

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 10:00 a.m. on
Monday, September 21, 2015.

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VOLUME XV

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1 Monday Morning Session,

2 September 21, 2015.

3 - - -

4 EXAMINER CHILES: Let's go ahead and go
5 on the record.

6 The Public Utilities Commission of Ohio
7 has called for hearing at this time and place Case
8 No. 14-1297-EL-SSO being In the Matter of the
9 Application of Ohio Edison Company, the Cleveland
10 Electric Illuminating Company and The Toledo Edison
11 Company for Authority to Provide a Standard Service
12 Offer pursuant to RC 4928.143 in the Form of an
13 Electric Security Plan.

14 My name is Mandy's Chiles, and with me is
15 Megan Addison, and we are the Attorney Examiners
16 assigned by the Commission to hear this case.

17 Let's go ahead and take abbreviated
18 appearances this morning.

19 MR. BURK: On behalf of the companies,
20 your Honor, James W. Burk, Carrie M. Dunn, 76 South
21 Main Street, Akron, Ohio. Also on behalf of the
22 companies, James Lang and Trevor Alexander of the
23 Calfee law firm and David Kutik of the Jones Day law
24 firm.

25 EXAMINER CHILES: Thank you.

1 MR. SAUER: Good morning. On behalf of
2 the residential customers of the FirstEnergy
3 Comapnies, the Office of the Ohio Consumers' Counsel,
4 Larry Sauer, Kevin Moore, Ajay Kumar, Maureen Grady,
5 and William Michael. Thank you.

6 MS. COHN: Good morning. On behalf of
7 the Ohio Energy Group, Michael Kurtz, Kurt Boehm, and
8 Jody Kyler Cohn.

9 MR. LINDGREN: On behalf of the Ohio
10 Attorney General mike DeWine by Thomas Lindgren,
11 Thomas McNamee, and Steve Beeler, Assistant Attorneys
12 General.

13 MR. STINSON: On behalf of the Northeast
14 Ohio Public Energy Council, Power for Schools, Ohio
15 Schools Council, the firm of Bricker & Eckler, LLP,
16 by Glenn Krassen, Dane Stinson, and Dylan Borchers.

17 MR. FISK: Good morning, your Honors. On
18 behalf of the Sierra Club, Shannon Fisk and Michael
19 Soules.

20 MS. FLEISHER: Good morning, your Honors.
21 On behalf of the Environmental Law & Policy Center,
22 Madeline Fleisher.

23 MS. BOJKO: Good morning, your Honor. On
24 behalf of the Ohio Manufacturers' Association Energy
25 Group, Kim W. Bojko, Rebecca L. Hussey, from the law

1 firm of Carpenter, Lipps & Leland.

2 MR. PETRICOFF: Good morning, your Honor.
3 On behalf of the Retail Energy Supply Association,
4 the Electric Power Supply Association, PJM Power
5 Providers, Exelon Generation, and Constellation
6 NewEnergy, Howard Petricoff, Gretchen Petrucci, and
7 Mike Settineri.

8 MR. DOUGHERTY: Good morning, your
9 Honors. On behalf of the Ohio Environmental Defense
10 Council, Trent Dougherty and John Finnigan.

11 MR. HAYS: Good morning. Tom Hays on
12 behalf of NOAC and the Individual Communities.

13 EXAMINER CHILES: Thank you.

14 MR. DARR: On behalf of the Industrial
15 Energy Users, Frank Darr, Sam Randazzo, and Matt
16 Pritchard.

17 EXAMINER CHILES: Okay. I think that's
18 everyone.

19 Are the companies ready to proceed?

20 MR. ALEXANDER: Yes, your Honor. The
21 companies call Sarah Murley.

22 (Witness sworn.)

23 EXAMINER CHILES: Thank you. You may be
24 seated.

25 - - -

1 SARAH MURLEY BRAMMER

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

4 DIRECT EXAMINATION

5 By Mr. Alexander:

6 Q. Good morning, Ms. Murley. Could you
7 please state your name and business address for the
8 record.

9 A. Sarah Murley Brammer, Applied Economics,
10 11209 North Tatum Boulevard, Suite 225, Phoenix,
11 Arizona 85028.

12 Q. And Ms. Murley, did you prepare prefiled
13 direct testimony in this proceeding?

14 A. Yes.

15 Q. Did you also prepare supplemental
16 prefiled direct testimony in this proceeding?

17 A. Yes.

18 MR. ALEXANDER: Your Honor, we have
19 provided the court reporters with copies of
20 Ms. Murley's prefiled and supplemental direct
21 testimonies, which have been marked for
22 identification as Companies Exhibits 35 and 36.

23 (EXHIBITS MARKED FOR IDENTIFICATION.)

24 Q. Ms. Murley, do you have copies of your
25 prefiled direct testimony in front of you today?

1 A. Yes.

2 Q. And do you have any changes or
3 corrections to your prefiled direct testimony?

4 A. Yes. The amount of property tax paid by
5 Davis-Besse shown on page 10 of SM-2 should have also
6 appeared in Attachment 1 of SM-2.

7 Q. Do you have any other changes or
8 corrections?

9 A. No.

10 Q. And if I asked you the same questions
11 today as appear in your prefiled testimony, would
12 your answers be the same?

13 A. Yes.

14 MR. ALEXANDER: Your Honor, the companies
15 move for the admission of Companies Exhibit 35 and 36
16 and the witness is available for cross-examination.

17 EXAMINER CHILES: Thank you. Your
18 motions are noted for the record, but we will rule on
19 those after we are finished with testimony for this
20 witness.

21 Do I have any volunteers for cross?

22 Mr. Fisk.

23 MS. BOJKO: Your Honor, before we get
24 started, could I understand more specifically where
25 the update in Ms. Murley's testimony is on her SM-2

1 exhibit?

2 EXAMINER CHILES: Sure.

3 Ms. Murley, would you mind repeating your
4 update.

5 THE WITNESS: Sure. There is an amount,
6 \$6.3 million of property tax paid by Davis-Besse that
7 is noted in the text of page 10 of SM-2 that was
8 inadvertently omitted from Attachment 1 at the end of
9 SM-2.

10 MR. STINSON: Is there a line reference?

11 THE WITNESS: The last full line of the
12 first paragraph on page 10.

13 MR. ALEXANDER: And, your Honor, if I am
14 able to clarify this, Attachment 1 contains the
15 assumptions provided by the companies and, so the
16 amount of property tax paid for 2014 was provided by
17 the companies. It was listed on page 10 of this
18 attachment but it was not listed on Attachment 1 as
19 an assumption provided by the companies. So she's
20 now identifying it as an assumption provided by the
21 companies.

22 MS. BOJKO: Your Honor, may I respond or
23 inquire further for clarification?

24 EXAMINER CHILES: Sure.

25 MS. BOJKO: So you're stating you would

1 just go to Attachment 1 and under the -- you would
2 add a whole new line under the chart that talks about
3 the property tax issue?

4 MR. ALEXANDER: That's correct.

5 MS. BOJKO: Okay. Thank you for that
6 clarification.

7 MS. FLEISHER: Sorry. Just to clarify
8 further, is that SM-2 for the original direct
9 testimony?

10 MR. ALEXANDER: That's correct.

11 EXAMINER CHILES: Okay.

12 MS. BOJKO: And the amount again, your
13 Honor, was 6 --

14 EXAMINER CHILES: Would you mind
15 restating the amount one more time?

16 THE WITNESS: \$6.3 million.

17 MS. BOJKO: Your Honor, I think the
18 confusion is I don't -- I think it's on page 9 of her
19 direct testimony. Did she say page 10?

20 MR. ALEXANDER: Page 10 of SM-2.

21 MS. BOJKO: Oh, in the report. Thank
22 you. It's page 9 of her direct testimony. Thank you
23 for that clarification.

24 EXAMINER CHILES: Is everyone clear?
25 Okay. Thank you very much. All right, Mr. Fisk.

1 MR. FISK: Thank you, your Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Fisk:

5 Q. Good morning, Ms. Murley.

6 A. Good morning.

7 Q. How are you doing today?

8 A. Fine, thank you.

9 Q. So you first became involved in this
10 proceeding in July, 2014; is that right?

11 A. Yes.

12 Q. Okay. And with regards to your
13 involvement in this proceeding, you were initially
14 contacted by Sharon Noewer; is that right?

15 A. Yes.

16 Q. Okay. And you've also spoken with Scott
17 Casto about this proceeding?

18 A. Yes.

19 Q. Okay. And you've also communicated with
20 Mark Hayden regarding this proceeding, correct?

21 A. Yes.

22 Q. Okay. And you don't recall speaking with
23 anyone who is employed by Cleveland Electric
24 Illuminating Company, correct?

25 A. Correct.

1 Q. And, similarly, you don't recall speaking
2 with anyone who is employed by Ohio Edison?

3 A. Correct. But I understand that the
4 companies were acting on behalf of the applicants.

5 Q. Okay. And you do not recall speaking
6 with anyone who is employed by Toledo Edison
7 regarding this proceeding, correct?

8 A. Correct.

9 Q. Okay. And your direct testimony in this
10 proceeding sets forth the results of an analysis that
11 you performed of the economic impacts and revenue
12 impacts of the operation of the Sammis and
13 Davis-Besse plants; is that right?

14 A. Yes.

15 Q. Okay. And just so I can make sure we are
16 all on the same page here, you have two attachments
17 to your direct testimony, is that right, SM-1 and 2?

18 A. Yes.

19 Q. And SM-1 is the economic and revenue
20 impacts analysis for Sammis; is that right?

21 A. Yes.

22 Q. Okay. And SM-2 is the economic and
23 revenue impacts analysis for Davis-Besse?

24 A. Yes.

25 Q. Okay. And then the results of those two

1 analyses are summarized and discussed in your direct
2 testimony?

3 A. Yes.

4 Q. Okay. And then you also filed
5 supplemental direct testimony; is that right?

6 A. Yes.

7 Q. Okay. And the supplemental direct
8 testimony has an Attachment SM-1 that is -- is it an
9 updated economic and revenue impact of the Sammis
10 plant?

11 A. Yes.

12 Q. Okay. And Attachment SM-2 is the updated
13 economic and revenue impacts of Davis-Besse?

14 A. Yes.

15 Q. Okay. Okay. And then also with your
16 supplemental testimony you have an Attachment SM-3
17 that's the economic and revenue impacts of closing
18 the Sammis plant?

19 A. Yes.

20 Q. Okay. And SM-4, that is the economic and
21 revenue impacts of closing Davis-Besse?

22 A. Yes.

23 Q. Okay. In your economic impacts analysis
24 you estimate the increase in private sector jobs,
25 payroll, and economic activity resulting from the

1 Sammis and Davis-Besse plants; is that right?

2 A. Yes.

3 Q. Okay. And then a revenue impact analysis
4 estimates the total state and local tax revenues paid
5 by the Sammis and Davis-Besse plants directly, and
6 also indirectly, the taxes paid by employees of those
7 plants?

8 A. Yes.

9 Q. Okay. And in your supplemental direct
10 testimony, your updated analyses, those use the same
11 methodology as you used in your initial direct
12 testimony, correct?

13 A. Yes.

14 Q. Okay. And so in doing the supplemental
15 analyses, you simply used more recent inputs and
16 multipliers; is that right?

17 A. Yes.

18 Q. Okay. So outside of the inputs and
19 multipliers, the analyses in your supplemental
20 testimony regarding economic impacts are the same as
21 in your direct testimony?

22 A. Yes. The approach was the same.

23 Q. Okay, okay. And you had previously
24 carried out an analysis of the economic impacts and
25 revenue impacts of the Sammis plant in June of 2014,

1 right?

2 A. Yes.

3 Q. Okay. And you had also previously
4 carried out an analysis of the economic impacts and
5 revenue impacts of the Davis-Besse plant in November
6 of 2014; is that right?

7 A. Yes.

8 Q. Okay. And those previous analyses were
9 carried out for FirstEnergy Service Company; is that
10 right?

11 A. Yes, for the economic development
12 department.

13 Q. Okay. And outside of the analyses you've
14 done in the Sammis plant, you have never carried out
15 an economic impact analysis for a coal-fired power
16 plant, right?

17 A. That's correct.

18 Q. And outside of the analysis that you've
19 done for Davis-Besse, you've never carried out an
20 economic impact analysis for a nuclear power plant;
21 is that right?

22 A. No. I have analyzed other nuclear power
23 plants.

24 Q. Wait. Which ones?

25 A. Another power plant, the Palo Verde

1 nuclear power plant.

2 Q. Any others?

3 A. Not other nuclear plants. I have looked
4 at other generation facilities.

5 Q. Okay. You've done analyses of natural
6 gas plants, correct?

7 A. That's correct.

8 Q. Okay. And so if you were -- and when you
9 have evaluated the economic impacts of a natural gas
10 plant, would you do a similar type analysis as you
11 did here for Sammis?

12 A. Yes, I would use a similar approach.

13 Q. Okay. Okay. And if you could turn to
14 your direct testimony, page 5, on line 17, you state
15 that "Sammis creates a total economic impact
16 of \$585.6 million in the regional economy each year."
17 Do you see that?

18 A. Yes, I see that.

19 Q. And that is the number -- that's the
20 bottom line number that comes out of Attachment SM-1;
21 is that right?

22 A. Yes.

23 Q. Okay. And if you turn over to page 6 of
24 your direct testimony, at the very top of the page
25 there's a table. Do you see that?

1 A. Yes, I see that.

2 Q. Okay. And that table identifies Direct,
3 Indirect, and Induced economic impacts of the Sammis
4 plant; is that right?

5 A. Yes.

6 Q. Okay. And under each of those headers,
7 Direct, Indirect, and Induced, there is an output
8 figure; is that right?

9 A. Yes.

10 Q. Okay. And if you add up those three
11 output figures, you get the \$585.6 million figure we
12 just discussed?

13 A. Yes.

14 Q. Okay. So looking first at the direct
15 output, am I correct that figure is the total of the
16 wages of the people that work in the Sammis plant,
17 the costs of the inputs needed to produce power at
18 the plant, and profits from the plant; is that right?

19 A. Yes, that's the IMPLAN definition of
20 output.

21 Q. Okay, okay. And so essentially that
22 output figure is the -- it's an estimated cost of
23 producing power at the plant?

24 A. It's the estimated value of power
25 produced, yes.

1 Q. Okay. But it's estimated based on the
2 cost of production, not the revenue acquired by
3 selling that power into the market, correct?

4 A. Yes.

5 Q. Okay. And do you know if the value of
6 selling power into the market from the Sammis plant
7 for the year you analyzed was \$502 million?

8 A. I didn't compare that output to the
9 revenues for that time period.

10 Q. Okay. Okay. And I believe you just
11 testified that the IMPLAN model in calculating direct
12 output includes profits; is that right?

13 A. Yes, that's part of the definition of
14 what's included in output.

15 Q. Okay. And do you know what level of
16 profits for the Sammis plant were included in that
17 output figure?

18 A. No. I don't have the breakdown of those
19 particular components and how they are included in
20 output.

21 Q. Okay. Do you know if the -- do you know
22 if the IMPLAN model did include a positive value for
23 profits?

24 A. I assume there was a positive assumption
25 about profits. I understand that they vary over

1 time.

2 Q. Okay. And do you know if whatever
3 assumption for profits included in the IMPLAN model
4 is consistent with the level of profits the Sammis
5 plant actually generated?

6 A. No. I relied on the IMPLAN assumptions
7 about what is typical for that industry in that
8 geography --

9 Q. Okay.

10 A. -- which is generally the way that impact
11 analysis is done.

12 Q. Okay. And the inputs for the Sammis
13 plant that are reflected in the direct output figure,
14 that would include the cost of the coal burned at the
15 plant; is that right?

16 A. Yes.

17 Q. Okay. And am I right that output figure
18 in terms of the costs of the supplies needed to
19 produce power at the plant, those are all -- that
20 figure comes from assumptions in the IMPLAN model
21 itself, right?

22 MR. ALEXANDER: Could I have that
23 question reread, please?

24 EXAMINER CHILES: You may.

25 (Record read.)

1 MR. ALEXANDER: Objection as to form.

2 EXAMINER CHILES: Would you mind
3 rephrasing?

4 MR. FISK: I can restate, sure.

5 Q. (By Mr. Fisk) Okay. The direct output
6 figure identified on page 6 of your testimony, that
7 is calculated using IMPLAN model assumptions for
8 electric utility generation in the region, correct?

9 A. Yes.

10 Q. Okay. And so, for example, the IMPLAN
11 model would have an assumption about the cost of coal
12 that would be burned at the Sammis plant; is that
13 right?

14 A. Yes.

15 Q. Okay. And so the direct output figure
16 for the Sammis plant identified in your testimony is
17 not based on the actual costs of coal burned at the
18 Sammis plant, right?

19 A. No. I relied on IMPLAN assumptions about
20 the purchase of coal and all other inputs, which is
21 generally the way the impact analysis is done.

22 Q. Okay. And you did not have information
23 on the actual costs of coal burned at the Sammis
24 plant when you did your analysis, right?

25 A. No, I didn't question that because I was

1 going to rely on the IMPLAN assumptions.

2 Q. Okay. And you didn't do anything to
3 evaluate whether the IMPLAN assumption about the coal
4 costs at Sammis were consistent with actual coal
5 costs at Sammis; is that right?

6 A. It wouldn't have been appropriate to
7 adjust just one input and not other inputs.

8 Q. Okay. So you did not do that assessment,
9 correct?

10 A. That's correct. The production
11 assumption that's inherent in those multipliers
12 relies on a certain balance of inputs, and it would
13 not be appropriate to adjust one input and not other
14 inputs.

15 Q. Okay. And I believe you testified a few
16 minutes ago the direct output also includes the wages
17 of the people working in the Sammis plant; is that
18 right?

19 A. Yes, as a cost of producing electricity.

20 Q. Okay. And did you include the actual
21 wages of employees at the Sammis plant in your
22 analysis?

23 A. Yes, I did.

24 Q. Okay. So you did adjust -- well, would
25 the IMPLAN model have assumptions regarding the wages

1 of employees at a power plant?

2 A. Information about personal income, which
3 is the way wages are referred to in IMPLAN, is
4 required as an input.

5 Q. Okay. So IMPLAN requires, for
6 calculating direct output from the plant, IMPLAN
7 requires that you input wages, correct?

8 A. Right, or some assumption about wages.
9 But, yes, some information about wages.

10 Q. Okay. But then for other costs of
11 producing power at the plant it's all assumptions
12 built in that model?

13 A. Yes. Because wages are also explicitly
14 shown as the personal income impacts.

15 Q. Okay. And would you agree that if coal
16 for the Sammis plant were purchased outside of Ohio,
17 the actual coal purchase would not have a direct
18 economic benefit to Ohio?

19 A. Not necessarily because the coal purchase
20 would not, but the coal still needs to be transported
21 to the plant where it's used, and so if that
22 transportation was provided by a company in Ohio,
23 there would be an impact of the transportation.

24 Q. Okay. But the purchase itself would not
25 be a benefit to Ohio, correct?

1 A. Correct.

2 Q. Okay. And the transportation would be a
3 benefit to Ohio only if there was actually an
4 Ohio-based company doing that transportation, right?

5 A. Yes.

6 Q. The IMPLAN model makes assumptions
7 regarding where supplies are purchased for a
8 particular economic activity, correct?

9 A. That's correct.

10 Q. Okay. And you use those assumptions in
11 your economic impact analysis for Sammis?

12 A. Yes, because I purchased data to create
13 the multipliers that was specific to the geography I
14 was looking at, and those assumptions are inherent in
15 those multipliers.

16 Q. Okay. And you do not know what specific
17 assumptions were made in your IMPLAN modeling
18 regarding where the coal for the Sammis plant is
19 purchased, right?

20 A. That's correct. I relied on the IMPLAN
21 assumptions.

22 Q. Okay. And you didn't adjust your numbers
23 in any way to reflect the actual sourcing of coal for
24 the Sammis plant; is that right?

25 A. That's correct.

1 Q. Okay. And at the time you did your
2 analysis, you didn't have any specific information
3 about where coal for the Sammis plant was purchased,
4 correct?

5 A. No, I didn't request specific information
6 about purchases because it's very difficult to get
7 that information in a format that is needed for all
8 the purchases for the plant.

9 Q. And if you go back to page 6 of your
10 direct testimony -- actually give me one second.

11 Before we do that, if you could turn to
12 page 4 of your supplemental testimony, and there's a
13 Figure 1 there. Do you see that?

14 A. The graph?

15 Q. Yes.

16 A. Yes.

17 Q. Okay. And it says "Annual Direct and
18 Total Operations Impacts of W.H. Sammis Plant." Do
19 you see that?

20 A. Yes.

21 Q. Okay. And there's a direct output figure
22 for the Sammis region listed there. Do you see that?

23 A. Yes.

24 Q. Okay. And that direct output figure was
25 derived in the same way that as direct output figure

1 reported for the Sammis plant in your direct
2 testimony?

3 A. Yes, based on personal income, which is
4 different in the supplemental testimony.

5 Q. Okay. But in terms of all my questions I
6 just asked about the assumptions in the IMPLAN model,
7 your answers regarding that figure in your
8 supplemental testimony would be the same?

9 A. Yes.

10 Q. Okay. Okay. If you could go back to
11 your direct testimony, page 6, the table up at the
12 top, there's a column headed "Indirect (Supplier)
13 Impacts." Do you see that?

14 A. Yes.

15 Q. And those figures refer to jobs and other
16 economic output created through the supply purchases
17 that are assumed to occur within the geographic
18 region being studied; is that right?

19 A. Correct, whereas direct output includes
20 all purchases, wherever they were made, that were
21 part of the cost of producing the good.

22 Q. Okay. Okay. And in Exhibit SM-1, to
23 your direct testimony, page 5, Figure 2 -- let me
24 know when you are there.

25 A. Yes.

1 Q. Okay. Figure 2 is identified as "Typical
2 Local Supplier Purchases"; is that correct?

3 A. Yes.

4 Q. Okay. And so this Figure 2 lists types
5 of local supplier purchases typically made by
6 electric generation facilities; is that right?

7 A. Yes, based on the IMPLAN assumptions.

8 Q. Okay. And so IMPLAN assumes various --
9 for the various types of purchases identified in
10 Figure 2, some portion of those are made in the
11 geographic region being studied?

12 A. Not necessarily. These are just, in
13 general, the kinds of purchases that would be made.

14 Q. Okay. So to go from those purchases to
15 the indirect supplier impact figures identified on
16 page 6 of your testimony --

17 A. Yes.

18 Q. -- the indirect supplier impacts are the
19 portion of the purchases identified in Figure 2 that
20 are made in the geographic region, correct?

21 A. Yes. And the indirect output also
22 includes suppliers to the suppliers.

23 Q. Includes what?

24 A. Suppliers to suppliers within the local
25 area so each of those suppliers also have local

1 suppliers so that iteration is also included.

2 Q. Okay. Okay. So, for example, Figure 2
3 identifies legal services as one type of purchase,
4 correct?

5 A. Yes.

6 Q. Okay. So if the Sammis plant purchases
7 legal services, the IMPLAN model assumes some portion
8 of those are done in the geographic region?

9 A. I would assume so, yes.

10 Q. Okay. And then the IMPLAN model could
11 also assume that those legal services might, in turn,
12 purchase additional services for Sammis; is that
13 right?

