12 just very simply, you're familiar with the financial
13 situation of these various power plants; is that
14 correct?

15 THE WITNESS: I am.

16 EXAMINER PRICE: Do you believe that
17 these two plants are the most likely to close in the
18 FES fleet in the event that this transaction does not
19 go forward?

20 THE WITNESS: I haven't done a
21 comparative analysis looking at every single plant
22 compared to these two. I would say these two plants,
23 though, do have a financial need and these two plants
24 are both at risk.

25 EXAMINER PRICE: If we do the proposed

1 transaction, they'll no longer be at risk; is that
2 right? If the proposed transaction moves forward,
3 they will no longer be at risk?

4 THE WITNESS: I believe that to be
5 correct, and I believe the term sheet does have some
6 provisions that protect the customers that in the
7 event of something very, very unusual happens,
8 there's parameters for that, but generally speaking,
9 that I believe to be accurate.

10 EXAMINER PRICE: But is it the case then
11 that two more plants will now be the most likely to
12 close in the fleet? If these go to the end of the
13 line, there will be two more that are at the top of
14 the line; isn't that true?

15 THE WITNESS: I don't know that for a
16 fact. Like I said, I don't recall exactly the
17 financials.

18 EXAMINER PRICE: Are there any other
19 plants operated by FES that are in financial need?
20 Are there any other plants that have financial need?

21 THE WITNESS: I think there's many, many
22 plants that are in financial need right now based on
23 the low energy prices that we're seeing, so the short
24 answer to that is yes.

25 EXAMINER PRICE: FES plants?

1 A. FES 34R56RBG9S your other plants.

2 EXAMINER PRICE: Okay. Thank you.

3 I just have one more question if you be
4 answer it publicly say you can't answer it publicly I
5 can do I confidentially, if you can't answer it at I
6 understand. It is odd question I can't find answer
7 to O on the record anywhere.

8 Using Mr. Rosies projections -- give you
9 some background. You indicated thee should be
10 credits in the amount over time of \$2 billion to
11 customers; is that correct.

12 THE WITNESS: That's correct.

13 EXAMINER PRICE: And so my question is
14 out of what? If Mr. Rose's projections are correct,
15 do you know the total electric expenditure for all
16 the customers in the FE service territories over the
17 next 15 years.

18 A. I don't know the answer to that question.

19 EXAMINER PRICE: Fair enough. Do you
20 know if anybody knows the answer to that question.

21 THE WITNESS: I don't know.

22 EXAMINER PRICE: Do you know who would be
23 the next proper person to ask if you don't know it to
24 be true?

25 THE WITNESS: I don't know. I could

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1 think about it get back to you tomorrow if you like.

2 EXAMINER PRICE: You don't have to. I'll
3 just keep asking a few witnesses until I get the
4 answer I'm looking for.

5 THE WITNESS: I would think maybe
6 somewhere more in the rate design aspect of this
7 case.

8 EXAMINER PRICE: At this time we will
9 take a 15-minute recess. When we come back, we will
10 go into the confidential session.

11 Thank you. We are off the record.

12 (Recess taken.)

13 (CONFIDENTIAL PORTION.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Thursday, September 10,
2015, and carefully compared with my original
stenographic notes.

Rosemary F. Anderson, Registered
Professional Reporter.

- - -

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Case No(s). 14-1297-EL-SSO

Summary: Transcript In the Matter of the application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company hearing held on 09/10/15 - Volume VIII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Anderson, Rosemary Foster Mrs.