14 A. So those legal services that Sammis is
15 purchasing, those law firms may also have -- they
16 make purchases also of various things, and those are
17 included in the indirect impacts.

18 Q. Okay. And with regards to all of the
19 typical supplier purchases identified in Figure 2 of
20 Exhibit SM-1, you did not have any data on what
21 portion of Sammis's supplies were actually purchased
22 in the geographic area you analyzed, correct?

23 A. No. It's a standard methodology to rely
24 on the IMPLAN assumptions about those suppliers.

25 Q. Okay. And you did not evaluate whether

1 the IMPLAN model assumptions regarding those
2 suppliers are consistent with the purchases for the
3 Sammis plant in actual practice, correct?

4 A. No; because there is a lot of difficulty
5 with getting data about where exactly purchases were
6 made versus where, for example, invoices were sent
7 and also difficulties with figuring out what exact
8 type of company purchases were made for a product
9 purchased from a manufacturer or from a wholesaler or
10 from a retailer, for example. So it's very difficult
11 to get the right data to be able to do that.

12 Q. Okay. And if you turn to page 3 of
13 Exhibit SM-1 --

14 MR. ALEXANDER: Your Honor, for clarity
15 of the record, you are referring to SM-1 of her
16 direct testimony?

17 MR. FISK: Yes, thank you.

18 Q. This page has a Figure 1. It says
19 "Summary of Results." Do you see that?

20 A. Yes.

21 Q. Okay. And just to make sure we are clear
22 on the record, this is for the Sammis plant?

23 A. Yes.

24 Q. Okay. And down at the bottom of Figure
25 1, it says, "Regional impacts include the following

1 counties," and then there's seven counties listed; is
2 that right?

3 A. Yes.

4 Q. And three of those counties are outside
5 of Ohio, correct?

6 A. That's correct.

7 Q. Okay. So in terms of the economic
8 impacts you are identifying in your analysis for the
9 Sammis plant, those impacts -- some of those impacts
10 are outside of the State of Ohio?

11 A. Yes, although in my supplemental
12 testimony we did look at impacts for the State of
13 Ohio.

14 Q. Okay. But with regards to your initial
15 testimony, would you agree the data on indirect
16 supplier impacts can't be used to determine what the
17 indirect economic impacts of the Sammis plant are for
18 just Ohio?

19 MR. ALEXANDER: Could I have that
20 question read, please?

21 EXAMINER CHILES: You may.

22 (Record read.)

23 A. The impacts shown here would potentially
24 include supplier purchases in those other non-Ohio
25 counties.

1 Q. Okay. So I'm correct, you couldn't use
2 that figure to estimate just the impacts in Ohio,
3 correct?

4 A. It would not be possible to break out
5 just Ohio from the data we have here.

6 Q. Okay. And if you go to the top of page 6
7 of your direct testimony again, the, I guess, the
8 third category of impacts you've identified here are
9 "Induced (Employee) Impacts." Do you see that?

10 A. Yes.

11 Q. Okay. And am I correct that's the
12 economic activity and jobs created as a result of
13 employees spending?

14 A. Yes, direct employees and supplier
15 employees.

16 Q. Okay. And if you turn to Attachment SM-1
17 to your direct testimony, page 6, Figure 3 --

18 A. Yes.

19 Q. -- 17 percent of the employees of Sammis
20 live outside of Ohio; is that right?

21 A. Yes.

22 Q. Okay. And so at least some of the
23 induced impacts for Sammis that were identified at
24 the top of page 6 of your direct testimony would be
25 in states other than Ohio; is that right?

1 A. Yes.

2 Q. Okay. And you would have to do a new
3 modeling run to determine how much of the induced
4 impacts is actually beneficial to counties in Ohio
5 versus other states; is that right?

6 A. Yes. And we did include statewide Ohio
7 impacts in the supplemental testimony.

8 Q. Okay. And in your supplemental testimony
9 page 5, line 11, that is where you begin a discussion
10 about economic impacts if the Sammis plant were to
11 retire; is that right?

12 A. Yes.

13 Q. Okay. And am I generally correct that
14 analysis is similar to the analysis of the economic
15 impact of the operation of Sammis?

16 A. Yes. We're just looking at reductions in
17 the employment and payroll over time.

18 Q. But in terms of -- okay. Actually, if
19 you could turn to page 6 of your supplemental
20 testimony, Figure 2 at the bottom of the page.

21 A. Yes.

22 Q. And so you have a direct output figure;
23 is that right?

24 A. In Figure 2?

25 Q. Yes.

1 A. Yes.

2 Q. And that figure is, again, created
3 through the IMPLAN model and the assumptions within
4 that model?

5 A. Yes.

6 Q. Okay. And, similarly, the indirect
7 supplier impacts are created through the IMPLAN model
8 and the assumptions in that model?

9 A. Yes, using the multipliers.

10 Q. So the questions I asked about your
11 evaluation of direct and indirect impacts of the
12 Sammis plant from your direct testimony, the answers
13 would be the same in terms of what assumptions were
14 used and whether you had changed any of those
15 assumptions?

16 A. Yes.

17 Q. Okay. And you did not evaluate whether
18 the Sammis plant would close if the Commission were
19 to deny the companies' application in this
20 proceeding, correct?

21 A. That's correct.

22 Q. Okay. And you are not offering any
23 opinion on that matter?

24 A. That's correct.

25 Q. Okay. And no one at FirstEnergy told you

1 that the Sammis plant would retire if the companies'
2 application were denied; is that right?

3 A. That's correct.

4 Q. Okay. And no one at FirstEnergy told you
5 that the Davis-Besse plant would retire if the
6 companies' application were denied; is that right?

7 A. That's correct.

8 Q. Okay. And would you agree that spending
9 on transmission system upgrades would create economic
10 impact?

11 A. Yes. It would create probably one-time
12 impacts.

13 Q. Okay. And you could evaluate the
14 economic impacts of such transmission systems
15 spending using IMPLAN; is that right?

16 A. Yes.

17 Q. Okay. You did not evaluate the economic
18 impacts of any transmission system upgrades that
19 might be needed if the Sammis plant were to be
20 retired; is that right?

21 A. That's correct.

22 Q. Okay. And you did not evaluate the
23 economic impacts of any transmission system upgrades
24 that might be needed if the Davis-Besse plant were to
25 retire; is that right?

1 A. That's correct.

2 Q. Okay. So the estimates of economic
3 impacts of the retirement of the Sammis plant that
4 you are providing do not factor in any economic
5 impact of any transmission system upgrades that might
6 be needed to allow for such retirement; is that
7 right?

8 A. That's correct.

9 Q. Okay. And similarly with regards to
10 Davis-Besse; is that right?

11 A. That's correct.

12 Q. Okay. And would you agree that if the
13 Sammis plant were to be retired, replacement power
14 would need to be obtained from other energy sources?

15 MR. ALEXANDER: Objection, beyond the
16 scope of this witness's testimony and expertise.

17 EXAMINER CHILES: Mr. Fisk, response?

18 MR. FISK: I'm just trying to -- to the
19 extent she knows, I am trying to get a sense if there
20 are other costs.

21 EXAMINER CHILES: Overruled. She can
22 answer if she holds such an opinion.

23 Would you like the question restated?

24 THE WITNESS: Yes, please.

25 EXAMINER CHILES: Would you please reread

1 the question.

2 (Record read.)

3 A. I'm not familiar enough with the workings
4 of the electrical grid to comment on that.

5 Q. Okay. If there were a need to build new
6 generation in response to the retirement of, say, the
7 Sammis plant, would you agree that that new
8 generation would have an economic impact?

9 A. Yes. But it's unlikely that those new
10 plants would be built in the same location as the
11 existing plants were retired.

12 Q. Okay. Those economic impacts could be
13 evaluated through the IMPLAN model; is that right?

14 A. Yes.

15 Q. Okay. And you did not evaluate the
16 economic impacts of any new generation that might be
17 needed if the Sammis plant were to retire; is that
18 right?

19 A. That's correct because I didn't know
20 when, where, or if that generation would be needed.

21 Q. Okay. So your estimates of the economic
22 impacts of the retirement of the Sammis plant do not
23 factor in any economic impacts of replacing the power
24 from Sammis; is that right?

25 A. That's correct.

1 Q. Okay. And is it the same with regards to
2 Davis-Besse?

3 A. Yes. And those new power plants would
4 not likely have impacts in the local areas where the
5 current plants are.

6 Q. Okay. But you have not evaluated where
7 any replacement power for Sammis might come from;
8 correct?

9 A. That's correct.

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

12 EXAMINER CHILES: She already answered it
13 so we will just continue on.

14 MR. FISK: Okay.

15 Q. All right. And are you aware of the
16 phrase "opportunity costs"?

17 A. Yes.

18 Q. Okay. And am I correct that generally
19 opportunity costs means if you are giving up spending
20 on activity A in order to spend on activity B,
21 there's an opportunity cost to doing activity B
22 because you couldn't do activity A?

23 A. Yes.

24 Q. Okay. So if people were spending money
25 on electricity from one source, that is money they

1 couldn't spending on some other economic activity,
2 right?

3 A. Yes.

4 Q. And so that potential other economic
5 activity would be the opportunity cost of spending
6 the money on the electricity; is that right?

7 A. Yes.

8 Q. Okay. And your IMPLAN analyses in this
9 proceeding do not factor in opportunity costs in any
10 way, correct?

11 A. Correct. Those are related to
12 cost/benefit analysis.

13 Q. Okay. And so you were not presented a
14 cost/benefit analysis in this proceeding, right?

15 A. That's correct.

16 Q. Okay. And you have not presented any
17 sort of economic impact analysis for the OVEC plants;
18 is that right?

19 A. That's correct.

20 MR. FISK: Okay. Your Honor, may I have
21 two minutes?

22 EXAMINER CHILES: You may.

23 MR. FISK: Thanks.

24 (Off the record.)

25 MR. FISK: I have nothing further on the

1 public.

2 EXAMINER CHILES: Thank you, Mr. Fisk.

3 Any volunteers to go next?

4 MS. FLEISHER: I'll go.

5 EXAMINER CHILES: Ms. Fleisher, thank
6 you.

7 - - -

8 CROSS-EXAMINATION

9 By Ms. Fleisher:

10 Q. Ms. Murley, I am Madeline Fleisher
11 representing the Environmental Law & Policy Center.

12 So can you go to the supplemental SM-2 on
13 page 3.

14 A. Yes.

15 Q. Okay. And do you see there it shows 342
16 direct employees; is that correct?

17 A. Do you have a line reference?

18 Q. It's in Figure 1. I'm sorry, yes, I did
19 say page 3. Oh, page 3 of SM-1. I misspoke.

20 A. Yes.

21 Q. Okay. Is it correct it says 342 direct
22 employees there?

23 A. Yes.

24 Q. Okay. And can you turn to page 6 of
25 SM-1.

1 A. Yes.

2 Q. And there at the bottom of Figure 3 it
3 lists a total of 396 employees; is that correct?

4 A. Yes.

5 Q. Can you tell me if one of those is a typo
6 or why there is a difference between the two?

7 A. I'm not able to explain that difference,
8 but the 342 number was provided to me by FirstEnergy,
9 and I would assume that to be the correct number of
10 FirstEnergy employees.

11 Q. Okay. And so if you would look at
12 Attachment 1 to SM-1, it's correct?

13 A. Yes.

14 Q. That lists 342 employees?

15 A. Yes.

16 Q. Okay. Thank you. And can you go to SM-1
17 at page 6.

18 A. Yes.

19 Q. Okay. And is it correct that on Figure 4
20 the -- it lists \$24,625,212 of employee -- direct
21 employee and contractor spending for the Sammis
22 region?

23 A. Yes.

24 Q. Is it correct that it lists the same
25 amount of direct employee and contractor spending for

1 the state of Ohio?

2 A. That's the amount they spend. It doesn't
3 include a multiplier effect.

4 Q. Okay. I'm just trying to figure out,
5 does that mean that IMPLAN assumes that all of the
6 spending, the direct employee and contractor spending
7 in the Sammis region occurred in the State of Ohio?

8 A. The amount of employee and contractor
9 spending there is less than the total wages of the
10 employees and contractors.

11 Q. Okay. So when it lists the \$24,625,212
12 for the Sammis region, does that not include all of
13 the employee and contractor spending in the Sammis
14 region?

15 A. Yes, it does.

16 Q. Okay. And, I guess, to pose the same
17 question, does the \$24,625,212 for the state of Ohio,
18 does that include all of the direct employee and
19 contractor spending in the State of Ohio?

20 A. I could have assumed that they would
21 spend more outside of the region, but in this case I
22 kept those numbers the same to have a more
23 conservative estimate.

24 Q. Okay. And does that number include some
25 spending that's outside of Ohio?

1 A. No. Really this is mostly probably spent
2 in the local region, but I am using the same
3 assumption on direct spending for the state.

4 Q. But it includes some spending in Brooke
5 County, West Virginia; Hancock, West Virginia; and
6 Beaver County, Pennsylvania?

7 A. Yes.

8 Q. Okay. And can you go to SM-1 on page 7?

9 A. Yes.

10 Q. And for the direct output is it correct
11 that for the Sammis region it's 535.88 million?

12 A. Yes.

13 Q. And could that include some impacts
14 outside of Ohio?

15 A. It includes the value of production at
16 the plant which is located in Ohio, so by default all
17 of that direct output occurs in Ohio.

18 Q. Is it correct that the Sammis region
19 includes counties outside of Ohio?

20 A. Yes, so the indirect impacts could
21 include purchases made outside of Ohio.

22 Q. And for the direct output I believe you
23 testified that includes an assumption for profit,
24 correct?

25 A. Yes, by definition.

1 Q. Okay. And do you know who that profit
2 goes to?

3 A. No. It doesn't matter in terms of the
4 definition of output.

5 Q. Okay. Could some portion of that profit
6 go to FirstEnergy Solutions' shareholders?

7 A. I suppose. It's not relevant to the
8 definition of output, though.

9 Q. Okay. Could FirstEnergy shareholders be
10 located outside of Ohio -- FirstEnergy Solutions
11 shareholders be located outside of Ohio?

12 A. I really don't know.

13 Q. And I believe you testified the direct
14 output number is based on assumptions in IMPLAN,
15 correct?

16 A. Yes.

17 Q. Okay. And are those assumptions generic
18 for all coal plants, or is there a differentiation
19 among, say, coal plants of different sizes?

20 A. The output assumptions are proportional
21 to the amount of payroll, jobs at the plant.

22 Q. Okay. So when you say that the cost of
23 inputs is based on an assumption from IMPLAN, is that
24 assumption applied to, say, the capacity of the plant
25 to give you an absolute value for the cost of inputs?

1 MR. ALEXANDER: Could I have that
2 question read, please?

3 EXAMINER CHILES: You may.

4 MR. ALEXANDER: I'm sorry, could I have
5 that read again, please.

6 EXAMINER CHILES: You may.

7 (Record read.)

8 MR. ALEXANDER: Objection as to form.
9 It's confusing.

10 EXAMINER CHILES: Ms. Fleisher, would you
11 mind breaking the question down?

12 MS. FLEISHER: No problem. I would be
13 happy to do so.

14 Q. (By Ms. Fleisher) I believe you said cost
15 of input is an element of direct output, correct?

16 A. Yes.

17 Q. And so does IMPLAN include an assumption
18 for cost of inputs that's an absolute dollar figure,
19 or is it a multiplier?

20 A. It's a multiplier.

21 Q. Okay. And what is that multiplier
22 applied to?

23 A. Direct output, which is calculated based
24 on personal income.

25 Q. So the multiplier is applied to the

1 personal income figure provided by the companies; is
2 that correct?

3 A. So there are a series of multipliers,
4 direct, indirect, and induced for jobs, income, and
5 output. But all of the multipliers are actually in
6 terms of per million dollars of output. That's just
7 the way they come out of the IMPLAN model. So in
8 order to estimate direct output, I take the direct
9 personal income multiplier, which is dollars of
10 personal income, per million dollars of output, and I
11 multiply it by direct personal income, which gives
12 me -- I'm sorry -- divide, which gives me direct
13 output, and then I use direct output as the basis for
14 calculating the indirect and induced impacts because
15 all the multipliers are based on direct output.

16 Q. Okay. So to make sure I'm clear -- and I
17 think it's helpful to work with actual numbers. So
18 in Figure 5 of Supplemental SM-1, you would take the
19 personal income value of \$47.92 million, and IMPLAN
20 would apply some assumptions to that to give you a
21 value for the cost of inputs for the plant?

22 A. Not exactly. So I would take the direct
23 personal income, and I would apply a multiplier in
24 order to estimate direct output, and then I would
25 apply the other indirect and induced multipliers to

1 direct output.

2 Q. Okay. So direct output includes --
3 includes the cost of inputs, but there is never any
4 point where you sit down and calculate "here is a
5 number for cost of inputs"; is that correct?

6 A. That's correct, in estimating direct
7 output, yes.

8 Q. Okay. And, now, can you go to Attachment
9 SM-2 to your supplemental testimony at page 2.

10 A. Did you say page 2?

11 Q. Yes. And on the bullet point in "Jobs
12 and Income," it indicates there that Davis-Besse
13 indirectly creates approximately 950 additional jobs;
14 is that correct?

15 A. Yes, that's what it says.

16 Q. And can you go to Attachment SM-2 to your
17 direct testimony, also on page 2?

18 A. Yes.

19 Q. And there in the "Jobs and Income" bullet
20 point the report indicates that Davis-Besse
21 indirectly creates 1,200 jobs; is that correct?

22 A. That's what it says, yes.

23 Q. Okay. And is the difference between
24 those numbers a result of the -- of a change of the
25 IMPLAN model assumptions?

1 A. It is the result of both the change in
2 the inputs and also a change in the IMPLAN model
3 assumptions. We used the most current multiplier in
4 the supplemental testimony, but also the most current
5 IMPLAN model provides more detail on different types
6 of generation facilities, and so we were using really
7 a different industry multiplier than was available
8 when I submitted my original testimony.

9 Q. Okay. Would you say that the updated
10 IMPLAN assumptions are likely to be more accurate?

11 A. Yes, because they are more specific to
12 that type of plant.

13 Q. Okay. And when you refer to this being
14 the result of a change in inputs as well, you are
15 referring to a change in the personal income input
16 provided to you by the companies?

17 A. Yes.

18 Q. Okay. And in terms of the scope of your
19 report, is it correct that you didn't analyze any
20 economic impact that would result from replacing
21 Davis-Besse and Sammis with cheaper electricity?

22 A. I did not look at the impacts of
23 constructing other plants.

24 Q. I guess I'm asking a different question,
25 which is if as a result -- assuming that as a result

1 of the retirement of Davis-Besse and Sammis, the
2 retail price of electricity in Ohio were to decrease.
3 You did not look at potential economic impacts from
4 that, did you?

5 A. No, I did not look at the costs or
6 benefits of changes in electricity prices.

7 Q. Okay. And you are offering no opinion as
8 to how electricity prices might change if Sammis or
9 Davis-Besse were to retire?

10 A. That's correct.

11 Q. And I believe you said that you had done
12 a previous November, 2013, economic impact analysis
13 for Davis-Besse; is that correct?

14 A. Yes.

15 MS. FLEISHER: May I approach, your
16 Honors?

17 EXAMINER CHILES: You may.

18 MS. FLEISHER: I think we are on ELPC 16,
19 although someone please correct me if I'm wrong.

20 EXAMINER CHILES: So marked.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 MS. FLEISHER: And for the record this is
23 Sierra Club Set 7-RPD-112, plus Attachment 1 to that
24 request.

25 MR. ALEXANDER: Counsel, for clarity of

1 the record, my copy also seems to have two pages or
2 several pages labeled "Attachment 2."

3 MS. FLEISHER: Let me just -- we may be
4 able to -- yeah. Let's go ahead and include that, so
5 Attachment 2 as well.

6 Q. (By Ms. Fleisher) Ms. Murley, just take a
7 second and look at these, and let me know when you're
8 done.

9 A. I'm ready to proceed.

10 Q. Sure. So Attachment 1, is that the
11 November, 2013, report you prepared regarding
12 Davis-Besse?

13 A. Yes.

14 Q. And for Attachment 2 is that a June,
15 2014, report you prepared regarding Sammis?

16 A. Yes.

17 MS. FLEISHER: That's all I have, your
18 Honors.

19 EXAMINER CHILES: Thank you.

20 Any volunteers to go next. Ms. Bojko?

21 MS. BOJKO: Go ahead.

22 EXAMINER CHILES: Mr. Petricoff.

23 MR. PETRICOFF: I will give her an extra
24 minute or two.

25 EXAMINER CHILES: Would you please use

1 your microphone, please. Thank you.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Petricoff:

5 Q. Good morning. Can you hear me now?

6 A. Yes.

7 Q. Okay. I have got a couple -- I am Howard
8 Petricoff, and I represent a number of independent
9 power producers and marketers.

10 First I would like to get a couple of
11 facts from you, if you know them offhand. For your
12 direct testimony, do you recall when you prepared the
13 original studies both for Sammis and for Davis-Besse?

14 A. I know when I finished them based on the
15 dates. I don't know the exact date that I started.

16 Q. Oh, finished is fine. What's the date
17 that you finished the two studies on -- this is for
18 your direct testimony.

19 A. Oh, for my direct testimony. I finished
20 them in July of 2014.

21 Q. Okay. And then for your supplemental
22 testimony, when did you finish those studies?

23 A. In May of 2015.

24 Q. And now, if you would, I would like you
25 to get two pages out of your testimony. I would like

1 you to look at Attachment 1 for the Sammis plant,
2 input data on page 11 of the original report that
3 went with the direct testimony. And then if you
4 would, I would like you to compare that with page 10
5 of the attachment in the supplemental testimony, and
6 that should also be Sammis plant input data.

7 A. Could you repeat that?

8 Q. Sure. I want you to look at the -- this
9 would be the Attachment 1 to your report that went
10 with the direct testimony on page 11, and then there
11 is a corresponding chart on attachment -- this would
12 be on page 11 of Attachment 1, but in the
13 supplemental so you should have two charts, one that
14 says "Attachment 1 Sammis Plant Input data" and it
15 starts with the first column is "2013 Regular
16 Employees."

17 And then if you look at the Attachment 1
18 in the supplemental testimony, first column it is
19 "2015 Regular Employees."

20 A. Yes.

21 Q. Okay. Got both handy?

22 A. Yes.

23 Q. Now, from the discussion earlier today
24 and in the deposition, am I correct in assuming that
25 the IMPLAN model is a discrete model in which the

1 operator puts in defined variables and then gets a
2 result?

3 A. Yes, you put in specific inputs and then
4 get a result.

5 Q. So it's more akin to, like, TurboTax
6 where you don't write the program, you just put in
7 income and expenses and then you get a result back
8 from the program. Does IMPLAN work in a similar
9 fashion?

10 A. I would say that you can view information
11 in the model, but, yes, I suppose you put in inputs
12 and it provides you with outputs.

13 Q. So this is -- when you use the IMPLAN
14 model you are not writing formula in; you are putting
15 in variables in order to get a result?

16 A. That's correct.

17 Q. So when I look at -- let's look at the
18 Attachment 1, page 11, to your direct testimony. Are
19 these five items that I see on page 11, are those the
20 inputs that you put into the IMPLAN model for the
21 study for your direct testimony?

22 A. The property tax information was used in
23 the revenue impact and is not related to the IMPLAN
24 part of the analysis, but the other three variables
25 were used in calculating the economic impacts.

1 Q. Okay. And besides those other two
2 variables, was there any other variable that you put
3 into the implant model?

4 A. It's IMPLAN.

5 Q. IMPLAN, I'm sorry.

6 A. No. I had to make choices about what
7 industry I used and geography and that sort of thing.
8 Once I made those choices, these were my inputs.

9 Q. Okay. Now, let's look at the first input
10 for the 2013 regular employees. The listing was 396,
11 and then if you turn to the corresponding chart for
12 the supplemental testimony, it looks like it's 342.
13 Are those the two numbers you put into the reports?

14 A. Those numbers on those attachments are
15 correct, yes.

16 Q. Do you know why there was a drop of 54
17 employees?

18 MR. ALEXANDER: Objection. I think we
19 may be mixing apples and oranges here. Is counsel
20 referring to Ohio employees or overall plant
21 employees?

22 MR. PETRICOFF: I am just asking her
23 about the numbers on the chart, why there is a
24 54-person difference.

25 EXAMINER CHILES: Overruled.

1 Do you know?

2 Would you please like the question
3 reread?

4 THE WITNESS: Yes, please.

5 EXAMINER CHILES: Please read the
6 question.

7 (Record read.)

8 MR. ALEXANDER: And now objection as to
9 form in that are we referring to Attachment 1 for
10 earlier in Supplemental SM-1 where it gives the
11 employee data specifically?

12 MR. PETRICOFF: I will tell you what, let
13 me start over.

14 EXAMINER CHILES: Okay. Thank you,
15 Mr. Petricoff.

16 MR. PETRICOFF: I will withdraw it.

17 Q. (By Mr. Petricoff) You will agree with me
18 that what we see on Attachment 1, both for the direct
19 testimony and for the supplemental testimony, are the
20 inputs that you put into the IMPLAN model, correct?

21 A. Yes, those are included in those
22 attachments, along with property taxes.

23 Q. Right. And, now, looking at the first
24 column, which is "Regular Employees," I notice that
25 it's 396 in your direct testimony and that in

1 Attachment 1 of your supplemental testimony it's 342.
2 Can you explain to me the difference, the 54-employee
3 difference, between the two?

4 A. The 396 number is for 2013 and the 342
5 number is for 2015.

6 Q. So there was a drop of 54 employees.

7 A. Apparently.

8 Q. And you got these numbers from the --
9 from the company? These are not something that you
10 calculated or independently verified?

11 A. I calculated -- I'm sorry. I got these
12 numbers from the companies, and I looked at profiles
13 of the plants on line to verify whether they seemed
14 reasonable.

15 Q. Okay. And, now, let's move over to the
16 payroll factor, the second column on the Sammis plant
17 input data. Once again, this is a number that you
18 got from the company?

19 A. Yes.

20 Q. Now, there is a footnote, and it says,
21 "Excludes benefits and loadings." Can you explain
22 that to me?

23 A. That number strictly represents payroll
24 without benefits.

25 Q. Okay. And when I look at the Attachment

1 1, Sammis plant input in the supplemental testimony,
2 it has the same footnote. Were those both calculated
3 the same way?

4 A. Yes.

5 Q. Okay. And then the next column over is
6 the "Contractor Labor Cost." And those numbers
7 are -- those numbers were calculated in the -- well,
8 first of all, you received both those numbers from
9 the companies?

10 A. Yes.

11 Q. And did you make any changes or -- or did
12 you do anything to verify those numbers after you
13 received them?

14 A. I did not make any changes. There's no
15 secondary source available for me to verify that
16 information.

17 Q. Okay. Now, earlier you told me that you
18 had to select the right categories from the IMPLAN
19 for the power plant; is that correct?

20 A. The right industry categories, yes.

21 Q. And the industry category that you
22 selected was electric generation?

23 MR. ALEXANDER: Objection. Lack of
24 specificity as to which set of analyses are we
25 discussing, the original or the supplemental.

1 EXAMINER CHILES: Mr. Petricoff, would
2 you mind clarifying?

3 Q. Okay. Let's start with the original, the
4 one that is the basis for your direct testimony.

5 A. In that case I used an industry category
6 of electric power generation.

7 Q. Okay. Did that category distinguish
8 between fossil fuel and nonfossil fuel?

9 A. No. In that iteration of IMPLAN that
10 detail was not available.

11 Q. Now, let's switch to the model that you
12 used in your supplemental testimony. Was there a
13 different category -- did you use a different
14 category for the supplemental study?

15 A. There was a fossil fuel power generation
16 category available in the most current IMPLAN data
17 that I used in my supplemental testimony.

18 Q. Is the nuclear unit considered a fossil
19 fuel plant for purposes of the -- of the new -- the
20 new being the latest version of the IMPLAN that you
21 used?

22 A. No. I'm sorry, I thought we were talking
23 about Sammis. I used a nuclear power plant
24 multiplier for the Davis-Besse analysis in the
25 supplemental testimony.

1 Q. How about in the direct testimony?

2 A. In the direct testimony that distinction
3 was not available at that time, and so I used
4 electric power generation industry for both.

5 Q. Okay. If you turn to your direct
6 testimony, page 5, line 15, it indicates that in 2014
7 Sammis paid \$5.5 million in property tax. Do you see
8 that?

9 A. Yes, I see that.

10 Q. Okay. And then if you turn to your
11 supplemental study on page 3 --

12 A. Page 3 of the testimony?

13 Q. I said "study" and I should say your
14 testimony on page 3, line 17, it indicates that the
15 property tax was \$5.25 million. Do you know why the
16 property tax went down?

17 A. No. Those were actual numbers provided
18 to me by the companies for different years.

19 MR. PETRICOFF: Okay. I have no further
20 questions.

21 EXAMINER CHILES: Thank you,
22 Mr. Petricoff.

23 MR. ALEXANDER: Your Honor, would now be
24 a good time for a break?

25 EXAMINER CHILES: Sure, we can take a

1 break. Let's take a 10-minute break.

2 (Recess taken.)

3 EXAMINER CHILES: Go back on the record.

4 Ms. Bojko. Thank you.

5 - - -

6 CROSS-EXAMINATION

7 By Ms. Bojko:

8 Q. Still morning, good morning, Ms. Murley.
9 My name is Kim Bojko. I represent the Ohio
10 Manufacturers' Association.

11 It's my understanding that you were
12 contacted by Sharon Noewer of FirstEnergy Solutions
13 in order to present your testimony; is that correct?

14 MR. ALEXANDER: Objection. Assumes facts
15 not in evidence, particularly the employer of
16 Ms. Noewer.

17 EXAMINER CHILES: Sustained.

18 MS. BOJKO: I can back up. I thought
19 that's been pretty well established throughout the
20 whole three weeks, but I can ask her.

21 Q. Do you know whether Ms. Noewer is
22 employed by FirstEnergy Solutions?

23 A. I understood she was employed under the
24 umbrella of FirstEnergy but not specifically what
25 part.

1 Q. But you understood that nobody from the
2 three distribution utilities had contacted you; is
3 that correct?

4 A. Yes.

5 Q. And Ms. Noewer contacted you about
6 actually presenting testimony in July of 2014 in
7 front of the Commission; is that correct?

8 A. Yes.

9 Q. And the testimony was regarding the
10 closure of Sammis and Davis-Besse; is that correct?

11 A. No. I was asked to look at the economic
12 impacts of the operations of Sammis and Davis-Besse.

13 Q. Okay. And so you're not offering
14 testimony today about the OVEC operating units and
15 the economic impact of those; is that correct?

16 A. Yes, that's correct.

17 Q. And you did not analyze whether the two
18 plants, Sammis and Davis-Besse, would close or not.
19 You just assumed the impact of them operating or in
20 the updated, the impact of them not operating; is
21 that correct?

22 MR. ALEXANDER: Objection. Compound.
23 The first part I believe was asked and answered as
24 well but --

25 MS. BOJKO: That's why it's compound to

1 give some foundation to the question.

2 EXAMINER CHILES: Did you understand the
3 question as it was posed?

4 THE WITNESS: No. Could you repeat the
5 question?

6 EXAMINER CHILES: Could we have the
7 question reread.

8 MS. BOJKO: I can rephrase, your Honor.

9 EXAMINER CHILES: Okay. Thank you,
10 Ms. Bojko.

11 Q. (By Ms. Bojko) You didn't do an analysis
12 of whether Sammis would actually close or remain
13 operating; is that correct?

14 A. I did an analysis of what the impacts
15 would be if it remained operating and what the impact
16 would be of closure, but I didn't analyze whether it
17 would close.

18 Q. And let's talk first about July, 2014,
19 when you -- well, let's take a step back. You stated
20 to Mr. Fisk, I believe, you originally purchased your
21 modeling analysis in June of 2014; is that correct?

22 A. Are you referring to --

23 Q. For Sammis, yes.

24 A. Yes, that's correct.

25 Q. And it was November, 2013, for

1 Davis-Besse; is that correct?

2 A. Yes, that's correct.

3 Q. Okay. So when Ms. Noewer contacted you
4 in July of 2014, did she provide you the inputs for
5 the IMPLAN model to do the updated modeling and
6 analysis of both Sammis and Davis-Besse?

7 A. Yes. She provided me with the inputs.

8 Q. And those inputs are what you referenced
9 earlier today on Attachment 1 of both SM-1 and
10 Attachment 1 of SM-2; is that correct?

11 A. Are you referring to my direct testimony?

12 Q. Yes.

13 A. Yes, that's correct.

14 Q. And if we would turn to Attachment 1 of
15 Davis-Besse, SM-2 of your direct testimony.

16 A. Yes.

17 Q. You added this morning that you were
18 provided the real property taxes for Davis-Besse and
19 so you added that on Attachment 1; is that correct?

20 A. Yes.

21 Q. Did Ms. Noewer also provide you the
22 personal property taxes for Davis-Besse?

23 A. No. That was something I estimated.

24 Q. And you've stated today you did not
25 independently verify the accuracy of the data

1 provided by Ms. Noewer; is that correct?

2 A. That's correct. There would not have
3 been a secondary source to verify information about
4 employment and payroll at the plant.

5 Q. Well, you didn't actually look at
6 FirstEnergy Solutions' books regarding the operations
7 of Sammis or Davis-Besse; is that correct?

8 A. That's correct.

9 Q. I mean, that would have been a
10 secondary -- a secondary source of information; isn't
11 that correct?

12 MR. ALEXANDER: Objection. FirstEnergy
13 Solutions provided the numbers; and, therefore,
14 secondary source by definition would not have been
15 FirstEnergy Solutions that provided the numbers in
16 the first place.

17 MS. BOJKO: Well, the plants are owned by
18 FirstEnergy Solution, your Honor, so I guess I was
19 assuming that the owner of the generating units would
20 have the accounts of the generating plants.

21 EXAMINER CHILES: Was your question
22 more -- was your objection more about the use of the
23 phrase "secondary source"?

24 MR. ALEXANDER: Yes, your Honor.

25 EXAMINER CHILES: I am going to sustain

1 the objection.

2 Q. (By Ms. Bojko) Well, Ms. Murley, did you
3 review the accounting of the books associated with
4 the generating units to verify the numbers that were
5 provided to you?

6 A. No, I did not.

7 Q. Could we go to page 5 of your direct
8 testimony, please. On page 5 of your direct
9 testimony, you discuss indirect benefits of the
10 supplier business. Do you see that?

11 A. Can you give me a line reference?

12 Q. It's on lines 18 and 19 going into 20,
13 you are talking about the supplier businesses. Do
14 you see that on line 20?

15 A. I see on line 20 where it says "local
16 supplier businesses."

17 Q. Okay. And under your analysis is the
18 assumption that the supplier winning the contract has
19 its principal place of business located in Ohio?

20 A. The assumption is that the goods or
21 services is provided at a location in Ohio in the
22 case of the indirect impacts.

23 Q. So they don't have to have their
24 principal place of business in Ohio.

25 A. No.

1 Q. Did you, Ms. Murley, verify that the
2 supplier actually did have a service or a place in
3 Ohio, or you are just assuming that the businesses
4 supplied a service to the plants because they are
5 located in Ohio?

6 A. Neither. I used the IMPLAN assumptions
7 regarding the amount of purchases by type that could
8 be made within the specified geography, which in this
9 case for Sammis is the seven-county region
10 surrounding the plant.

11 Q. And do you know what the IMPLAN assumes
12 the percentage is for the services provided in Ohio?

13 A. There could be hundreds of different
14 purchases, and there are different percentages for
15 each.

16 Q. So are you suggesting that the IMPLAN
17 model doesn't have a set percentage for each type of
18 service?

19 A. I'm suggesting that it does have a
20 percentage for each type of good or service.

21 Q. Of the percentage of that type of service
22 that would come from Ohio or in the region, the
23 seven-county region.

24 A. Yes, the percentage that would come, in
25 this case, from the seven-county region.

1 Q. And just so we're clear, when you are
2 talking about seven-county region throughout today,
3 you are talking about three counties that are located
4 outside of Ohio; is that correct?

5 A. Yes, that's correct.

6 Q. So I think the answer to my original
7 question was you did not verify any of those services
8 and where they were resourced from; you just used the
9 IMPLAN model's assumptions; is that correct?

10 MR. ALEXANDER: Objection, asked and
11 answered to Mr. Fisk.

12 EXAMINER CHILES: Overruled.

13 THE WITNESS: Could you repeat the
14 question?

15 EXAMINER CHILES: Please repeat it.

16 (Record read.)

17 A. That's correct, because of the inherent
18 difficulties in getting the data and exactly
19 situations like you identified where there may be a
20 principal place of business in one location but the
21 good or service is produced in another location.

22 MS. BOJKO: Your Honor, I move to strike
23 everything after "that's correct."

24 MR. ALEXANDER: Your Honor, may I respond
25 to the motion?

1 EXAMINER CHILES: You may.

2 MR. ALEXANDER: The question itself I
3 believe was somewhat broad, and the witness was
4 differentiating her previous answer, which went over
5 the same ground, by talking about why it was
6 impossible to do what Ms. Bojko was suggesting.

7 EXAMINER CHILES: The motion to strike is
8 denied.

9 Q. (By Ms. Bojko) In the original modeling
10 that you did in July, 2014, you did not separate out
11 the impact of the Sammis plant on Ohio only; is that
12 correct?

13 A. That's correct. We did not look at
14 statewide impacts in the direct testimony, only in
15 the supplemental testimony.

16 Q. Well, in the supplemental testimony you
17 did not isolate the Ohio counties affected; you still
18 included the Pennsylvania and West Virginia counties;
19 isn't that correct?

20 A. In the region, yes, but separately we
21 looked at the impacts on the state of Ohio.

22 Q. And it's my understanding that the inputs
23 provided to you by Sharon Noewer were used to
24 calculate the outputs of the model; is that correct?

25 A. I was provided with inputs on jobs and

1 payroll, and I combined those with the multipliers to
2 estimate direct output along with all of the indirect
3 and induced impacts.

4 Q. So if those numbers change, as it appears
5 they did for your updated modeling, the outputs
6 correspondingly would change; is that correct?

7 A. By "those numbers" do you mean employment
8 and payroll?

9 Q. I mean the numbers that were provided by
10 FirstEnergy Solutions or FirstEnergy Corp.

11 A. I'm sorry, could you repeat the question?

12 Q. I'll rephrase. If the inputs change that
13 are provided by an employee at FirstEnergy Corp., I
14 believe you said it was Sharon Noewer, if those
15 inputs change, the outputs correspondingly change; is
16 that correct?

17 A. That's correct.

18 Q. The updates that were provided to you for
19 the updated testimony, who provided those updates
20 from FirstEnergy?

21 A. Are you referring to the supplemental
22 testimony?

23 Q. Yes.

24 A. I obtained those inputs from Scott Casto.

25 Q. And do you know where -- do you know

1 where Scott Casto is employed or who Scott Casto is
2 employed by?

3 A. He is employed by the companies.

4 Q. The distribution companies?

5 A. No, FirstEnergy Service Company.

6 Q. Ms. Murley, just for clarification, one
7 of our definitions in this hearing is the companies
8 means Cleveland Electric Illuminating Company, Toledo
9 Edison, and Ohio Edison Company and the holding
10 company is FirstEnergy Corp, for ease.

11 A. I apologize, I misspoke.

12 Q. Thank you. And regarding the updates
13 that Mr. Casto provided, are those 2015 numbers that
14 he provided to you?

15 A. Yes.

16 Q. So do you know whether they were actual
17 2015 data to data or for what period of time? Do you
18 know?

19 A. Obviously, they were provided before 2015
20 was over, but I don't know the exact period of time.

21 Q. And just so we're clear, the data inputs
22 that you used for the first modeling in your direct
23 testimony were 2013 data; is that correct?

24 A. Yes, that's correct.

25 Q. I would like to compare a few figures and

1 charts that are in your direct testimony, as well as
2 in your supplemental testimony. Do you have both
3 pieces of testimony before you?

4 A. Yes.

5 Q. Okay. Great. Thank you. If we look at
6 the supplemental testimony on page 4, Figure 1.

7 A. Yes.

8 Q. So Figure 1 now includes a secondary line
9 of data for the state of Ohio, so we have the Sammis
10 region, which is the seven-county region we discussed
11 before and then there is an added state of Ohio data
12 line; is that correct?

13 A. Yes.

14 Q. And the Sammis region is the same with
15 respect to that it included the seven counties that
16 we discussed for inside of Ohio and three outside; is
17 that correct?

18 A. Are you asking whether the definition of
19 that region is the same between the direct testimony
20 and the supplemental testimony?

21 Q. Yes.

22 A. Yes, it is.

23 Q. Okay. And the jobs in the direct
24 testimony are listed as 400; is that correct?

25 MR. ALEXANDER: Could I have that

1 question reread, please?

2 EXAMINER CHILES: You may.

3 (Record read.)

4 MR. ALEXANDER: Counsel, do you have a
5 page reference?

6 MS. BOJKO: I'm sorry. One moment, your
7 Honor.

8 EXAMINER CHILES: Take your time.

9 MS. BOJKO: I'm sorry. There's a
10 labeling issue. I thought they were all labeled the
11 same, and they're not apparently.

12 Q. (By Ms. Bojko) In the direct testimony
13 it's not called Figure 1. It's on page 6, and it's
14 just titled the "Annual Direct and Total Operations
15 Impact." And in the supplemental testimony it's
16 actually called "Figure 1." I thought they were the
17 same in both pieces. I apologize.

18 MR. ALEXANDER: So just for clarity, was
19 your reference to 400 jobs --

20 MS. BOJKO: From the testimony on page 5,
21 right.

22 Q. (By Ms. Bojko) So on page 6, is this the
23 figure that you think is comparable to the figure in
24 your supplemental testimony that's identified as
25 Figure 1 on page 4?

1 A. Yes.

2 Q. My apologies for the confusion.

3 So the jobs under direct -- on your
4 direct testimony are listed as 535 jobs; is that
5 correct?

6 A. Yes.

7 Q. And the jobs listed under the first line
8 because the comparable line, as I understand it, in
9 your testimony and your supplemental would be the
10 Sammis region, which is the top line; is that
11 correct?

12 A. Yes.

13 Q. So the jobs listed in the supplemental
14 testimony is 482; is that correct?

15 A. Yes.

16 Q. And in your supplemental testimony the
17 output under the direct column has increased from
18 502.32 to 535.88; is that correct?

19 A. Yes.

20 Q. And direct jobs under the "Direct"
21 column, that includes, as I understand it, Sammis
22 jobs at the actual plant but it also includes local
23 supplier businesses; is that accurate?

24 A. No. It includes Sammis employees as well
25 as the contractors.

1 Q. The local contractors?

2 A. People who work at the plant performing
3 various maintenance activities throughout the year.

4 Q. And would those contractors also be
5 considered indirect suppliers?

6 A. No. We are counting them as direct.

7 Q. So now if we turn to page 6 of your
8 direct testimony, we are still in that, and we are
9 going to go to page 6 of your supplemental
10 testimony -- I'm sorry. Strike that.

11 Let's stay on the same. Figure 1, if you
12 look at the "Induced (Employee) Impacts" of Figure 1
13 in your supplemental testimony, the number for the
14 Sammis region is 311 jobs; is that correct?

15 A. Yes.

16 Q. And that has been increased from 160
17 jobs, which was on page 6 of the chart in your direct
18 testimony; is that correct?

19 A. Yes.

20 Q. I am trying not to ask you the same
21 questions. Mr. Fisk did a great job earlier this
22 morning.

23 Could you turn to -- this is Attachment
24 SM-1 of your supplemental testimony, and it's Figure
25 6.

1 A. Yes.

2 Q. There's a column listed -- this Figure 6
3 is entitled "Local and State Revenue Impacts"; is
4 that correct for the Sammis plant?

5 A. Yes.

6 Q. And under the indirect revenues, there is
7 a category for "Sales" under "Local Taxes"; is that
8 correct?

9 A. Yes.

10 Q. Is that sales tax?

11 A. Yes.

12 Q. I am assuming FirstEnergy did not provide
13 you an update in the sales numbers; is that correct?

14 A. The only number on that table that came
15 from FirstEnergy was the direct property taxes.

16 Q. So the change or update in the sales-tax
17 figure would have been due to a change in the IMPLAN
18 model?

19 A. No. The revenue impacts didn't come from
20 the IMPLAN model. I estimated those. The change
21 would have potentially been due to a change in
22 employee income, which did change, and also
23 potentially a change in the sales tax rate.

24 Q. And the update in property taxes that you
25 just referenced for indirect revenues for

1 employee-driven revenues, that was also a number
2 provided by FirstEnergy, or are you saying only the
3 5.5 million, which is now 5.25 million, was provided
4 by FirstEnergy?

5 A. Only the 5.5 and the 5.25 million numbers
6 in the two reports were provided by FirstEnergy.

7 Q. So you estimated the indirect revenues
8 for the property taxes as well.

9 A. Yes. I estimated all the indirect
10 revenues.

11 Q. And you updated those with the new
12 supplemental testimony as well?

13 A. Yes, I updated those calculations.

14 Q. In your analysis you did what I will call
15 a regular case for operations of the Sammis plant --
16 or Sammis plant and Davis-Besse, and then for
17 Davis-Besse you did a specific project case which
18 included refueling and a steam generator; is that
19 accurate?

20 A. Yes, the steam generator placement.

21 Q. And do you know how often a refueling at
22 Davis-Besse occurs?

23 A. No, I do not.

24 Q. So you haven't calculated any economic
25 impact during a refueling year without a steam

1 generator replacement; is that correct?

2 A. That's correct.

3 Q. Your analysis did not take into
4 consideration any ancillary results if the plants
5 were to actually -- actually close; is that correct?

6 MR. ALEXANDER: Objection, "ancillary
7 results" is vague.

8 EXAMINER CHILES: Ms. Bojko.

9 MS. BOJKO: I think the witness can
10 respond if she understands the questions, but I will
11 be happy to rephrase.

12 EXAMINER CHILES: Thank you.

13 Q. (By Ms. Bojko) You did not analyze any
14 plant closure results such as new generating
15 facilities being built; is that correct?

16 A. That's correct. I didn't have any
17 information about where, when, or if new generating
18 facilities might be needed.

19 Q. And you did not consider any economic
20 impact resulting from a decommissioning of the
21 nuclear plants if it were, in fact, to close; is that
22 correct?

23 A. I did include decommissioning impacts in
24 my analysis.

25 Q. In your updated analysis, not in the

1 initial analysis?

2 A. Yes, in the supplemental testimony,
3 specifically in SM-4.

4 Q. And your model assumes that if the plant
5 closed, the jobs are lost and employees will move out
6 of the seven counties; is that correct?

7 A. Which report are you referring to?

8 Q. The updated analysis is the one you are
9 assuming that the plants close; is that correct?

10 A. SM-3 and SM-4?

11 Q. Yes.

12 A. In those closure analyses I do not make
13 assumptions about whether or not the employees will
14 have to leave the area. I looked at the loss of jobs
15 due to the closure of the plant.

16 Q. Right. You don't look at whether those
17 employees successfully obtained new jobs in either
18 the region or the state of Ohio; is that correct?

19 A. That's correct because even if those
20 employees are to obtain a new job, that's a job that
21 could have been filled by someone who is currently
22 unemployed in Ohio or someone from outside Ohio.
23 That job occurred independent of the closure, and if
24 the closure hadn't occurred, there would have been
25 additional jobs, and the economy would have been

1 larger than it was after the closure of the plant.

2 MS. BOJKO: Your Honor, I move to strike
3 everything after "that's correct" as nonresponsive to
4 my question. I asked her if she considered it.

5 EXAMINER CHILES: Mr. Alexander.

6 MR. ALEXANDER: Your Honor, the question
7 itself was pretty broad. It was not narrowly
8 tailored, and the witness was explaining why it would
9 not be appropriate to include that in her analysis.

10 EXAMINER CHILES: I am going to deny the
11 motion to strike at this time. But I would direct
12 the witness to please listen carefully to the
13 questions. I want you to give a full answer, but if
14 you could not elaborate beyond the full answer, I
15 would appreciate it. Thank you.

16 THE WITNESS: Yes.

17 Q. (By Ms. Bojko) Your analysis does not
18 consider whether other people residing in the county
19 or the state could, in fact, secure the jobs that
20 were secured by the Sammis or Davis-Besse employees;
21 is that correct?

22 A. I'm sorry. I don't think I understand
23 the question.

24 Q. You are making pretty broad assumptions
25 that somebody else in the county or state of Ohio

1 could not -- could, in fact, take the job that now a
2 Davis-Besse employee is taking, and you didn't do any
3 analysis to show that that's true; isn't that the
4 case?

5 MR. ALEXANDER: Objection. The initial
6 question was did the witness address employees at
7 Sammis potentially being hired somewhere else. The
8 witness explained that she did not, and she explained
9 why, and it's because those jobs are already created
10 in the economy.

11 Now, this question relates to those
12 hypothetical jobs and what assumption she made with
13 regard to those hypothetical jobs, so I think we are
14 several steps beyond to anything related to this
15 witness' testimony.

16 MS. BOJKO: May I respond? I asked to
17 strike the answer, and it was denied. I am now
18 allowed to explore the basis and whether or not it is
19 based, in fact, on assumptions.

20 EXAMINER CHILES: I am happy to strike
21 her response.

22 MR. ALEXANDER: I have no objection to
23 clarifying it as far as the witness' question. I
24 just want the question itself to be clear the
25 question didn't identify which jobs we were referring

1 to. If the question is clear, I have no objection to
2 counsel getting into this in more detail.

3 EXAMINER CHILES: Ms. Bojko, could you
4 try and clarify your question.

5 MS. BOJKO: I will, your Honor. It was
6 in response to the witness' response but she should
7 know if it was her response.

8 Q. (By Ms. Bojko) You just stated to me you
9 believed that the jobs in the state of Ohio or the
10 county that are available despite the fact that
11 Davis-Besse or Sammis closed could be filled by
12 employees that exist today. Did you not?

13 MR. ALEXANDER: Objection, again, as to
14 the form. The question is identify, if she can,
15 referring to former employees of the Sammis plant or
16 potential other people who could have taken those
17 jobs?

18 MS. BOJKO: Well, if you read -- listen
19 to my question, I specifically said the non-Sammis
20 employees.

21 EXAMINER CHILES: Let's have the question
22 and answer. I'm sorry, just the question. There was
23 no answer. Let's have the question read back,
24 please.

25 (Record read.)

1 A. I did --

2 MR. ALEXANDER: Stop. Stop. We are
3 waiting on a ruling.

4 EXAMINER CHILES: Please wait until we
5 make a ruling. Thank you.

6 I think the question is unclear myself.
7 Ms. Bojko, do you mind taking another try at it and
8 be more specific?

9 MS. BOJKO: Sure.

10 Q. (By Ms. Bojko) Ms. Murley, you made an
11 assumption that current residents of the State of
12 Ohio could fill jobs that are available today even --
13 strike that.

14 Did you make the statement that existing
15 residents or even residents from out of the state of
16 Ohio you said could fill available jobs even if the
17 Sammis plant was still operating -- strike that.

18 You made a statement that you didn't
19 consider Davis-Besse and Sammis employees if the
20 plants closed could -- you did not consider whether
21 those employees could find new employment within the
22 State of Ohio and then you stated that they would be
23 taking jobs from other residents if they didn't
24 accept those jobs. Is that what you were stating?

25 A. Yes, that there would be more jobs

1 available if the Sammis plant continued to operate
2 and new jobs were created.

3 Q. Right. And those new jobs may or may not
4 be available today with the Sammis and Davis-Besse
5 plant operating; is that correct?

6 A. I am making the assumption that the new
7 jobs were created independent of anything that
8 happened at the Sammis or Davis-Besse plant.

9 Q. Right. So prior to the closure of Sammis
10 and Davis-Besse, the residents in Ohio could fill
11 those jobs that currently exist independent of the
12 Sammis and Davis-Besse closures; is that correct?

13 A. If those new jobs were created, they
14 could be filled by residents of Ohio or people from
15 outside of Ohio.

16 Q. And if Davis-Besse and Sammis employees
17 did find new employment, then that would reduce the
18 effects of your IMPLAN model; isn't that correct?

19 A. No, because there would still be a net
20 loss of jobs. Those new jobs would only be replacing
21 jobs that had already been lost.

22 Q. So are you saying that no new jobs can
23 ever be created after the Sammis or Davis-Besse plant
24 close?

25 A. Not at all. I am simply saying there

1 would be less jobs total because the Sammis plant
2 closed.

3 Q. But there could be other jobs that
4 replace the Sammis plant jobs; isn't that correct?

5 A. There could be other jobs that are
6 created independent of what's going on at the Sammis
7 plant.

8 Q. And the -- oh, I'm sorry.

9 A. Those jobs would add to the total jobs in
10 the economy if the plant remained open, but in this
11 case they are simply replacing jobs that were already
12 lost.

13 Q. Well, isn't it possible that new jobs
14 could be created because of old technologies going
15 out of business and new technologies developing?

16 A. I'm not sure I understand what you are
17 referring to.

18 Q. Well, sometimes markets correct
19 themselves, do they not?

20 A. Yes, markets correct themselves.

21 Q. So if a business is uneconomic and it
22 closes, it's possible for a different business with a
23 better technology to come in its place, isn't it?

24 A. Are you referring to the construction of
25 new power plants?

1 Q. Possibly. There could be many things
2 that replace an old technology.

3 THE WITNESS: I'm sorry, can you repeat
4 the question?

5 EXAMINER CHILES: Can you reread the
6 question, please?

7 (Record read.)

8 A. I'm sorry, I don't understand how this
9 question relates to the closure of Sammis.

10 Q. Well, if Sammis closes because its
11 uneconomic, it's possible that -- we will use your
12 example a new generating plant that has better
13 technology could replace it; isn't that true?

14 A. I did not look at the impacts of new
15 generating facilities.

16 Q. And your IMPLAN model does not take that
17 into consideration either, is that correct?

18 A. It is not standard practice when looking
19 at a plant closure to look at what happened to those
20 people post-closure because there is still a net loss
21 of jobs from the plant closure.

22 Q. On page 10, lines 17-18 of your direct
23 testimony, you mention that school systems may be
24 possible -- or possibly "may be forced to implement
25 emergency measures" and cut programs. Do you see

1 that?

2 MR. ALEXANDER: Could I just have that
3 page reference again?

4 MS. BOJKO: Page 10, line 17 and 18 of
5 direct.

6 A. Yes.

7 Q. Did you speak to the school systems in
8 the towns or counties where the plants are located?

9 A. No.

10 Q. Isn't it true in Ohio school funding
11 comes from the State of Ohio, the Federal Government,
12 and local taxes, which includes both property taxes
13 and income taxes?

14 A. I'm not familiar with the exact formulas
15 for school funding in Ohio.

16 Q. If we can look at Figure 6, page 8 of the
17 Sammis report, SM-1 contained in your direct
18 testimony. The "Property" category, are you
19 referring to tangible property tax or real estate
20 tax?

21 A. Are you looking at Figure 6?

22 Q. Yes.

23 A. I don't believe there is any personal
24 property tax included in Figure 6.

25 Q. That's what I am asking. Is the property

1 that you are referring to real estate property only?

2 A. Yes.

3 Q. It doesn't include tangible personal
4 property of the utility company?

5 A. I apologize, I misspoke. It does include
6 personal property taxes paid by the utility.

7 Q. And, Ms. Murley, isn't it true that
8 Senate Bill 3 deregulated the electric utility
9 industry and reduced the electric utility tangible
10 personal property tax on generating units 25 percent
11 of true value?

12 MR. ALEXANDER: Objection as to compound
13 and beyond the scope of her testimony.

14 MS. BOJKO: May I respond?

15 EXAMINER CHILES: Yes, please.

16 MS. BOJKO: She testified about the
17 economic impacts on schools, and this goes to the
18 heart of where schools are funded and whether they
19 will have to declare an emergency, like Ms. Murley
20 claims in her testimony on page 10.

21 THE WITNESS: Could you repeat the
22 question?

23 MR. ALEXANDER: Hold on.

24 EXAMINER CHILES: I am going to sustain
25 the objection. I am not sustaining it across the

1 border. I am not sustaining as to beyond the scope.
2 I will allow a bit of questioning on this, but if you
3 could break up your question and the witness, you
4 know, can answer to the extent she holds knowledge on
5 the subject.

6 MS. BOJKO: Sure.

7 Q. (By Ms. Bojko) Ms. Murley, are you aware
8 that when Senate Bill 3 deregulated the electric
9 industry, there was a tax change on generating
10 facilities in the State of Ohio?

11 MR. ALEXANDER: Objection, again,
12 compound. The question assumes the Senate bill
13 deregulated the electric industry and then adds
14 another question at the end.

15 EXAMINER CHILES: Ms. Bojko, could you
16 just break it up?

17 MS. BOJKO: Sure.

18 EXAMINER CHILES: Thank you.

19 Q. (By Ms. Bojko) Ms. Murley, isn't it true
20 that Senate Bill 3 deregulated the electric utility
21 industry?

22 A. I'm not familiar with the details of
23 Senate Bill 3.

24 Q. Are you aware that there was a change in
25 tax structure for generating units beginning

1 January 1, 2000?

2 A. I am aware that utility personal property
3 is currently assessed at a rate of 24 percent.

4 Q. And, I'm sorry, I think I misspoke. It
5 was 2001. January, 2001 was the effective date of
6 that new tax that you're referencing; is that
7 correct? Or you're not sure?

8 A. I don't know.

9 Q. Okay. Ms. Murley, isn't it true that the
10 schools received an electric deregulation replacement
11 fund to compensate them for the loss in tax dollars
12 to the school in light of this new methodology?

13 MR. ALEXANDER: Objection. The witness
14 testified she is not aware of the Senate Bill 3
15 methodology, and she explained the foundation for her
16 calculation being the 24th percent.

17 MS. BOJKO: She can answer if she knows,
18 your Honor. She is, appearing on page 10 of her
19 testimony, to state how school funding occurs in the
20 state of Ohio and what effect that -- a closure of a
21 plant will have on that funding.

22 EXAMINER CHILES: I am going to allow the
23 question. The witness can answer it if she knows.

24 THE WITNESS: Could you repeat the
25 question?

1 EXAMINER CHILES: Please.

2 (Record read.)

3 A. I am not familiar with that.

4 Q. Ms. Murley, do you know the name of the
5 school system located where Davis-Besse is located?

6 A. Off the top of my head, no.

7 Q. Ms. Murley, are you familiar with how --
8 strike that.

9 Did your IMPLAN model or -- actually
10 strike that.

11 It's my understanding from your testimony
12 today that FirstEnergy provided the property category
13 on just the direct revenues from the Sammis plant on
14 Figure 6 on page 8 of your direct testimony of SM-1;
15 is that correct?

16 MR. ALEXANDER: Could I have that reread,
17 please.

18 EXAMINER CHILES: Please.

19 (Record read.)

20 A. If you are referring to the 5.5 million,
21 the answer is correct.

22 Q. Okay. Which has now been updated to
23 5.25; is that correct?

24 A. Yes, in the supplemental testimony.

25 Q. Okay. Do you know what tax rate that is

1 based upon?

2 A. For Sammis?

3 Q. Yes.

4 A. Not off the top of my head.

5 Q. The other estimates for -- and just to
6 clarify, the next category on that same figure for
7 "Indirect," you estimated those property taxes, sales
8 taxes, and income taxes for the indirect employees;
9 is that correct?

10 A. Yes.

11 Q. Are those based on the full tax rates or
12 the actual tax assessed to those employees?

13 A. Those are estimated numbers because I
14 don't know the actual property tax paid by each
15 employee.

16 Q. And you don't know whether FirstEnergy's
17 property tax figure that they provided you was based
18 on the full tax rate or some kind of tax abatement or
19 reduction; is that correct?

20 A. No, I understand it is the actual taxes
21 that are paid.

22 Q. And you don't know what that's based
23 upon?

24 A. I'm sorry, could you clarify?

25 Q. You don't know the specific tax rate

1 that's based upon; is that right?

2 A. Not off the top of my head, no.

3 Q. And if a generating facility would not
4 have to pay tangible personal property tax, that
5 would reduce the input provided by FirstEnergy in the
6 IMPLAN model; is that correct?

7 A. Just to clarify, the revenue impacts
8 don't have anything to do with the IMPLAN model. But
9 in the attachment to SM-1 in my direct testimony, the
10 real and personal property taxes are broken out. So
11 are you suggesting that the personal property tax at
12 some point in the future would be eliminated?

13 Q. I am.

14 MR. ALEXANDER: Your Honor, could we have
15 the question.

16 (Record read.)

17 MR. ALEXANDER: Subject to that
18 clarification.

19 EXAMINER CHILES: Would you please reread
20 the question. Thank you.

21 (Record read.)

22 A. For 2014, the period we are looking at,
23 these are the taxes that they paid. I can't really
24 comment on whether personal property taxes for public
25 utilities in Ohio may be eliminated at some point in

1 the future.

2 Q. Well, you did update this Attachment 1 to
3 include 2015 property taxes, didn't you?

4 A. Yes.

5 Q. And my question is if personal property
6 tax was reduced, that would correspondingly reduce
7 your input you receive from FirstEnergy; is that
8 correct?

9 MR. ALEXANDER: Objection.

10 EXAMINER CHILES: Grounds?

11 MR. ALEXANDER: The witness stated
12 property taxes are not an input into IMPLAN so it's
13 misleading to continue to refer to them as an input.

14 MS. BOJKO: It's called "Sammis plant
15 input data" in the chart.

16 EXAMINER CHILES: I believe the witness
17 said, correct me if I'm wrong, that this input was
18 for your own purposes, for your own estimates; is
19 that correct? Can you clarify?

20 THE WITNESS: Yes. So the revenue
21 impacts were outside of the IMPLAN model, and so I
22 used those revenue figures in my own revenue
23 estimates.

24 MS. BOJKO: I will rephrase. Thank you
25 for that clarification, your Honor.

1 Q. (By Ms. Bojko) Would your estimates then
2 need to be revised to take into consideration a
3 reduction in the personal property taxes?

4 A. For 2015, is that -- you're referring to
5 the supplemental testimony?

6 Q. Yes.

7 A. I believe that will be the tax bill in
8 2015, but if I were to do an analysis for some future
9 point in time, there could be changes in the property
10 tax amount.

11 Q. Well, 2015 isn't concluded yet. There
12 could be changes as well going forward; isn't that
13 true?

14 A. Generally tax bills are not adjusted in
15 the middle of the year, but I really -- I don't know
16 what could potentially happen the rest of the year, I
17 suppose.

18 Q. So you are not aware of any legislation
19 that was proposed that eliminates the personal
20 property tax for two thousand -- for the future?

21 A. I'm not familiar with that legislation.

22 Q. You stated earlier today that employee
23 spending there is -- there is an assumption that the
24 employee will actually spend the money in either the
25 region that you looked at or the state of Ohio; is

1 that correct?

2 A. IMPLAN makes assumptions in the induced
3 impacts about how much employee spending could occur
4 within a specific geography.

5 Q. Okay. And do you know how much they
6 assume will be spent in the particular region or the
7 state of Ohio?

8 A. That's part of what's reflected in the
9 induced impacts.

10 Q. Is there a percentage?

11 A. When we are looking at employee spending,
12 we don't assume people spend 100 percent of what they
13 earn. There is some money that goes to taxes and
14 other items, and so IMPLAN makes an adjustment when
15 looking at induced impacts and the relationship
16 between employee income and induced impacts of
17 employee spending.

18 Q. Okay. But does it also take into
19 consideration whether they spend inside this state or
20 outside the state?

21 A. In the case of the state impacts it does
22 account for the types of businesses that are
23 available within the state or within the region and
24 whether or not those purchases may occur locally or
25 not.

1 Q. So does it assume if there is a type of
2 business, say, a car dealership in the region, that
3 that employee will go to that car dealership and
4 purchase a car?

5 A. It assumes that at least some car
6 purchases would be made in the region but not
7 necessarily 100 percent.

8 Q. And does it take into consideration
9 purchases that are made over the internet?

10 A. Those would be outside of the region,
11 presumably.

12 Q. And you don't know what the percentage is
13 of what you spend in the state versus out of state?

14 A. Well, it would be different for different
15 categories of expenditures.

16 Q. And that's all embedded in the IMPLAN
17 model?

18 A. Yes.

19 Q. And the Sammis plant is 56 years old; is
20 that correct?

21 A. Yes.

22 Q. Did your analysis look at continuing the
23 plant at the status quo, meaning the current
24 operational capability of that plant?

25 A. I did a point-in-time analysis.

1 Q. And your analysis looked at a point in
2 time. It did not assume any increases in jobs for
3 ancillary business; is that correct?

4 A. I looked at a particular point in time,
5 not increases over time.

6 Q. And on page 3, line 14, of your direct
7 testimony, you talk about new business opportunities.
8 Do you see that "spending that creates new business
9 opportunities"?

10 A. Yes.

11 Q. You're not talking about new business
12 opportunities with regard to the Sammis plant; is
13 that correct?

14 A. In this case since we are talking about
15 an existing facility, it would be the existing
16 opportunities for suppliers.

17 Q. And it's your understanding that Sammis
18 is in Stratton, Ohio; is that correct?

19 A. Yes.

20 Q. And Stratton, Ohio, borders West
21 Virginia; is that correct?

22 A. I don't know without looking at a map
23 that city actually borders West Virginia.

24 Q. Does the county in which the city resides
25 border West Virginia?

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1 A. I understand it's close to the border. I
2 don't know without looking at a map exactly where the
3 county border is.

4 MS. BOJKO: Your Honor, may I approach?

5 EXAMINER CHILES: You may.

6 MS. BOJKO: Your Honor, at this time for
7 identification purposes I would like to have marked
8 as OMAEG 11.

9 EXAMINER CHILES: I believe we are at 12.

10 MS. BOJKO: Oh.

11 EXAMINER CHILES: Thank you. So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 MS. BOJKO: Thank you. Oh, 11 -- 12,
14 please.

15 Q. (By Ms. Bojko) Ms. Murley, do you have in
16 front of you what's been marked as OMAEG Exhibit 12?

17 A. Yes.

18 MS. BOJKO: Excuse me. May we go off the
19 forward for a minute.

20 EXAMINER CHILES: Yes.

21 (Discussion off the record.)

22 EXAMINER CHILES: Let's go back on the
23 record.

24 MS. BOJKO: Thank you.

25 Q. (By Ms. Bojko) Does this appear to be a

1 county map printed off the Ohio Department of
2 Transportation's website?

3 A. Yes.

4 Q. Do you have any reason to question the
5 reliability of the Ohio Department of Transportation?

6 MR. ALEXANDER: And just to note for the
7 record, before we get down the line, the version you
8 gave me was highlighted. Is that everyone's?

9 MS. BOJKO: Yep.

10 A. Could you repeat the question?

11 Q. Does this appear to be a printout from
12 Ohio Department of Transportation? I asked if you
13 had any reason to question the accuracy of the Ohio
14 Department of Transportation?

15 A. Although I have not seen this document
16 before, I have no reason to believe that the map
17 would be incorrect.

18 Q. Thank you. And, yes, as counsel pointed
19 out, does it appear that the map has been highlighted
20 in yellow and green?

21 A. Yes, certain counties have been
22 highlighted.

23 Q. Okay. And does it appear that the yellow
24 counties that are highlighted correspond with the
25 four Ohio counties that are in your Sammis region,

1 your seven-county Sammis region?

2 A. Yes.

3 Q. And, Ms. Murley, does it appear that the
4 green highlighted would reflect the location of the
5 Davis-Besse plant being in Ottawa County?

6 A. Yes.

7 Q. And although it doesn't have all the
8 states -- I guess I should have brought you a
9 different map given the response -- are you stating
10 that you are still not sure of whether Jefferson
11 County would border West Virginia?

12 A. All I can determine from this map is that
13 it is on the edge of the State of Ohio. It's not
14 clear what is the bordering state.

15 Q. All right. Would it be a fair assumption
16 subject to check, that it would -- Jefferson County
17 would border West Virginia?

18 A. I really don't know.

19 Q. Okay. And what about would Pennsylvania
20 possibly be in the vicinity as well?

21 A. I understand that Pennsylvania is nearby.
22 That's why I included a Pennsylvania county in my
23 region.

24 Q. Okay. I mean, would you take, subject to
25 check --

1 MS. BOJKO: Or I could pull up a map,
2 your Honor.

3 Q. -- that Jefferson and Belmont Counties
4 border West Virginia and that Mahoning and Columbiana
5 border Pennsylvania?

6 MR. ALEXANDER: Your Honor, we will
7 stipulate to the map being what it is. I don't want
8 the witness to accept that subject to check. We will
9 stipulate to the map being what it is.

10 Q. Well, you are assuming in your economic
11 development analysis, your economic impact analysis,
12 that these four counties would be either bordering or
13 in -- it would have to be bordering -- the two
14 Pennsylvania and one West Virginia county that you
15 also took into consideration in your analysis, right?

16 A. No. I'm simply assuming these are
17 counties where employees live.

18 Q. Okay. So you did an analysis of a
19 seven-area county region for Sammis and you don't
20 know where those counties are relative to the state
21 of Ohio?

22 A. I can see where they are. The point is
23 that that's where the employees live.

24 Q. Okay. And it's a fair assumption if the
25 residents live in the two counties in Pennsylvania

1 and the one county in West Virginia that it's
2 probably a drivable distance to Jefferson County
3 where the Sammis plant is?

4 A. Yes, I would assume it's within a
5 reasonable commuting distance.

6 Q. Do you know how many residents live in
7 Stratton, Ohio, where the Sammis plant is?

8 A. No, I do not.

9 Q. Do you know the size of Stratton, Ohio?
10 Is it a small city? A large city? Do you have any
11 kind of understanding?

12 A. Do you mean the geographic size?

13 Q. The population size.

14 A. I understand that it's not a large city,
15 but I don't know the exact population.

16 Q. So you wouldn't be surprised to hear that
17 through a 2010 census that there were only 294
18 residents in Stratton, Ohio?

19 A. No, that does not surprise me.

20 Q. And your report states that 73 percent of
21 the employees from Sammis live in either Jefferson
22 County or Columbiana County; is that correct?

23 A. Yes.

24 Q. Did FirstEnergy provide the residential
25 status of its Sammis employees to you to make those

1 statements in your report?

2 A. They gave me a general idea of where the
3 employees commute from.

4 Q. Well, who provided you the data on Figure
5 3 of SM-1?

6 A. Those percentages were provided by
7 FirstEnergy.

8 Q. So the number of employees as well as the
9 percentages were calculated by FirstEnergy?

10 A. I was able to estimate the number of
11 employees.

12 Q. So FirstEnergy provided you the
13 percentages of employees, and then you took the
14 number of plant employees and calculated the actual
15 number of employees residing in each county?

16 A. The estimated number, yes.

17 Q. So I don't see the number of employee
18 residents, the actual resident percentages by county
19 on Attachment 1, but this would be an additional
20 input or piece of data that was provided by
21 FirstEnergy; is that correct?

22 A. I believe that should have been included
23 in Attachment 1. That was my omission.

24 Q. And you state that the -- if you look at
25 SM-1 of -- well, let's look at your SM-1 on the

1 direct. I was trying to get you a correlating page
2 for the updating, and it's a little different, so
3 let's look on SM-1, page 9. Here the average income
4 per direct and indirect employee is 63,600; is that
5 correct?

6 A. That's what it says.

7 Q. Okay. And did FirstEnergy provide you
8 that data?

9 A. No. I divided personal income by the
10 number of employees using the results of my IMPLAN
11 analysis.

12 Q. So you took the number of employees
13 provided by FirstEnergy and the total payroll and you
14 divided it to give an average income; is that
15 correct?

16 A. Not exactly. This includes indirect and
17 induced employees as well.

18 Q. So you took -- I apologize. Thank you
19 for the clarification. You took the payroll of the
20 Sammis plant and you added the contractor labor cost,
21 and then you divided that by the total number of
22 direct employees, which includes Sammis employees and
23 contractors, to get an average income; is that
24 correct?

25 A. No. So if you look at Figure 5 on page 7

1 of the direct testimony, SM-1, I took the 67.32 total
2 personal income of Sammis employees and contractors,
3 indirect workers, induced workers, all totaled the
4 67.32, divided by the 1,059 total jobs direct,
5 indirect, and induced.

6 Q. Just for clarification on the record, I
7 think you were looking at Figure 5 in the
8 supplemental testimony; is that right?

9 A. No, in the direct.

10 Q. You were in the direct testimony? So as
11 I understand your testimony, then, to get an average
12 income of direct and indirect employees, you took all
13 of the employees and divided by the payroll provided
14 by FirstEnergy as well as the induced employee
15 impacts and the supplier impacts; is that right?

16 A. Yes.

17 Q. And, Ms. Murley, you are not assuming in
18 your analysis that the contractors cannot find or
19 will not retain their jobs with their current
20 contractors, are you?

21 A. I'm sorry. Do you have a reference for
22 that?

23 Q. Well, no. I am just trying to understand
24 your model that you did. You told me earlier that
25 you assumed that those -- that the jobs would be lost

1 if Sammis was closed, and I am asking if you believe
2 that the contractor -- that the individuals working
3 for the contractors will lose their jobs if the
4 Sammis plant closed.

5 A. Are you referring to the 140 contract
6 employees that perform routine maintenance on the
7 plant?

8 Q. That are not employed directly, that are
9 independent contractors. They work for a separate
10 contracting firm, yes.

11 MR. ALEXANDER: Could I have that
12 clarification be reread because I think contrary?

13 MS. BOJKO: I'm sorry, I will clarify.

14 Q. The 140 contractor jobs that you -- they
15 don't work directly for FirstEnergy. They are not
16 paid by FirstEnergy; isn't that correct?

17 A. They are paid by FirstEnergy, just not as
18 part of the payroll.

19 Q. Right. They are not directly employed by
20 FirstEnergy. They are directly employed by a
21 separate company; isn't that correct?

22 A. Or they are self-employed, yes.

23 Q. Okay. So if the Sammis plant closes,
24 those contractors that are not employed by
25 FirstEnergy would not necessarily lose their jobs.

1 They will still work for their same company or be
2 employed by themselves; isn't that correct?

3 A. They will no longer be doing maintenance
4 on the Sammis plant or receive the money we are
5 assuming they are receiving for doing maintenance on
6 the Sammis plant.

7 Q. Right. But they could do maintenance
8 jobs somewhere else, isn't that true, for different
9 manufacturing companies?

10 A. In the same way that any of the former
11 Sammis employees could find other jobs, I assume
12 these contractors may also find other jobs in the
13 event of a plant closure.

14 Q. And those local contractors or the
15 induced impact, the supplier jobs that you also
16 considered, those could be located outside of the
17 state of Ohio when you are looking at the
18 seven-region analysis for the Sammis plant; is that
19 correct?

20 A. In the seven-county region analysis, some
21 of the induced impacts could be occurring outside of
22 Ohio.

23 EXAMINER CHILES: Let's go off the record
24 for a minute.

25 (Discussion off the record.)

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1 EXAMINER CHILES: Let's go ahead and take
2 a lunch break then. We'll return at 2 o'clock.

3 (Thereupon, at 1:00 p.m., a lunch recess
4 was taken until 2:00 p.m.)

5 - - -

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Monday Afternoon Session,
September 21, 2015.

- - -

EXAMINER CHILES: Let's go ahead and go
back on the record.

Ms. Bojko.

MS. BOJKO: Thank you.

- - -

CROSS-EXAMINATION (Continued)

By Ms. Bojko:

Q. Good afternoon, Ms. Murley. Right before
the break we were discussing the median income of
employees for the Sammis plants. Do you recall that?

A. Yes.

Q. And that was on page 9 of SM-1 attached
to your direct testimony; is that correct?

A. Yes.

Q. Okay. And the number is 63,600; is that
right?

A. Yes.

Q. Okay. And you didn't update that number
in your supplemental testimony, did you?

A. I didn't quote an exact number in my
supplemental testimony SM-1, but I would have updated
that calculation.

1 Q. Well, I am trying to figure out your
2 testimony. You can help me, and that was part of my
3 confusion before the break, so I apologize. I
4 thought SM-1 was an exact replica of SM-1 -- SM-1 in
5 your supplemental testimony was an exact replica of
6 SM-1 in your direct testimony except for the updated
7 numbers from 2014 to 2015. Is that not correct?

8 A. The way that I calculated all of those
9 revenues is the same. I mean, the rates, tax rates,
10 could have changed, but the way that I did all the
11 calculations would be the same. I may have slightly
12 modified the text, but I did not change the way I did
13 the calculations.

14 Q. Right. No. I am trying -- the reports
15 are not the same, so SM-1 attached to your
16 supplemental testimony does not replace SM-1 attached
17 to your direct testimony, correct?

18 A. I'm looking at plant impacts in two
19 different years using inputs for two different years.

20 Q. So the answer is no, they don't replace.
21 You have attached to your testimony, you have SM-1 --
22 SM-1 attached to your direct testimony, SM-2 attached
23 to your direct testimony and then you subsequently
24 have an SM-1 attached to your supplemental testimony
25 and SM-2, 3, and 4 attached to your supplemental

1 testimony; is that correct?

2 A. Yes, I have those attachments.

3 Q. Okay. So SM-1 -- Attachment SM-1 and
4 Attachment SM-2 do not completely replace Attachment
5 SM-1 attached to your direct testimony and SM-2
6 attached to your direct testimony; is that correct?

7 A. Yes. They represent updated versions.

8 Q. Okay. And before the break we were
9 discussing the \$63,600 as the average income, and you
10 explained to me that it was a calculation of direct
11 and indirect employees; is that correct?

12 A. I used the total personal income and
13 total employees to come up with that number.

14 Q. Okay. And the total employees that you
15 just referenced, that includes the employees at the
16 Sammis plant and that includes local contractors; is
17 that correct?

18 A. By local contractors are you referring to
19 the induced jobs in Figure 5 on page 7 of SM-1 in the
20 direct testimony -- I'm sorry, indirect.

21 Q. That's what I thought you told me that it
22 included, so why don't you tell me what employees --
23 what direct and indirect employees means to you that
24 you consider to arrive at this calculation.

25 A. So the direct employees on Figure 5 of

1 page 7 of SM-1 of the direct testimony are
2 FirstEnergy -- people that work at the plant,
3 FirstEnergy employees, and contractors that perform
4 regular maintenance on the facility.

5 The indirect job impacts, which in this
6 case is 363 are people that work at businesses that
7 sell goods and services to the Sammis plant. The 160
8 induced jobs are people that work at retailers and
9 service providers, primarily businesses that sell
10 goods and services to the employees.

11 Q. Are you finished?

12 A. Yes.

13 Q. And the indirect that you just read, the
14 363, as well as the induced, the 160, you're not
15 assuming in your analysis that all of those suppliers
16 only supply facilities to the Sammis plant, are you?

17 A. Do you mean supply goods and services?

18 Q. I'm sorry, strike that, yes. Only
19 supply -- you are not suggesting that the 363 and the
20 160 indirect and induced jobs that you just cited
21 only provide services to the Sammis plant, are you?

22 A. So there could be suppliers where some of
23 their employees work on providing services to the
24 Sammis plant and some of them do other things and
25 we're only counting the share that work on providing

1 services to the Sammis plant.

2 Q. But when you talked about induced
3 impacts, you talked about businesses that might
4 provide services to local contractors or suppliers or
5 employees, right?

6 A. The induced jobs represent people that
7 work at businesses that sell goods and services to
8 the employees.

9 Q. Okay. And those businesses that sell
10 goods and services to employees do not only sell
11 goods and services to Sammis plant employees, do
12 they?

13 A. No. But this represents the share of
14 their employees that would be attributed to the
15 demand created by Sammis employees.

16 Q. You're not suggesting that the
17 businesses, the entire businesses, that house these
18 employees that do work for Sammis would go out of
19 business if Sammis goes out of business; is that
20 correct?

21 A. I can't really comment on whether
22 individual businesses would stay in business or not.
23 I'm only counting the incremental amount of their
24 employees and payroll that are attributed to the
25 demand created by Sammis.

1 Q. Well, what is -- can you provide me an
2 example of one of the businesses that you are
3 referencing right now that falls under the induced
4 employee impact analysis?

5 A. I could give you the example of a grocery
6 store. So perhaps, just for the sake of example, 10
7 percent of the sales of the grocery store are made to
8 employees of the Sammis plant or employees of their
9 suppliers, so we're counting 10 percent of the income
10 and payroll associated with that grocery store in the
11 induced impacts.

12 Q. So under that assumption, if the employee
13 no longer works at Sammis, he has to leave or your
14 assumption is he will leave the county or the region
15 where he purchases groceries; is that your assumption
16 then?

17 A. No.

18 Q. Well, you just said you take into
19 consideration 10 percent being sold to an employee of
20 Sammis, and if you count that -- that money is lost
21 if that person no longer works at Sammis, then you
22 are assuming that he moves out of the county or state
23 of Ohio depending on the analysis; isn't that
24 correct?

25 MR. ALEXANDER: Could I have that

1 question read, please?

2 EXAMINER CHILES: You may.

3 (Record read.)

4 A. If the plant were to close, that person
5 is no longer able to use their income from their
6 FirstEnergy job at the Sammis plant to make purchases
7 because they are not receiving that income anymore.

8 Q. Right. But that person may receive
9 income from another source and may continue to shop
10 at that grocery store; isn't that true?

11 A. Yes. But then it is no longer related to
12 the closure of the Sammis plant.

13 Q. Well, it's no longer lost if the Sammis
14 plant closes, isn't that correct?

15 A. They've replaced their income with a new
16 job. It doesn't mean that there was net growth or
17 not a net loss.

18 Q. Well, it's not a net loss to the grocery
19 store if that individual continues to spend 10
20 percent of his income at that grocery store; isn't
21 that true?

22 A. It's no longer attributed to the Sammis
23 plant.

24 Q. It's no longer a loss to the Sammis
25 plant; isn't that correct?

1 MR. ALEXANDER: Objection. Two grounds,
2 one to the extent counsel intended to say Sammis
3 plant in that question. I believe counsel misspoke,
4 so I am objecting on the ground of vague; and, two,
5 the counsel didn't say which grocery store in that
6 question, then objection, asked and answered.

7 EXAMINER CHILES: Could we have the
8 question read back.

9 MS. BOJKO: I will rephrase, your Honor.
10 I did not mean to say it if I did, so let me try
11 again.

12 EXAMINER CHILES: Thank you.

13 Q. (By Ms. Bojko) It is no longer a loss
14 attributed to the Sammis plant closure if the
15 employee continues to spend 10 percent of his income
16 at that grocery store; isn't that true?

17 MR. ALEXANDER: Objection, asked and
18 answered.

19 EXAMINER CHILES: The objection is
20 overruled. You are talking about an employee
21 continuing to spend 10 percent of the income, was
22 that part of the hypothetical, 10 percent at the
23 grocery store?

24 MS. BOJKO: That's what the witness said,
25 10 percent of his income was spent on the grocery

1 store.

2 EXAMINER CHILES: Okay. Could we have
3 the question reread for the witness. The objection
4 is overruled.

5 (Record read.)

6 A. The hypothetical was that 10 percent of
7 the grocery store's sales were to Sammis employees.
8 To answer your question, the way that economic impact
9 analysis works, it looks at the impacts of respending
10 the personal income, in this case, that people earned
11 at Sammis. If they are now spending some other money
12 that they got from some other source, then it's no
13 longer part of the impact that we're looking at.

14 Q. Thank you for the clarification. But it
15 is also no longer a loss attributed to the Sammis
16 plant if the 10 percent of the sales is still --
17 still exists, right?

18 MR. ALEXANDER: Objection. Asked and
19 answered.

20 EXAMINER CHILES: Sustained.

21 Q. Before lunch you testified -- did you
22 testify that your assumption is that local
23 contractors -- local utility contractors would not
24 find other work? Did you testify to that before
25 lunch?

1 A. Are you referring to the 140 contractors
2 that perform maintenance on the facility?

3 Q. Yes, yes.

4 A. I'm simply assuming that they are no
5 longer working at the Sammis plant.

6 Q. And isn't it true that utility
7 contractors, those local maintenance contractors,
8 typically work at other utilities?

9 A. I really don't know.

10 Q. Isn't it true that there is another coal
11 plant located in Jefferson County?

12 A. I don't know.

13 Q. Isn't it true that there is a coal plant
14 located in Coshocton County, which is two counties
15 away from Jefferson County?

16 A. I don't know.

17 Q. Isn't it true that there's a Muskingum
18 coal plant in Washington County, which is three
19 counties away from Jefferson?

20 A. I don't know.

21 Q. You do know there are several coal plants
22 located in the state of Ohio, do you not?

23 A. Yes, who already have employees.

24 Q. And who use local contractors that are
25 certified by utilities to do utility contract work;

1 isn't that correct?

2 A. I couldn't comment on the operations of
3 those other plants.

4 Q. Well, I didn't ask you about other
5 plants. I asked if the local utility contractors
6 that are certified by the utilities to perform work
7 perform work at more than one coal plant?

8 MR. ALEXANDER: Objection. Are we
9 referring to the 140 full-time equivalent contractors
10 listed in direct outputs or the direct supplier
11 impacts?

12 EXAMINER CHILES: Can you clarify?

13 MS. BOJKO: The witness was already asked
14 that clarification, and she said the 140 local
15 contractors.

16 EXAMINER CHILES: Can you just reask that
17 question with that clarification?

18 Q. (By Ms. Bojko) Isn't it true that the 140
19 local contractors perform utility work and are
20 certified to perform utility work at more than one
21 utility company?

22 A. I don't know.

23 Q. It's a possibility, is it not?

24 A. I don't know. I really can't comment on
25 that.

1 Q. Have you ever had the opportunity to work
2 with independent contractors?

3 A. In my own job?

4 Q. Yes.

5 A. Yes.

6 Q. Do you have one client, Ms. Murley, or do
7 you have several clients?

8 MR. ALEXANDER: Objection. We are well
9 afield of the witness's testimony at this point.

10 MS. BOJKO: Your Honor, may I be heard?

11 EXAMINER CHILES: Yes.

12 MS. BOJKO: This is directly applicable
13 to her recommendations and her assumptions that she
14 took in the modeling, and she's making assumptions
15 about independent contractors, and I have -- I am
16 attempting to understand her assumptions and seek an
17 understanding to that, I guess.

18 EXAMINER CHILES: The objection is
19 sustained. I think we are getting beyond the scope
20 here.

21 Q. (By Ms. Bojko) Do you know what the
22 median income is for Jefferson County, Ms. Murley?

23 A. Not off the top of my head, no.

24 Q. Do you know what the median income is for
25 Columbiana County?

1 A. Not off the top of my head, no.

2 Q. Let's go to page 5 of your direct
3 testimony, please. I want to understand some of the
4 updates that you've made with your supplemental
5 testimony. If we start with line 11 -- or I'm sorry,
6 10, it starts on line 10. It says, "Sammis employs
7 approximately 400 regular employees" -- and that
8 number has now been updated to 342; is that correct?

9 A. Yes.

10 Q. And then you say there's an annual
11 payroll of approximately 30 million and that number
12 has been increased to 36 million with the reduction
13 in the number of employees; is that correct?

14 A. I believe the number in the direct
15 testimony is 34 million.

16 Q. In the supplemental testimony is that
17 34 million increased to 36 million?

18 A. Yes.

19 Q. And on line 2, the 140 full-time
20 equivalent contractors, that's the same in your
21 supplemental testimony, is that accurate?

22 A. Yes.

23 Q. And the estimated payroll of those
24 contractors remains the same in your testimony of
25 11.9 million; is that correct?

1 A. It's rounded. The exact number in the
2 attachments is slightly different, but both would
3 round to 11.9 million.

4 Q. And we've already discussed on line 14
5 that the property tax went from 5.5 million to 5.25
6 million with the updated 2015 numbers; is that
7 correct?

8 A. Yes.

9 Q. And if we go to the next paragraph, on
10 line 17, the total economic impact has increased in
11 the supplemental testimony to 602.2 million; is that
12 correct?

13 A. Can you give me a reference in the
14 supplemental testimony?

15 Q. It is on page 6, line 14.

16 A. Can you repeat the question, please?

17 Q. Sure. Well, let's step back. I am
18 assuming that the line 17 in your direct testimony
19 regarding the total economic impact of 585.6 million
20 is only for the seven counties so the regional
21 impact; is that correct?

22 A. Yes.

23 Q. Okay. So to me the corresponding number
24 in your supplemental testimony on page 6 for the
25 regional impact only is 602.2 million; is that

1 correct?

2 A. Yes.

3 Q. And the direct and indirect supporting
4 jobs on line 18 of page 5 of your testimony has
5 decreased in your supplemental testimony to 1,047
6 jobs; is that correct?

7 A. Do you have a reference in the
8 supplemental testimony?

9 Q. It is on page 3, line 21.

10 A. So the 1,100 jobs in the direct testimony
11 on page 5, line 18, corresponds to the 925 jobs in
12 the supplemental testimony on page 3 in line 23.

13 Q. Thank you for that clarification. The
14 1,047 jobs equates to the whole state of Ohio; is
15 that right?

16 A. Yes.

17 Q. In the new supplemental you did two
18 analyses, one for the state of Ohio and one for the
19 region; is that right?

20 A. Yes.

21 Q. Okay. Thank you for that clarification.
22 And those 925 jobs have an annual payroll of
23 74.24 million in the new supplemental testimony; is
24 that right? Oh, no, strike that. That's in the
25 state. Thank you. 64.7 million, is that the

1 corresponding number?

2 A. Yes.

3 Q. Thank you. And the payroll assumptions
4 for these jobs are not done through IMPLAN; these are
5 your calculations and your assumptions, estimates; is
6 that correct?

7 A. The direct personal income, if we are
8 talking about, for example, Figure 1 on page 4 of the
9 supplemental testimony, the direct personal income
10 was information provided to me by FirstEnergy. The
11 indirect and induced personal income are coming from
12 IMPLAN, the result of applying the multiplier.

13 Q. And is your answer the same for the state
14 of Ohio analysis as well?

15 A. Yes, using different multipliers for the
16 state of Ohio.

17 Q. Davis-Besse is 38 years old; is that
18 correct?

19 A. Yes.

20 Q. And the plant is located in Oak Harbor,
21 Ohio; is that correct?

22 A. Yes.

23 Q. And Oak Harbor is located in Ottawa
24 County; is that correct?

25 A. Yes.

1 Q. And is Oak Harbor 20 -- approximately
2 21 miles from Toledo?

3 A. Yes.

4 Q. Approximately 80 miles to Michigan?

5 A. I don't know.

6 Q. Do you know how many residents reside in
7 Oak Harbor?

8 A. No, I don't.

9 Q. Isn't it true that Oak Harbor has a
10 municipal electric company and is a member of
11 AMP-Ohio?

12 A. I don't know.

13 Q. And on OMAEG-12, the map, Ottawa County
14 where the Davis-Besse plant is located is highlighted
15 in green; is that correct?

16 A. Yes.

17 Q. And you have received an input from
18 FirstEnergy that explains that 39 percent of the
19 employees of the Davis-Besse plant live in the
20 county; is that correct?

21 A. Do you have a reference for that?

22 Q. Page 6, SM-2, I believe, of the direct,
23 the first SM.

24 A. Yes.

25 Q. And on page 11 of your Davis-Besse

1 report, SM-2 attached to your direct, the average
2 income of the direct and indirect employees is
3 95,000; is that correct?

4 A. Yes.

5 Q. And similar to the average income figure
6 for Sammis, you did not update this average income
7 figure in the supplemental testimony; is that
8 accurate?

9 A. I updated it. I don't know if I quoted
10 it in the text.

11 Q. So the text may be similarly different in
12 SM-2 regarding this issue as it was for Sammis; is
13 that correct?

14 A. Actually, the 95,000 average lies in SM-2
15 of the supplemental testimony also.

16 Q. On which page?

17 A. Page 11 at the top of SM-2.

18 Q. Thank you. And you don't know what the
19 medium household income is for Ottawa County; is that
20 correct?

21 A. That's correct.

22 Q. And for Davis-Besse you used an
23 assumption that 29 percent of the employees' wages
24 would be spent on goods in the county; is that
25 correct?

1 A. Spent on goods subject to sales tax.

2 Q. And for Sammis you used an assumption
3 that 31 percent of the employees' wages would be
4 spent on goods; is that correct?

5 A. We are talking about the direct
6 testimony?

7 Q. Yes.

8 A. Yes.

9 Q. And, Ms. Murley, you would agree with me
10 an increase in electricity prices to energy-intensive
11 customers would affect manufacturing productivity,
12 wouldn't you?

13 A. That's outside of the scope of what I
14 analyzed.

15 Q. So you did not analyze the effect of
16 increasing a customer's price of electricity and how
17 that will affect that customer's business in your
18 modeling?

19 A. No, I did not.

20 Q. Did you analyze how that will affect that
21 customer's reinvestment in their business and in the
22 economy?

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

25 MS. BOJKO: It's a different question,

1 your Honor.

2 MR. ALEXANDER: Mr. Fisk, earlier, not
3 Miss Bojko.

4 EXAMINER CHILES: I will allow the
5 question.

6 THE WITNESS: Could you repeat the
7 question?

8 EXAMINER CHILES: Would you please repeat
9 it.

10 (Record read.)

11 A. I did not look at the costs or benefits
12 associated with changes in utility prices.

13 Q. And so is it fair to assume you did look
14 at a customer's community contributions in your
15 analysis if their -- increase of their product -- or
16 if there is an increase in the price of their
17 product?

18 A. Could you define "community
19 contributions"?

20 Q. Sure. You didn't look at the -- how an
21 increase in electric prices to a customer and the
22 corresponding increase in the price to produce the
23 product, how that would affect a business's ability
24 to donate or contribute to the community financially?

25 A. No, that was outside the scope of my

1 analysis.

2 Q. Did you analyze the effect on the economy
3 if all customers have to pay more for electricity in
4 order to keep the plants operating?

5 MR. ALEXANDER: Objection, assumes facts
6 not in evidence.

7 MS. BOJKO: I said "if."

8 EXAMINER CHILES: I agree. Overruled.

9 THE WITNESS: Could you repeat the
10 question.

11 (Record read.)

12 A. I did not analyze the impacts of costs or
13 benefits associated with changes in electricity
14 prices.

15 Q. Have you analyzed how favoring one
16 generator by providing them with revenue over another
17 generator will affect the competitive market in the
18 region?

19 MR. ALEXANDER: Objection, assumes facts
20 not in evidence.

21 EXAMINER CHILES: Sustained.

22 Ms. Bojko, could you rephrase your
23 question?

24 MS. BOJKO: Sure.

25 Q. (By Ms. Bojko) I believe you said to

1 Mr. Fisk this morning that you're aware that the
2 application presented in front of the Commission
3 creates a rider where the costs of these generating
4 units are passed on to customers if there are costs
5 that exceed the revenues.

6 A. I'm not familiar with all the details of
7 the application. Could you be more specific?

8 Q. Sure. You're familiar that if the plants
9 keep operating, FirstEnergy's requesting the
10 Commission allow it to pass on the net costs of
11 operating these plants on to customers?

12 A. I'm familiar with the fact that
13 FirstEnergy predicts a \$2 billion net benefit over
14 the term of the PPA as shown in their application.

15 Q. And are you also aware that for the first
16 three years of the projection that you just
17 referenced that it's a negative 400 -- approximately
18 \$464 million detriment in costs to customers?

19 A. I did not look at the impacts of costs or
20 benefits to customers.

21 Q. Well, you just said you were aware of a
22 potential benefit to customers. Are you aware that
23 there is a potential cost to customers?

24 A. At the time of my deposition I was not
25 aware of that, but at this time I am -- I am aware of

1 that but not familiar with the details.

2 Q. Are you aware that generation in Ohio is
3 competitive?

4 MR. ALEXANDER: Objection, beyond the
5 scope of the witness's testimony. She has already
6 testified she did not take into account the costs or
7 the benefits of these projections so I think we are
8 well afield at this point.

9 MS. BOJKO: Your Honor, she's testifying
10 to the economic development effects in Ohio of
11 closing a plant. We are exploring whether she's
12 looked at other issues that could affect the
13 economics of the region or state of Ohio by this
14 transaction.

15 EXAMINER CHILES: The objection is
16 sustained. I think we are beyond the scope at this
17 point.

18 Q. (By Ms. Bojko) Did you review or analyze
19 the stipulations that were filed in this case with
20 respect to your economic impact analysis?

21 A. No.

22 Q. And the IMPLAN model is called column
23 standardized and it only captures impacts of the
24 expenditures of the supply chain on the industry and
25 on the supply chain of the suppliers' industries; is

1 that correct?

2 A. Yes. Economic impact analysis is based
3 on who buys what from whom as opposed to who sells
4 what to whom.

5 Q. And the IMPLAN model has fixed
6 coefficients; is that correct?

7 A. The IMPLAN model has fixed coefficients
8 in that it doesn't assume changes in production
9 functions over time, which didn't matter for our
10 analysis because it was a point-in-time analysis.

11 Q. And isn't it true that the IMPLAN model
12 does not capture substitution effects or customer
13 price sensitivities?

14 A. Yes. The IMPLAN model doesn't capture
15 changes. That's based on being a fixed coefficient
16 model.

17 Q. But it also does not capture substitution
18 effects, right?

19 A. Yes. That would fall within the
20 definition of being a fixed coefficient model.

21 Q. Okay. And then, I guess, similarly,
22 falling within that same definition, you believe that
23 customer price sensitivities were not considered in
24 the IMPLAN model.

25 A. No, but they weren't relevant to my

1 point-in-time analysis.

2 Q. And right now I am talking specifically
3 about the IMPLAN model, not your total analysis. The
4 IMPLAN model does not take customer price
5 sensitivities in account when it produces its
6 outputs; is that correct?

7 A. Yes.

8 MS. BOJKO: Okay. Thank you, your Honor.
9 I have no further questions.

10 Thank you, Ms. Murley.

11 EXAMINER CHILES: Thank you, Ms. Bojko.

12 Mr. Dougherty.

13 MR. DOUGHERTY: No questions.

14 EXAMINER CHILES: MR. Hayes.

15 MR. HAYS: Just a few.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Hays:

19 Q. Can you see? Okay. It's always kind of
20 an awkward position here.

21 A. Yes, I can. Thank you.

22 MR. HAYS: Tell you what we'll do. Give
23 us a moment, your Honor.

24 Q. A little better for eyesight?

25 A. Yes, thank you.

1 Q. Ms. Murley, I am Tom Hays. I am counsel
2 for the Northwest Ohio Aggregation Coalition called
3 NOAC and it's communities, like Toledo, Lucas County
4 that are in the area. I hope you had a good flight
5 out here. I imagine it's a little greener in Ohio
6 than out in Arizona.

7 A. Yes.

8 Q. Great. There were a lot of questions
9 asked, and I just want to simplify them down. Have
10 you ever been to the Davis-Besse plant up in Oak
11 Harbor?

12 A. No.

13 Q. I will put a pitch in for the region.
14 They have a Jet Express that takes you out to the
15 world's largest horseshoe bar on an Erie island
16 called Put-in-Bay, quite famous with college
17 students.

18 Have you ever been over to the Sammis
19 plant on the Ohio River?

20 A. No.

21 Q. Also a great area. If I am understanding
22 your testimony correctly, if the Sammis plant doesn't
23 close, then the effects listed on SM-3 won't occur?
24 That would be to your supplemental testimony.

25 A. That's correct.

1 Q. And, similarly, if Davis-Besse closes,
2 then the effects listed in SM-4 won't occur?

3 A. Could you repeat the question?

4 Q. Yeah. I may have gotten screwed up
5 there, too many letters and numbers for me. If the
6 Davis -- excuse me. If the Davis-Besse plant does
7 not close, then the effects that are listed in SM-4
8 will not occur? And that's to your supplemental
9 testimony.

10 A. Correct.

11 Q. Okay. Did any of the people you spoke to
12 at FirstEnergy or its subsidiaries ever tell you that
13 there was a -- there were forecasts from the EPA and
14 others that due to changes in regulations, there
15 would be plant closures in the electric industry,
16 meaning generation plants?

17 A. No.

18 Q. Let us assume there are other coal-fired
19 electric plants in Ohio. If one of those were to
20 close, would there be -- understanding there's a
21 difference in scale for the number of employees -- is
22 it the input model? It's called what again?

23 A. IMPLAN.

24 Q. Oh, I'm sorry. If another coal-fired
25 plant in Ohio were to close and the data were put

1 into IMPLAN, understanding there might be a
2 difference in scale, would it show similar bad
3 effects on the local economy?

4 A. Yes, although those effects would vary
5 depending on the location and size of the plant.

6 Q. Yes, and the kind of factors you
7 described earlier in your testimony --

8 A. Yes.

9 Q. -- is that correct?

10 A. Yes.

11 Q. Were you ever asked to look at Ohio as a
12 whole and what kind of plants might stay open and
13 which ones might close?

14 A. No. I was only asked to look at the
15 specific plants Sammis and Davis-Besse.

16 Q. I take it from your testimony you are not
17 an expert in the electric -- in the world of
18 electrical transmission or electrical generation?

19 A. No, I am an expert in economic impact
20 analyses.

21 Q. Okay. Are you an expert in where
22 plants -- where electrical plants may open?

23 A. No.

24 Q. I think at one point you testified that
25 the plants -- that if a plant -- an electric plant

1 closed, that a new plant would not open at the same
2 location or nearby location.

3 A. I said that it would be less likely that
4 a new plant would open in the same location as the
5 plants that closed.

6 Q. And what's your basis for saying that?

7 A. Historically I don't think it has come up
8 with an example where a utility plant closed and
9 built the exact same plant on the same site.

10 Q. Are you aware there can be conversions of
11 coal plants to electric plants -- excuse me --
12 coal-fired plants to gas-fired plants at the same
13 location?

14 A. Without building a new plant; is what
15 you're saying?

16 Q. Yes. I am just saying they would convert
17 the equipment they needed to convert.

18 A. I am not familiar with that for
19 generation plants.

20 Q. Okay. Did anybody at FirstEnergy tell
21 you that they had closed a unit -- closed four
22 coal-fired units in the city of Oregon, Ohio?

23 A. No, I was not aware of that.

24 Q. Did anyone at FirstEnergy, meaning the
25 company or any of its affiliates, tell you that there

1 was a new combined gas cycle plant being built in
2 Oregon, Ohio?

3 A. No. I was not aware of that, although it
4 would not have affected my analysis.

5 MR. HAYS: Okay. I have no other
6 questions. But I do hope you get a chance to get up
7 to Oak Harbor. It's truly a great bar and where
8 Perry won the great Battle of Lake Erie against the
9 British. Thank you.

10 EXAMINER CHILES: Thank you, Mr. Hayes.

11 Mr. Stinson?

12 MR. STINSON: Yes.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Stinson:

16 Q. Just a few questions to clarify,
17 Ms. Murley. I believe in your conversations with
18 Ms. Bojko earlier today you stated that in your
19 supplemental analyses, you considered the -- the
20 effects of dormancy in a plant for Davis-Besse?

21 A. You are referring to decommissioning?

22 Q. Right.

23 A. Yes, I did.

24 Q. And that's what you've indicated on SM-4,
25 your supplemental attachment, page 6?

1 A. In section 3.5, yes.

2 Q. Thank you. And I believe earlier in your
3 testimony you were conversing with Mr. Fisk and
4 indicated that in your initial analyses, you looked
5 at the category or selected a category for electric
6 power generation; is that correct?

7 A. In my direct testimony, that is correct.

8 Q. And then I believe in your supplemental
9 you selected categories for both fossil fuel and
10 nuclear, correct?

11 A. One for Sammis and one for Davis-Besse,
12 yes.

13 Q. The nuclear being Davis-Besse?

14 A. Yes.

15 Q. And in your initial testimony, your
16 direct testimony, you did not include any
17 decommissioning analyses, correct?

18 A. I did not include any analysis of closure
19 or decommissioning.

20 Q. And is the basis for that because of the
21 different categories selected?

22 A. No.

23 Q. What was the basis for that?

24 A. Could you clarify?

25 Q. I am just asking why you included the

1 effect of decommissioning in supplemental testimony
2 but not in your initial.

3 A. I was asked to update my reports and
4 prepare closure analyses for both plants in response
5 to a recent Commission decision.

6 Q. And so what would be the reason why you
7 included decommissioning in the supplemental
8 testimony and analyses but not the first?

9 A. I didn't look at the impacts of closing
10 the plants in the direct testimony. It was simply
11 the impacts of keeping the plants -- their current
12 operations, so decommissioning wasn't relevant to the
13 current operations.

14 MR. STINSON: Okay. Thank you. That's
15 all.

16 EXAMINER CHILES: Thank you.

17 Mr. Moore?

18 MR. MOORE: Yes.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Moore:

22 Q. Hi, Ms. Murley. I am Kevin Moore from
23 the Ohio Consumers' Counsel.

24 If you could turn to page 1, line 15, of
25 your direct testimony. It says there you "have

1 constructed a large number of economic and fiscal
2 impact models"; is that correct?

3 A. Yes.

4 Q. For purposes of this proceeding you did
5 not construct a fiscal impact model; is that right?

6 A. That's correct.

7 Q. Instead you were asked to conduct an
8 economic impact study, right?

9 A. Yes, and we also included revenue
10 impacts.

11 Q. But a fiscal impact study is different
12 than an economic impact study; is that right?

13 A. Yes, it is.

14 Q. A fiscal impact model will estimate
15 revenues and expenses of a project, correct?

16 A. Not of a project. Revenues and expenses
17 to a local government, in this case a business
18 operation.

19 Q. So revenues and expenses of an operation
20 then?

21 A. To clarify, it's not the revenues to the
22 company or their expenses. It is, for example, taxes
23 and fees paid to a local jurisdiction and costs for
24 police service and public works and things like that.

25 Q. So, in other words, it will estimate the

1 financial impact of a project on a given region or
2 operation on a given region; is that right?

3 A. On this subject it would show the impact
4 on the subject government budget.

5 Q. Okay. So would that be -- would a fiscal
6 impact model be considered a cost/benefit analysis?

7 A. A fiscal impact model is not typically
8 the way a cost/benefit analysis is performed.

9 Q. But it will show revenues and impact --
10 revenues and expenses or costs of a project to a
11 government or municipality, correct?

12 A. Only to that government's budget, not to
13 any other parties that may receive benefits of a
14 project.

15 Q. Okay. But an economic impact model does
16 not considered cost and expenses to the community as
17 a fiscal model would.

18 A. An economic impact model is different
19 from a cost/benefit analysis and also different from
20 a fiscal impact.

21 Q. Okay. So that an economic impact model
22 just includes benefits; is that right?

23 A. Effectively, yes, but it's really a
24 different approach.

25 Q. Right. So an economic benefit is not a

1 cost/benefit analysis either, right?

2 A. That's correct.

3 Q. In other words, the economic impact model
4 only presents favorable effects and will omit
5 unfavorable effects?

6 A. An economic impact looks at how
7 expenditures made by an entity create jobs and income
8 in other industries. A cost/benefit analysis
9 considers the cost of using a resource and who pays
10 that cost and who might benefit from that and how
11 that compares to who's paying the cost. It's really
12 an entirely different approach.

13 Q. Okay. But wouldn't an economic impact
14 model, like the one you are presenting in this
15 proceeding, would that show any unfavorable effects?

16 A. Economic impacts are always positive.

17 Q. So that's no, the answer to my question
18 is no then?

19 A. Could you repeat your question?

20 Q. An economic impact model, like the one
21 you are presenting in this proceeding, doesn't
22 present any unfavorable effects or negative effects;
23 is that correct, only what's present favorable or a
24 benefit?

25 A. I would hesitate to use the word

1 "favorable." I would prefer the word "positive."

2 Q. Okay. So an economic impact model only
3 presents positive effects; is that correct?

4 A. Economic impacts are always positive.

5 Q. Okay. I think you stated earlier to,
6 maybe, one or two other counsel that you did not
7 include electricity prices in your economic impact
8 study, correct?

9 A. I did not look at the cost or benefits of
10 changes in electricity prices.

11 Q. But it is possible to do an economic
12 impact analysis on the increased utility rates on the
13 economy?

14 A. It is possible, but a more appropriate
15 approach would be a cost/benefit analysis.

16 Q. If a utility price increased, would this
17 create direct economic impact?

18 MR. ALEXANDER: Objection. With what she
19 just testified, she didn't do that analysis.

20 EXAMINER CHILES: I will allow the
21 question. The witness can answer appropriately if
22 she did the analysis.

23 THE WITNESS: Could you repeat the
24 question?

25 EXAMINER CHILES: Could you reread it,

1 please.

2 (Record read.)

3 A. So in your hypothetical example, can we
4 use the example of households?

5 Q. My question pertains to if utility prices
6 increase, would it create a direct economic impact
7 under the same circumstances you presented in your --
8 in your economic impact study in this proceeding?

9 A. I don't have enough information to answer
10 that question.

11 Q. Okay. In a hypothetical economic impact
12 to the state of Ohio, if the utility prices increase,
13 would that create a direct economic effect on the
14 state?

15 MR. ALEXANDER: Objection, incomplete
16 hypothetical.

17 EXAMINER CHILES: Sustained.

18 Q. What more information do you need to
19 complete the hypothetical?

20 A. Utility price changes impact different
21 classes of customers differently.

22 Q. How would a utility price increase impact
23 residential customers?

24 A. So in your hypothetical, are you assuming
25 that they are paying more for utilities but their

1 income and overall spending didn't change, they just
2 had to reallocate their expenditures?

3 Q. Yes.

4 A. So since their overall spending didn't
5 change but spending in different industries creates
6 different magnitudes of impact, it's not clear
7 whether the impact would be positive or negative from
8 an economic impact perspective.

9 Q. So you can't tell whether there would be
10 a direct impact?

11 A. There are impacts of household spending.
12 I just can't tell whether it would be greater or
13 lesser if they are spending more money on utilities
14 and less money on other things.

15 Q. But if utility prices did increase,
16 customers would have to spend less money elsewhere;
17 is that right, if they would have to reallocate what
18 money they do have?

19 A. Assuming their income remained the same
20 and they are spending more on utilities, they would
21 have to spend less on other items, but their total
22 spending would not change.

23 Q. And you didn't include this analysis in
24 your economic impact study in this proceeding,
25 correct?

1 A. No, I did not look at the impact of
2 changes in prices or the benefits.

3 Q. Is it possible to decipher from your
4 study whether the spending that we -- that you spoke
5 about earlier with Ms. Bojko proposed for the plants,
6 the \$464 million in the first three years, whether
7 that spending has a greater economic impact than if
8 the same amount of money was spent on something else
9 in the same area?

10 A. No. That type of comparison is exactly
11 what a cost/benefit analysis is designed to answer.

12 Q. Okay. Just to be clear, you didn't
13 include that in this proceeding, correct?

14 A. I did not do a cost/benefit analysis.

15 Q. Ms. Murley, have you ever worked with the
16 Regional Economic Model, Inc. or REMI?

17 A. I am familiar with REMI models. I am not
18 a user of the REMI model, but I am certainly familiar
19 with them.

20 Q. So you understand the nature of this
21 modeling then, correct?

22 A. I understand how it functionally differs
23 from IMPLAN, for example.

24 Q. Did you run an REMI model in preparing
25 for this proceeding?

1 A. No. I chose IMPLAN because it's very
2 widely used and widely respected by federal
3 government agencies and universities, and it is a
4 model I felt was the most appropriate choice and also
5 with which I have expertise.

6 Q. Did you run any other types of models
7 besides the IMPLAN model?

8 A. No. That was the model I felt would be
9 the best choice for this analysis.

10 Q. Are you familiar with the recent study by
11 REMI sponsored by the National Rural Electric
12 Cooperative Association that studied the impact of 10
13 percent to 25 percent electricity price increases in
14 terms of lost jobs and gross domestic product?

15 MR. ALEXANDER: May I have that question
16 reread, please?

17 EXAMINER CHILES: You may.

18 (Record read.)

19 A. I am not familiar with that study so I
20 cannot comment on the results.

21 Q. Are you aware of the key assumptions that
22 IMPLAN uses?

23 A. Could you be more specific?

24 Q. You spoke earlier that IMPLAN uses
25 certain assumptions to produce outputs; is that

1 right?

2 A. IMPLAN has assumptions about every
3 industry that vary by geography in terms of what
4 types of purchases they can make in a local
5 geography.

6 Q. So some of the assumptions could be types
7 of goods and services that are required by industries
8 in the electric utility generation sector, for
9 example; is that correct?

10 A. Yes.

11 Q. And it makes assumptions about what share
12 of those purchases can be made locally?

13 A. Within whatever the specified local
14 region is that you are looking at.

15 Q. That makes assumptions about household
16 spending patterns and employees based on their
17 income, correct?

18 A. Yes, and based on the economy of that
19 region.

20 Q. Are there any other assumptions that you
21 are aware of?

22 A. IMPLAN is a very complex model, and so I
23 don't know that I can describe for you every
24 assumption in the IMPLAN model.

25 Q. Have you ever looked over the IMPLAN User

1 Guide?

2 A. Yes.

3 Q. So you are familiar with that?

4 A. I have looked at the IMPLAN User Guide.
5 I own a copy of it.

6 Q. Okay. That would be a reliable source to
7 look at to decipher what type of assumptions are used
8 in the IMPLAN models, correct?

9 A. Yes.

10 MR. MOORE: Could we approach, your
11 Honor?

12 EXAMINER CHILES: You may.

13 MR. MOORE: I just printed out the cover
14 page and the pages I wanted to use, but do I have one
15 full copy of this, if you would like.

16 THE WITNESS: Yes.

17 EXAMINER CHILES: Do you intend to mark
18 this an exhibit?

19 MR. MOORE: Yes, OCC Exhibit 13, I
20 believe.

21 EXAMINER CHILES: So marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MR. MOORE: Thank you.

24 MR. ALEXANDER: For clarity of the
25 record, the full user guide or the cut-out?

1 MR. MOORE: The full user guide. Just
2 for the record, this is the IMPLAN Pro User Guide,
3 Analysis Guide, DATA Guide, Version 2.0.

4 MR. ALEXANDER: Counsel, if you are
5 making the entire User Guide, are you going to
6 provide copies at a later time?

7 MR. MOORE: I can do that.

8 MR. FISK: I'm sorry, what was that
9 marked as?

10 MR. MOORE: I think OCC 13. It's 13.

11 MR. FISK: Okay, thank you.

12 Q. (By Mr. Moore) Ms. Murley, if you look at
13 the last page of the abbreviated handout I gave you,
14 it speaks to the key assumptions that an IMPLAN model
15 uses; is that correct?

16 A. I can see that. The heading says "Key
17 Assumptions."

18 Q. Look at the first paragraph underneath
19 the bullet points. It says that "the production
20 functions are considered linear." And there is no
21 recognition of economies of scale. Do you see that?

22 A. Yes. Which for a point-in-time analysis,
23 like I did, is a reasonable assumption.

24 Q. Can you explain what that means?

25 A. Over time if factor prices change or

1 production increases or decreases, all factors may
2 not increase exactly proportionally or decrease
3 exactly proportionally, but when we are talking about
4 increase and decrease, we have to also be talking
5 about changes over a period of time. And in my case
6 I was looking at a point in time, so changes that
7 would occur over time with changes in factor prices
8 changes in production amounts didn't affect my
9 analysis.

10 Q. How would this affect the electric
11 industry?

12 A. For any industry as factor prices change
13 over time, it's possible that they may make
14 substitutions of one input, where sometimes that's
15 possible. Sometimes it's not.

16 Q. If you look at the next paragraph, it
17 says, "An industry has unlimited access to raw
18 materials and its output is limited only by the
19 demand for its products." Do you see that?

20 A. Yes.

21 Q. So in the electric industry, the raw
22 materials would be coal, gas, nuclear products; is
23 that correct?

24 A. Yes.

25 Q. And output --

1 A. Among other things.

2 Q. Right. And output would refer to the
3 production of electricity; is that right?

4 A. Yes.

5 Q. So your model is assuming that access to
6 these materials is unlimited, correct?

7 A. Since I am looking at existing plants,
8 clearly they are able to purchase the things they
9 need because they are currently operating that way.
10 This more applies if I were to assume that I was
11 going to triple production, the model assumes that I
12 could get the necessary supplies to triple my
13 production within whatever geographic area I was
14 currently obtaining them, which may or may not be a
15 true assumption, but it doesn't apply to my analysis.

16 Q. But a government or a municipality who
17 uses an economic impact study would base decisions on
18 the output of that study, correct?

19 A. I can't really comment on that.

20 Q. Okay. And the next paragraph says "that
21 price changes do not cause a firm to buy substitute
22 goods," that the industry demands are assumed to be
23 elastic. Do you see that?

24 A. Yes.

25 Q. So for the electric industry this means

1 that customers purchase electricity that is assumed
2 to be elastic; is that correct?

3 A. I didn't use the model to look at changes
4 in electricity prices.

5 Q. But the model can be used to do that,
6 correct?

7 A. You would have to make your own
8 assumptions about how spending might change in
9 response to higher electricity prices. The model
10 would not make those assumptions for you.

11 Q. And you didn't make those assumptions,
12 correct?

13 A. No, I didn't analyze the change in
14 prices.

15 Q. And the next paragraph says the
16 proportions of the commodities produced by that
17 industry are assumed to be the same, that is, all
18 products of the industry will be produced at the same
19 rate. Do you see that?

20 A. Yes.

21 Q. This is just speaking about products for
22 the electric -- the electric market would be
23 electricity, right?

24 A. Yes.

25 Q. So it's assuming that electricity is

1 going to be produced at the same rate in the electric
2 industry; is that correct?

3 A. If we were looking at a production
4 facility that produced more than one product, and
5 let's say, for example, they increased their
6 production, they would maintain the same proportion
7 of product A and product B.

8 Q. Okay. How did this affect your economic
9 impact study?

10 A. It didn't because we were looking at a
11 point in time, and, in fact, the Sammis plant, for
12 example, only produces one thing.

13 Q. And the last paragraph it says that --
14 the second sentence says, "It assumes that an
15 industry uses the same technology to produce all its
16 products," correct?

17 A. If an industry produces multiple
18 products.

19 Q. The industry that you used or that you
20 studied in your economic impact study was based on
21 just one product; is that right?

22 A. Yes. So this assumption doesn't really
23 matter for what I did.

24 Q. Okay. All right. And moving on, the
25 output impact in an economic impact study is the

1 total increase in business sales revenue; is that
2 right?

3 A. That's one definition.

4 Q. However, local businesses may use some of
5 this new revenue to pay for goods and services
6 outside of the study region; is that right?

7 A. Could you repeat that? I'm sorry.

8 Q. I said local businesses may use some of
9 this revenue to pay for goods or services outside of
10 its -- outside of the region that you are studying;
11 is that correct?

12 A. Yes, so some of their inputs may come
13 from outside the area.

14 Q. Right. Are you familiar with a
15 value-added impact?

16 A. Yes.

17 Q. Did you utilize this impact in your study
18 any?

19 A. No. There are value-added multipliers in
20 IMPLAN.

21 Q. So the IMPLAN model that you ran did
22 include a value-added impact?

23 A. It would be a fourth variable, so I
24 looked at output, jobs, and income. I could have
25 also looked at value added. Usually the standard

1 three variables are output, jobs, and income, but it
2 is possible to also look at value added.

3 Q. But you didn't include that in the study
4 you presented in this proceeding?

5 A. No, I did not.

6 Q. And a value-added impact estimates the
7 increase in the study region's gross regional
8 product; is that right?

9 A. Yes.

10 Q. So, in other words, it estimates the
11 increase in local employee wages plus local business
12 profits, right?

13 A. I don't have the definition in front of
14 me, but value-added measures the difference between
15 the raw materials that you start with and the final
16 product, and so you add value through labor and
17 technology.

18 Q. Would you agree that this is a more
19 conservative measure of economic activity than an
20 output impact?

21 A. I don't have an opinion relative to this
22 particular study. I didn't look at value added for
23 this particular study.

24 Q. Have you used value added impacts in the
25 past in previous uses of the IMPLAN model?

1 A. Very infrequently. It's not something
2 that I typically include or that's part of the
3 standard what's usually included in the impact
4 analysis.

5 Q. So based on that previous use, would you
6 consider it to be a more conservative measure of
7 economic activity?

8 A. I don't think I can necessarily offer an
9 opinion on that just in general.

10 Q. Are you familiar with the labor income
11 impact?

12 A. Yes.

13 Q. You didn't utilize this impact in your
14 economic impact study, did you?

15 A. Personal income includes both labor
16 income and proprietor income, so it's part of
17 personal income.

18 Q. So is that a yes, you did include labor
19 income impact in your economic study?

20 A. I didn't break it out explicitly, but,
21 yes, I included it. It is part of personal income.

22 Q. Why didn't you break it out?

23 A. I didn't feel it was necessary to
24 separate it.

25 Q. Why did you feel it wasn't necessary?

1 A. I felt it was sufficient to show personal
2 income, which was a more comprehensive measure.

3 Q. But the labor -- the labor income impact
4 represents the increase in total money paid to local
5 employees in the form of salaries and wages; is that
6 right?

7 A. Yes.

8 Q. Would you agree this is an even more
9 conservative approach than the value-added impact?

10 A. There's no reason to exclude proprietor
11 income. It may be bigger or smaller in different
12 businesses, but if you have -- not Sammis but their
13 suppliers, they could have owner-operated businesses.
14 Their income would be proprietor income. I don't
15 feel that there is any reason to exclude that versus
16 income of their employees.

17 Q. If I could direct your attention to
18 Attachment SM-1 in your direct testimony, page 1 and
19 footnote 1.

20 A. Yes.

21 Q. When you referred to information that was
22 provided by FirstEnergy, are you speaking of
23 information that was provided by FirstEnergy Services
24 company?

25 A. I'm referring to the information in

1 Attachment 1 of that report.

2 Q. Okay. And the second sentence in the
3 same footnote says, "Even if the assumptions outlined
4 in this report were to occur, there will usually be
5 differences between the estimates and the actual
6 results because events and circumstances frequently
7 do not occur as expected"; is that right?

8 A. That's what it says.

9 Q. Okay. So you are making this statement
10 based on prior experience and economic impact models;
11 is that right?

12 A. This is a standard disclaimer that I put
13 in my reports, but I would be happy to give you
14 examples of circumstances and events that do not
15 always occur as expected.

16 Q. Okay. Could you name a few circumstance
17 or events that do not occur as expected?

18 A. Let's suppose that Sammis has a supplier
19 that goes out of business for reasons that have
20 nothing to do with Sammis. And so they have to find
21 a replacement supplier who may not be in the same
22 exact location as their original supplier. This
23 would be a difference that we didn't have any way of
24 anticipating. Or suppose an employee household has a
25 divorce and their spending pattern changes. It's not

1 something we could have anticipated.

2 Q. That's because your economic impact study
3 only shows a snapshot in time, correct, so it can't
4 account for variables such as an employee having to
5 change his spending pattern?

6 A. In part, but in part because we are using
7 some standard assumptions about how employees at a
8 certain income level behave, not looking at
9 individual employee households and how they exactly
10 spend. We are using some survey-based assumptions
11 about what the consumer expenditures are made on and
12 how households of different income levels spend their
13 money.

14 Q. Right. So you're -- so the assumptions
15 that you are using are as accurate as they possibly
16 could be because you are not going around and asking
17 each employee or each citizen how they spend their
18 money?

19 A. They are as accurate as they could be
20 given that we are not going to ask all however many
21 hundred employees exactly how they spend their money.

22 Q. That is just a hypothetical assumption
23 then, correct?

24 A. I would say.

25 MR. ALEXANDER: Objection to the word

1 "that." I don't think the question is clear as far
2 as what's being referred to.

3 EXAMINER CHILES: Can you restate your
4 question, Mr. Moore.

5 Q. My question was, it's just a hypothetical
6 assumption, correct?

7 MR. ALEXANDER: Same objection, your
8 Honor.

9 EXAMINER CHILES: Sustained.

10 Q. The inputs that -- the assumptions that
11 are being used by IMPLAN in your economic impact
12 study, are just that; they are just assumptions,
13 correct, they are not facts?

14 A. They are assumptions based on actual data
15 for groups of companies in the same industry, data
16 that's collected by the federal government, and
17 IMPLAN customizes that to local areas.

18 Q. So the differences between the estimates
19 and the actual results that you stated in footnote 1
20 that you are referring to, can you quantify a
21 difference by using percentage or range?

22 A. No, I cannot.

23 Q. You don't know if there is a 10 percent
24 estimate difference in the estimates and the actual
25 results?

1 A. I can't quantify that because I'm looking
2 at a whole myriad of suppliers and also their
3 suppliers and where employees shop and also what the
4 suppliers are to the places where they shop, so with
5 that number of assumptions, it would not be possible
6 for me to put a percentage on the value on what the
7 difference is between the actual numbers and what the
8 assumptions might be.

9 Q. Can you quantify how big an impact this
10 would have on the result of your economic impact
11 study?

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

14 EXAMINER CHILES: Mr. Moore?

15 MR. MOORE: I asked her earlier if she
16 could quantify a percentage of what the difference
17 would be between estimates and the actual results.
18 Now I am just asking her how big of an impact will
19 this have on the output numbers that she's presented.

20 EXAMINER CHILES: Overruled.

21 MR. ALEXANDER: Could we have the
22 question read, please.

23 EXAMINER CHILES: Could you please reread
24 it.

25 (Record read.)

1 A. No, although IMPLAN is a widely used and
2 highly respected model, and I believe the results are
3 reasonably accurate.

4 Q. So the answer is you don't know?

5 A. I'm not able to quantify that.

6 Q. Based on your previous use of the IMPLAN
7 model, what variances have you seen between the
8 estimates and the actual results?

9 A. Unless I were to not only obtain data
10 about the exact supplier purchases but also who the
11 suppliers to the suppliers were and how exactly did
12 all of the employees spend their money, not only
13 employees of the company I was looking at but also
14 the employees of the suppliers, I would not be able
15 to make those comparisons. It's not a practical
16 comparison to be able to make for me or anyone else.

17 Q. So you don't know, you wouldn't be able
18 to quantify that, correct.

19 A. It's --

20 MR. ALEXANDER: Objection, asked and
21 answered.

22 EXAMINER CHILES: Sustained.

23 Q. When you conducted your economic impact
24 study, did you look at the data for every region in
25 Ohio?

1 A. Could you be specific about what you mean
2 by "for every region"?

3 Q. Did you look at data for any other region
4 than the two that you analyzed in your study?

5 A. No. I looked at data where the plant was
6 located and for the state.

7 Q. Okay. So you don't know of the economic
8 impact of other power plants in Ohio?

9 A. I not did look at the impacts of other
10 power plants.

11 Q. Is it possible that the economic impact
12 of other plants owned by FirstEnergy companies could
13 be greater than the economic impact of Sammis or
14 Davis-Besse?

15 A. I really can't comment on that.

16 Q. You didn't analyze that, correct?

17 A. No, I did not analyze the impacts of
18 other power plants.

19 Q. So is your economic impact analysis that
20 you are presenting strictly based on the two,
21 Davis-Besse and Sammis, and everything else staying
22 the same; is that correct?

23 A. I'm not making any assumptions about
24 other plants. I am simply looking at the operations
25 of Davis-Besse and Sammis.

1 Q. Okay. You spoke earlier about a new
2 power plant that is being build in Oregon, Ohio; is
3 that correct? Are you aware of that?

4 A. I am not --

5 MR. ALEXANDER: Objection. Are we asking
6 does she recall the conversation, or does she
7 actually know about the new power plant going
8 forward?

9 EXAMINER CHILES: Could you clarify?

10 MR. MOORE: I will restate.

11 Q. Are you aware of the new power plant
12 being built in Oregon, Ohio?

13 A. I was not aware of that.

14 Q. So that was not included in your economic
15 impact study?

16 A. No, it was not.

17 Q. Are you aware of a new power plant that's
18 being build in Trumbull County, Ohio?

19 A. No, I believe not.

20 Q. So that was not included in your economic
21 impact study?

22 A. No, it was not.

23 Q. Are you aware of power plants being built
24 in Carroll County and Lucas County, Ohio?

25 A. No, I am not.

1 Q. So neither of those power plants were
2 included in your economic impact study either?

3 A. No, only the Sammis and Davis-Besse plant
4 were included in my economic impact study.

5 Q. But a new power plant would have an
6 economic impact on the geographic location of which
7 it is being built, right?

8 A. Yes, it would.

9 Q. Would you agree that would be a positive
10 economic impact?

11 A. Yes.

12 Q. And all new power plants will have an
13 economic impact on the state of Ohio as a whole?

14 A. All four plants located in the State of
15 Ohio would have impacts on the State of Ohio.

16 Q. I believe you stated earlier your study
17 in your direct testimony was based off data and
18 assumptions from 2013; is that correct?

19 A. Yes.

20 Q. And the data and assumptions in your
21 supplemental testimony were based off of the year
22 2014? Is that right?

23 A. 2015 for my supplemental testimony.

24 Q. And your analysis assumes the data is the
25 same for the whole year, correct?

1 A. We are looking at estimated total payroll
2 paid out over the whole year and estimated employment
3 for the year.

4 Q. Right. So the employee numbers, for
5 example, would stay the same the entire year in your
6 study?

7 A. We need to pick a number to do the
8 analysis. It may fluctuate during the year, but I
9 need to identify a particular number to use in my
10 analysis, and this is the number I was provided.

11 Q. And if that number did fluctuate, that
12 would impact your study, correct?

13 A. If the amount of payroll and employment
14 changed, my results would change, but it's -- it
15 would depend on the proportion on which it changed
16 how much my outputs changed.

17 Q. And your study also assumes power plant
18 production was the same for the entire year, right?

19 A. It doesn't really matter whether it was
20 the same on every day. It just is assuming a total
21 amount over the period of a year.

22 Q. And that amount is just one amount. For
23 your study you are using just one amount, correct?

24 A. It's a sum over a period of a year. It
25 doesn't matter if production varies on any different

1 day.

2 Q. But if production changed, that would
3 impact your study, right?

4 A. If the --

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

7 EXAMINER CHILES: Sustained.

8 Q. So the figures for your study produced
9 shows impacts for just a certain time in the past,
10 right?

11 A. For a point in time, yes.

12 Q. It does not offer a future projection,
13 correct?

14 A. That's correct.

15 MR. MOORE: I have no further questions,
16 your Honor. Thank you.

17 EXAMINER CHILES: Thank you.

18 Mr. Lindgren.

19 MR. LINDGREN: No questions, your Honor.

20 EXAMINER CHILES: Did I skip over anyone?

21 Let's go off the record briefly.

22 (Discussion off the record.)

23 EXAMINER CHILES: Let's go ahead and go
24 back on the record just to make it clear we are on
25 the confidential transcript.

3212

1 MR. ALEXANDER: Yes, your Honor. We need
2 to clear the room at this point.

3 I'm sorry, I haven't met you yet, Kim's
4 new associate.

5 (CONFIDENTIAL PORTION EXCERPTED.)
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(OPEN RECORD.)

MR. FISK: Thank you, your Honor.

EXAMINER CHILES: I think this is a good point for a break. Let's take a 10-minute break and we will return at 10 until 4:00.

(Recess taken.)

EXAMINER CHILES: Let's go ahead and go back on the record.

Before we talk about redirect, there are a few questions from the Bench for this witness.

EXAMINER ADDISON: Ms. Murley, would you

1 take a look at your supplemental testimony on page 4.
2 I am looking at Figure 1. Just let me know when you
3 are there.

4 THE WITNESS: Yes.

5 EXAMINER ADDISON: For the Sammis region,
6 you had a total output of \$602.17 million; is that
7 correct?

8 THE WITNESS: Yes.

9 EXAMINER ADDISON: And for the state of
10 Ohio \$634.06 million?

11 THE WITNESS: Yes.

12 EXAMINER ADDISON: Okay. And then on
13 page 6 of your supplemental testimony --

14 THE WITNESS: Yes.

15 EXAMINER ADDISON: -- on Figure 2 the
16 total regional loss you have there is 602.17 million,
17 correct?

18 THE WITNESS: Yes, for total output.

19 EXAMINER ADDISON: And then also for the
20 total output for total statewide loss,
21 \$634.06 million; is that correct?

22 THE WITNESS: Yes.

23 EXAMINER ADDISON: And would you say, if
24 I talked about the relationship between Figure 1 and
25 Figure 2, would you agree that you could classify it

1 as complete opposites or an inverse relationship
2 depending on whether the Sammis plant retired? Would
3 that make sense to you?

4 THE WITNESS: Yes.

5 EXAMINER ADDISON: Okay. Thank you. And
6 on page 9 of your supplemental testimony, I am
7 looking at Figure 3.

8 THE WITNESS: Yes.

9 EXAMINER ADDISON: For total output for
10 Ottawa County you have \$438.51 million; is that
11 correct?

12 THE WITNESS: Yes.

13 EXAMINER ADDISON: And the state of Ohio
14 you have for total output \$487.52 million.

15 THE WITNESS: Yes.

16 EXAMINER ADDISON: And then if you turn
17 the page to page 10 of your supplemental testimony,
18 Figure 4.

19 THE WITNESS: Yes.

20 EXAMINER ADDISON: Total for Ottawa
21 County loss you have a total output of \$422.01
22 million.

23 THE WITNESS: Yes.

24 EXAMINER ADDISON: And then for total
25 statewide lose you have \$469.17 million; is that

1 correct?

2 THE WITNESS: Yes.

3 EXAMINER ADDISON: Can you explain why
4 Davis-Besse doesn't show that same inverse
5 relationship that Sammis showed in Figures 1 and 2?

6 THE WITNESS: Yes. So the difference
7 between in absolute value terms the numbers in Figure
8 4 on page 10 and the numbers in Figure 3 on page 9
9 are the long-term decommissioning impacts. So
10 there's a small number of employees, about 21 in my
11 estimate, that remain on the site for a period of up
12 to 60 years, and so there are -- there's a small
13 amount of impact taking place after year 10. I cover
14 the losses up to year 10 through when the plant is
15 fully decommissioned, which could be approximately 60
16 years in total.

17 EXAMINER ADDISON: Thank you very much
18 for that clarification. No further questions.

19 EXAMINER CHILES: Mr. Alexander,
20 redirect?

21 MR. ALEXANDER: No redirect, your Honor.

22 EXAMINER CHILES: Thank you very much.

23 Ms. Murley, you are excused.

24 THE WITNESS: Thank you.

25 EXAMINER CHILES: Move on to exhibits.

1 MR. ALEXANDER: Yes, your Honor. The
2 companies renew their motion for Companies'
3 Exhibits 35 and 36.

4 EXAMINER CHILES: Are there any
5 objections to the admission of companies' Exhibits 35
6 or 36?

7 MR. PETRICOFF: No objections.

8 EXAMINER CHILES: Hearing none, they will
9 be admitted.

10 (EXHIBITS ADMITTED INTO EVIDENCE.)

11 EXAMINER CHILES: Ms. Fleisher.

12 MS. FLEISHER: Your Honor, ELPC moves for
13 the admission of ELPC 16.

14 EXAMINER CHILES: Are there any
15 objections to the admission of ELPC Exhibit 16?

16 MR. ALEXANDER: No, your Honor.

17 EXAMINER CHILES: Hearing none, ELPC 16
18 will be admitted into evidence.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 EXAMINER CHILES: Ms. Bojko.

21 MS. BOJKO: Thank you, your Honor. At
22 this time I move the admission of OMAEG Exhibit 12.

23 EXAMINER CHILES: Are there any
24 objections to the OMAEG Exhibit 12?

25 MR. ALEXANDER: No, your Honor.

1 EXAMINER CHILES: ELPC Exhibit 12 will be
2 admitted into evidence.

3 (EXHIBIT ADMITTED INTO EVIDENCE.)

4 EXAMINER CHILES: Mr. Moore.

5 MR. MOORE: We would like to move for the
6 admission of Exhibit 13, but we would like to move
7 the abbreviated version in, not the entire version.

8 EXAMINER CHILES: Are there any
9 objections to the admission of the abbreviated
10 version of OCC Exhibit 13?

11 MR. ALEXANDER: No, your Honor.

12 EXAMINER CHILES: Hearing none, it will
13 be admitted.

14 (EXHIBIT ADMITTED INTO EVIDENCE.)

15 EXAMINER CHILES: And, Mr. Fisk.

16 MR. FISK: Your Honor, we would like to
17 move into the evidence Sierra Club 56 Confidential.

18 EXAMINER CHILES: Any objection to the
19 admission of Sierra Club 56 Confidential?

20 MR. ALEXANDER: No. Thank you, your
21 Honor.

22 EXAMINER CHILES: Hearing none, it will
23 be admitted.

24 (EXHIBIT ADMITTED INTO EVIDENCE.)

25 EXAMINER CHILES: Thank you.

1 Let's go off the record for a minute.

2 (Discussion off the record.)

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

5 Mr. Lang, call your next witness.

6 MR. LANG: Thank you, your Honor. The
7 companies call Rodney L. Phillips.

8 (Witness sworn.)

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

11 THE WITNESS: My name is Rodney L
12 Phillips. My business address is 76 South Main,
13 Akron, Ohio.

14 EXAMINER PRICE: Please proceed.

15 MR. LANG: Your Honors, we have premarked
16 the direct testimony of Gavin Cunningham, both public
17 and confidential versions, and Mr. Phillips'
18 supplemental testimony, so we will have him describe
19 which one is which.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 - - -

22 RODNEY L. PHILLIPS

23 being by me first duly sworn, as hereinafter
24 certified, deposes and says as follows:

25 - - -

DIRECT EXAMINATION

By Mr. Lang:

Q. Mr. Phillips, do you have Company Exhibit 37 in front of you?

A. Yes. That's the Direct Testimony of Gavin Cunningham on August 4, Public Version, 2014.

Q. And then do you have Exhibit 38C, for Confidential?

A. Yes. That's the Direct Testimony of Gavin Cunningham on August 4, 2014.

Q. The Confidential Version, correct?

A. Confidential Version, correct.

Q. And then Company Exhibit 39, do you have that?

A. Yes. That's the Supplemental Testimony of Rodney L. Phillips on May 4, 2015.

MR. LANG: And, your Honors, may we approach?

EXAMINER PRICE: You may.

Q. Mr. Phillips, in relation to your supplemental testimony that you filed, did you also prepare workpapers?

A. Yes.

Q. And were there portions of the workpapers that were confidential and portions that were not

1 confidential?

2 A. Yes.

3 Q. All right. Is what's been marked as
4 Company Exhibit 40, the public or nonconfidential
5 portions of your workpapers?

6 A. Yes.

7 Q. And then what's been marked as Company
8 Exhibit 41C, for Confidential, is that the two pages
9 of your workpapers that are confidential?

10 A. Yes.

11 MR. LANG: Just for the other parties
12 that have the workpapers as they were distributed
13 earlier, the first two pages are the cost
14 calculations, that's what's been marked as Company
15 Exhibit 41C, as Confidential. The rest was marked
16 separately as Exhibit 40.

17 Q. Thank you, Mr. Phillips. Do you have any
18 corrections to make to your supplemental testimony?

19 A. No.

20 Q. Did you as part of your supplemental
21 testimony make corrections to Mr. Cunningham's direct
22 testimony from August 4?

23 A. Yes.

24 Q. And that is identified in your
25 supplemental testimony; is that correct?

1 A. Yes.

2 Q. If I were to ask you the questions in
3 your supplemental testimony and the questions in the
4 testimony you adopted of Mr. Cunningham, as you
5 modified in your supplemental testimony, would your
6 answers be the same today?

7 A. Yes.

8 MR. LANG: Your Honors, with that,
9 Mr. Phillips is available.

10 EXAMINER PRICE: Thank you.

11 Ms. Petrucci.

12 MS. PETRUCCI: Thank you very much.

13 - - -

14 CROSS-EXAMINATION

15 By Ms. Petrucci:

16 Q. Let me see if I can scoot over and make
17 it easier for both of us. Let's start with the
18 estimate of transmission upgrade costs that were
19 contained in the August, 2014, testimony of
20 Mr. Cunningham. He relied upon three inputs which he
21 identified on page 4. Can you tell me with respect
22 to the first two what timeframe those models were
23 created?

24 A. The PJM RTEP 2019 base case model and the
25 2017 base case model for reliable RPM, those would

1 have been in mid-2014.

2 Q. And you relied upon those when you
3 created and prepared your testimony in May of 2015 or
4 you accepted them; is that correct?

5 A. Yes.

6 Q. Both of the cost estimates, the one that
7 was contained in the August, 2014, testimony and then
8 the May, 2015, updated testimony assumed the full
9 closure of Davis-Besse and the Sammis plants; isn't
10 that correct?

11 A. Yes.

12 Q. Were you instructed to assume the
13 plant -- that the plants would close in full?

14 A. I was instructed to study the retirement
15 of Sammis and Davis-Besse fully.

16 Q. Both of the cost estimates assumed the
17 full closure of both Davis-Besse and the Sammis
18 plants at the same time; isn't that correct?

19 A. Yes.

20 Q. And were you also instructed to assume
21 that both the Davis-Besse plants and the Sammis
22 plants were going to close fully at the same time?

23 A. Yes.

24 Q. And how many units are at the Sammis
25 plant?

1 A. At Sammis there are seven units.

2 Q. And some of those are baseload units and
3 some of them are not, correct?

4 A. I'm not sure what -- if you define by
5 baseload, I think of baseload as you will see them
6 run around the clock to serve the native load. By
7 that definition they all do that. Now, that's how I
8 think of baseload.

9 Q. Okay. And I was relying upon
10 Mr. Harden's testimony that he presented earlier in
11 this case where he described two of the units, 6 and
12 7, of the Sammis plant as baseload units. Did you
13 happen to see his testimony in this case?

14 A. No.

15 Q. Okay. He described the other units as
16 load-following units at Sammis. Are you familiar
17 with that at all?

18 MR. LANG: Objection, your Honor. He
19 says he hasn't seen Mr. Harden's testimony. Perhaps
20 if we can get back to Mr. Phillips' knowledge instead
21 of what has been testified to by Mr. Harden.

22 EXAMINER PRICE: He can answer if he
23 knows.

24 Can we have the question again.

25 (Record read.)

1 A. I'm not sure what you meant by "load
2 following." I only think of peakers or baseload
3 units.

4 Q. Okay. And for purposes of creating the
5 cost estimates for the transmission upgrades, what
6 date was assumed for the closure of the Davis-Besse
7 and the Sammis plants?

8 A. June, 2017.

9 Q. In your testimony you indicated that the
10 location of generating plants being removed from
11 service is important for determining estimates for
12 transmission upgrade costs. Did your analysis
13 incorporate any assumptions or otherwise take into
14 consideration new generation coming on line in Ohio
15 while you assumed that both the Davis-Besse and the
16 Sammis plants would be closed?

17 A. We used the PJM 2019 RTEP case and the
18 2017-18 RPM case, which were provided by PJM, and PJM
19 then will include generation for those years that
20 would be in service based on where they fall in the
21 generation queue. If they would have had signed a
22 facility study agreement or an interconnection
23 service agreement, then they would have been included
24 in the study if they would have been in service for
25 the year that was being studied.

1 Q. So for purposes of Ohio, do you know what
2 was included in those PJM models as new generation?

3 A. I do not know everyone. I do recall in
4 the model for the 2019 RPM Oregon Clean center was in
5 the model. It was not in the 2017 model. And I
6 don't recall others off the top of my head.

7 Q. Now, with respect to the Oregon Clean
8 Energy Facility, when you indicated it was included
9 in the 2019 model but not in the 2017 model, what
10 impact would it be having only partially been
11 included in the inputs that you used?

12 A. Well, if it's not in the model, then it's
13 not part of the transmission system topology that you
14 are studying.

15 Q. Just to make sure I understand, so the
16 additional generation that is anticipated to come on
17 line from the Oregon Clean Energy Facility would not
18 be recognized for purposes of your analysis of any
19 transmission upgrades that would be required if both
20 Davis-Besse and the Sammis plants all closed at one
21 time?

22 EXAMINER PRICE: Can I have the question
23 back again, please?

24 (Record read.)

25 A. So the plant -- Oregon plant was included

1 in the base case received from PJM for the 2019 RTEP.
2 For the study case used for 2017 RPM case, it was not
3 in that model.

4 Q. So then I wanted to go back to my other
5 question. By having that Oregon plant included
6 partly in the inputs that you used, what impact does
7 that have on your transmission upgrade calculations?

8 A. The 2019 RTEP case is used to do
9 generation deliverability studies and N-1-1 studies.
10 So for those studies that you were studying that PJM
11 does, it would have been included and be part of the
12 topology.

13 For the 2017 RTEP, which is used to do a
14 study called load deliverability, in that case it
15 would not have been reflected, which means it would
16 not have been -- any impact it would have of being
17 in -- being in the model as far as topology would not
18 be looked at.

19 Q. Is it fair to say the full impact of the
20 Oregon Clean Energy plant is not recognized within
21 your analysis because it was not included in the 20th
22 17 PJM model?

23 A. When you look at the load deliverability
24 study, the impact of that would not have been in
25 those results that was studied.

1 Q. Is the answer then yes to my question?

2 A. For the load deliverability study, it did
3 not produce any transmission overloads so it really
4 had no impact on our study when you look at the total
5 study results we had, and we identified the
6 overloaded lines. The load deliverability study, I
7 did not produce any overloads from that. That study
8 did not result in any overloads.

9 Q. And am I correct that you don't recall
10 whether or not the PJM 2019 model and the 2017 model
11 included the Carroll County Energy facility, which is
12 planned for operation in Ohio; is that correct?

13 A. No. For Carroll County, I do recall it
14 was not in the 2019 model. It was not in the 2017-18
15 model. PJM did not include it because it did not
16 meet their requirements for in-service date or far
17 enough along in the queue process where you sign a
18 facility study agreement or interconnection study
19 agreement.

20 Q. And at this point in time are you aware
21 whether or not the Carroll County Energy facility is
22 under construction?

23 A. I do not know if it's under construction
24 or not.

25 Q. Do you recall how big that generating

1 station is expected to be?

2 A. I believe it is around 670 megawatts.

3 Q. And do you recall where it is going to be
4 located?

5 A. I know it's going to connect in AEP's
6 territory off of, I think, it's their TIDD to Canton
7 central line.

8 Q. Maybe we can point to at least a part of
9 the state of Ohio. Do you agree with me it's planned
10 to be in Carroll County, Ohio, on the central eastern
11 side of Ohio?

12 A. Yeah. It's in Carroll County. I believe
13 it's somewhere near Canton. I don't know the exact
14 distance.

15 Q. And that's the same region of the state
16 of Ohio that the Sammis plant is located in general?

17 A. Yeah. The Sammis plant would be east of
18 where that proposed line is where the generator would
19 be.

20 Q. And then with regard to the Oregon Clean
21 Energy plant that you stated was included in part of
22 the models that were input into your analysis, that
23 facility, do you recall the size of it?

24 A. Yes, I believe it was like 799 megawatts.

25 Q. And do you recall where that's going to

1 be located? Or where it -- do you recall if it's
2 under construction at this point?

3 A. That one I do believe is under
4 construction. That generator is being constructed
5 off of the transmission line -- actually two
6 transmission lines that serve out of our Bay Shore
7 substation. That goes to Fostoria and Monroe.

8 Q. Okay. So that's in the northwest section
9 of Ohio, correct?

10 A. Yes. That would be near the Toledo area.

11 Q. Okay. So it's close to -- would you
12 agree with me close to a load center in Ohio, being
13 near the city of Toledo?

14 A. Yes. That's a big -- that's one of the
15 big towns near there, yes.

16 Q. And would you agree with me also that
17 that is also a region of the state near where the
18 Davis-Besse plant is located?

19 A. Davis-Besse is probably 20 or 30 miles to
20 the east, yes.

21 Q. Are you aware also that the -- there is
22 another plant in Ohio that is planned in Lordstown,
23 Ohio?

24 A. Yes.

25 Q. And are you aware that the Ohio Power

1 Siting Board recently granted it a certificate?

2 A. No.

3 Q. Do you recall the size of that plant?

4 A. 800 megawatts, I believe.

5 Q. And do you recall the location that it's
6 planned for?

7 A. Yes. That is going to be connected off
8 of two lines, one Sammis to Highland, one line
9 Mansfield to Highland, which is near the Youngstown
10 area. It's somewhere in that general area.

11 Q. Okay. Thank you. That was the same spot
12 on the state I was going to point you to as well. So
13 all together with those three plants, the one under
14 construction, being Oregon Clean Energy; the Carroll
15 County Energy plant; and then the Lordstown plant,
16 which just was recently certificated, roughly how
17 many megawatts are anticipated from those three
18 plants based on what you told me earlier? Do you
19 know?

20 MR. LANG: Objection, your Honor.

21 EXAMINER PRICE: Grounds?

22 MR. LANG: She's asking megawatts
23 anticipated. It's ambiguous as to what she means by
24 that, whether she is asking him to assume that they
25 are all going to be constructed or not, which is just

1 unclear.

2 EXAMINER PRICE: Can you rephrase,
3 please?

4 Q. (By Ms. Petrucci) Based on what you
5 described as the megawatts for each of those three
6 plants, can you tell me how much the total would be
7 if they are constructed as you envisioned or
8 identified?

9 A. Those -- I know these three plants are in
10 the generation queue. Those three generation plants
11 added up, off the top of my head, to somewhere around
12 2,200 megawatts. Concerning do I anticipate them to
13 be in service, they are in the generation queue
14 process and --

15 Q. I'm sorry to interrupt, but that was all
16 I asked, what the total number was.

17 MR. LANG: Your Honor, if he could finish
18 his answer. She did ask what he was envisioning.

19 MS. PETRUCCI: No, I asked him to tell me
20 the total amount of megawatts.

21 EXAMINER PRICE: Okay. First, always
22 address your comments to the Bench, not to each
23 other. Second of all, why don't you finish your
24 answer, and then if you have a motion to strike, we
25 will entertain that.

1 MS. PETRUCCI: All right.

2 EXAMINER PRICE: Go ahead and finish your
3 answer.

4 THE WITNESS: Okay. Concerning
5 anticipating, those are in the queue process, and PJM
6 has a process of steps to go through for that,
7 whether generators are in a -- start out with a
8 feasibility study, an impact study, a facilities
9 study, and then they have a -- and then they sign
10 agreements.

11 And as far as anticipating if they would
12 be in service, when you look, PJM puts statistics
13 together as far as the likelihood of generators going
14 in service, and when you look at those statistics
15 when generators first start to process, only
16 14 percent of them -- if you look in terms of the
17 number of megawatts, 7 percent of them go into
18 service. And as you go through the process, they
19 continue to drop out.

20 In fact, when they signed the facility
21 study agreement, there are 70 percent of them that
22 drop out, and then even after they sign their
23 interconnection agreements, it's close to 50 percent
24 of them drop out, so I don't -- can't anticipate if
25 they are going to be in. If you look at the odds of

1 the PJM, the odds are not high that generators go in
2 service that are in the queue.

3 MS. PETRUCCI: And, your Honor I would
4 like to move to strike. My question was the total
5 amount of megawatts that were anticipated from those
6 three plants as they have been designed. I was not
7 asking for his opinion as to whether he believes they
8 are going to be, in fact, constructed and operating.

9 EXAMINER PRICE: Let's have
10 Ms. Petrucci's question back again, please.

11 (Record read.)

12 EXAMINER PRICE: I certainly think there
13 is some ambiguity "as you envisioned or identified,"
14 so the motion to strike will be denied.

15 Mr. Phillips, are you aware whether any
16 of those plants have cleared the base residual
17 auction for 2018-19?

18 THE WITNESS: No, sir.

19 EXAMINER PRICE: You are not aware or you
20 know they have not?

21 THE WITNESS: I do not know anything
22 about them concerning the capacity auctions.

23 EXAMINER PRICE: Okay. Thank you.

24 Ms. Petrucci.

25 MS. PETRUCCI: Okay.

1 Q. (By Ms. Petrucci) Now, you indicated
2 those three plants would bring approximately 2,200
3 megawatts, and in comparison, can you tell me how
4 many megawatts the Davis-Besse plant provides?

5 A. The Davis-Besse is a little over
6 900 megawatts.

7 Q. And the Sammis plant?

8 A. Totals around 2,200 megawatts.

9 Q. And that 2,200, is that assuming all
10 seven units are running?

11 A. Yes, that would be the total for all
12 seven units.

13 Q. Going back again to the inputs, the PJM
14 models that were used for purposes of estimating the
15 transmission upgrade costs, do those include any
16 assumptions for already planned transmission
17 upgrades?

18 A. Yes. When you look at the 2019 RTEP, it
19 would have included in it any transmission facility
20 changes that would be in place of June, 2019, and the
21 2017-18 RPM case would have any facilities that were
22 going to be in service for 20 -- June, 2017.

23 EXAMINER PRICE: Can I have the answer
24 back, please?

25 (Record read.)

1 EXAMINER PRICE: Why did you use the June
2 2017-18 RPM study. Was the later one not available?

3 THE WITNESS: Yeah, the 2017 RPM case,
4 that was the latest case available for PJM. When you
5 do the load deliverability study, you use -- that's
6 the case you use for that, and that was the latest
7 available.

8 EXAMINER PRICE: Thank you.

9 Q. (By Ms. Petrucci) By assuming the full
10 closure of both the Davis-Besse plants and the Sammis
11 plants at the same time, are more transmission
12 upgrades going to become necessary at one time?

13 A. The study that we did covered both plants
14 retiring at the same time, so we studied the impacts
15 of them retiring at the same time, so the upgrades
16 that we would have identified would be upgrades that
17 would need to be addressed at the same time.

18 Q. Now, you also refer in your testimony to
19 transmission upgrades that have been required due to
20 retirements between 2012 and 2015. And on page 10 of
21 your supplemental testimony, you refer to an
22 allocation with respect to those costs. Who decided
23 the allocation of those costs?

24 A. The allocation for the upgrades from
25 those plants, PJM would do that. They are the one

1 who determined the cost allocation.

2 Q. And are you presenting an allocation at
3 all in this case?

4 A. What I covered in my testimony was that
5 we identified upgrades, and the final solution that
6 will be done will be some combination, I believe, of
7 reconductoring of facilities, rebuilding of
8 facilities, and new facilities. So I do not know
9 exactly what the new facilities will be, plus that is
10 a cost allocation that needs to be done by PJM. They
11 are the ones that run that and have the methodology
12 to do that.

13 So what I presented was in lieu of not
14 having the actual costs, not able to determine the
15 actual costs, that we were looking at plants retiring
16 in ATSI, and I had recent history examples of plants
17 that were retiring in ATSI that were serving load in
18 ATSI very similar to the plants of Sammis and
19 Davis-Besse. And what we saw from the history of
20 those retirements were that when those plants retired
21 and additional generation would have to be brought in
22 to serve that load, that the allocation for those
23 type upgrades was 82 percent for that.

24 Q. Okay. So is it fair to say that the
25 82 percent that you have included in your testimony

1 is the allocation that was decided by PJM for those
2 prior 38 transmission upgrades?

3 A. Yes. The 82 percent I referenced was the
4 82 percent that PJM came up with for the retirement
5 of the Lake plants in between 2012 and 2015.

6 Q. Okay. And then if the Davis-Besse plant
7 and the Sammis plants were to close and transmission
8 upgrades were needed, then at some point in time PJM
9 is going to decide the allocation of costs associated
10 with those transmission upgrades, correct?

11 A. If those plants retired, PJM would
12 determine what type of upgrades were needed, and then
13 they would also, after that was determined, they
14 would do a cost allocation.

15 EXAMINER PRICE: Before we leave this
16 topic near and dear to my heart, your organization
17 was responsible for performing the transmission
18 upgrades; is that right? Your area within the
19 FirstEnergy companies was responsible for that; is
20 that correct?

21 THE WITNESS: When you say my area --

22 EXAMINER PRICE: Where you worked at the
23 time, where you work now.

24 THE WITNESS: No, that was not -- no, now
25 I am currently in transmission operations.

1 EXAMINER PRICE: Okay. So you were not
2 responsible, okay. Well, maybe you know the answer
3 to this, maybe you don't. Do you know how many jobs
4 were created for the million dollars in transmission
5 upgrades that were made necessary by the 2000 -- by
6 the recent retirements?

7 THE WITNESS: No.

8 EXAMINER PRICE: Fair enough. Thank you.

9 Q. (By Ms. Petrucci) Just to follow-up on
10 your last answer to the question I last asked, as a
11 result, at this time PJM has not conducted any
12 allocation of costs for transmission upgrades
13 associated with the closure of Davis-Besse or the
14 Sammis plants, correct?

15 A. No, PJM has done no allocation.

16 Q. And there would be no transmission
17 upgrade costs if Davis-Besse and the Sammis plants
18 are not closed -- well, let me state that again.
19 There would be none of the identified transmission
20 upgrade costs incurred if the Davis-Besse and the
21 Sammis plants are not closed, correct?

22 A. If Davis-Besse and Sammis did not retire,
23 the upgrades that were identified in our study would
24 not be done.

25 Q. And you are not here to present an

1 opinion as to whether or not Davis-Besse is at risk
2 of closure or retirement, correct?

3 A. Correct.

4 Q. And you are also not here to present an
5 opinion as to whether the Sammis plants are at risk
6 of closure or retirement, correct?

7 A. Correct.

8 MS. PETRUCCI: Just one moment. I want
9 to make sure I have covered everything, your Honor.

10 Q. Is it possible that the transmission
11 upgrades, the 38 transmission upgrades that you
12 referenced in your testimony, could be the result of
13 retirements of other plants than what has been
14 identified?

15 A. What study are you referring to?

16 Q. The 38 transmission upgrades that you
17 have contained in the direct testimony -- I am trying
18 to find it. Page 3, line 13, is it possible some of
19 those upgrades could be the result of other
20 retirements, other than those set forth between 2012
21 and 2015?

22 A. Those upgrades, the 38 that were
23 identified, we know that the plants had a big impact
24 on driving those, and PJM in their May 12 TEAC
25 report, they went over all -- all the facilities that

1 had retired at that time, so not only did you have
2 those, you had a whole portfolio of facilities -- or
3 generators that were retiring. And PJM outlined in
4 their TEAC report they went over about and talked
5 about the Lake plants and their impact and how those
6 caused voltage and thermal, and they went through
7 that section and explained the Lake plants did that.

8 They did mention one spot in there, but
9 the New Castle project, that also maybe primarily
10 affected that upgrade, which was one of the upgrades,
11 but so did the Lake plant retirements, so there --
12 those were all studied in a portfolio. So projects
13 came in. PJM studied some, and then others continued
14 to come in. So at the end of the day when they did
15 their presentation, they did an overall presentation.

16 So I know at least one of those PJM
17 pointed to New Castle also impacted generation.
18 There could be others. I know the TEAC report, they
19 definitely did point to New Castle, also impacted on
20 one facility.

21 Q. So you couldn't say. Just to make sure
22 we're clear, at least in part some of the 38
23 transmission upgrades that had been required were due
24 to retirements or other plants other than what had
25 been identified -- identified as the Ohio plants?

1 MR. LANG: Objection, your Honor. Asked
2 and answered.

3 EXAMINER PRICE: Overruled.

4 A. The 38 projects were impacted by the
5 retirement of the Lake plants, and at least one other
6 of those, also New Castle would have impacted those
7 upgrades needing done.

8 MS. PETRUCCI: I have no further
9 questions. Thank you very much, Mr. Phillips.

10 EXAMINER PRICE: I guess I am confused by
11 your state of knowledge about those 2012-2015
12 projects. Let's look at your testimony, your
13 supplemental testimony on page 9, line 21.

14 How familiar are you with the
15 transmission projects that you describe on lines 21
16 through 24 and on to the next page on line 1?

17 THE WITNESS: I have reviewed those
18 projects with Mr. Cunningham and our transmission
19 planning group, who would have been involved when
20 those plants retired.

21 EXAMINER PRICE: And did you review the
22 cost estimates with Mr. Cunningham?

23 THE WITNESS: I reviewed his cost
24 estimates that he had done, yes.

25 EXAMINER PRICE: And did you review the

1 scope of work of what needed to be done?

2 THE WITNESS: When you refer to the scope
3 of the work for the upgrades that needed to be done?

4 EXAMINER PRICE: Well, you discuss new
5 lines, new transformers, new substations. You
6 reviewed all that information?

7 THE WITNESS: Yes. I discussed it, what
8 my testimony was going to be.

9 EXAMINER PRICE: And yet you can't answer
10 my question about how many jobs were created by those
11 investments.

12 THE WITNESS: We discussed the impacts on
13 the transmission system, the lines, but we had no
14 discussions -- I saw nothing -- we discussed nothing
15 on number of jobs being created.

16 EXAMINER PRICE: Fair enough.

17 Mr. Moore?

18 MR. MOORE: Yes.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Moore:

22 Q. Good afternoon, Mr. Phillips.

23 A. Good afternoon.

24 Q. My name is Kevin Moore on behalf of Ohio
25 Consumers' Counsel.

1 So as you said earlier, the 2019 RTEP
2 base case model was used to perform the generation
3 deliverability analysis; is that right?

4 A. Yes.

5 Q. Who performed the generation
6 deliverability analysis -- excuse me. Who performed
7 like the load flow modeling associated with the
8 generation deliverability analysis?

9 EXAMINER PRICE: Mr. Moore, I am going to
10 try to ask you to project a little more because I
11 know the people over there, and my experience when I
12 was sitting off to the side, is it's very difficult
13 to hear you.

14 Q. Did you hear me, Mr. Phillips?

15 A. Yes. So Gavin had a team of people that
16 worked on doing the overall analysis, so Gavin and
17 his team decided what type of studies needed to be
18 done.

19 Q. So did Mr. Cunningham perform the
20 generation deliverability analysis?

21 A. Well, there's several steps to that, so
22 Gavin and his team would have decided what studies
23 needed to be done. Gavin and the team together
24 decided if you're going to do those studies, what
25 models you would use, and they got the models off of

1 PJM because those would provide the right information
2 because PJM has a strict process they go through to
3 get that information put together.

4 After you get the model, the next thing
5 you do -- and that's the key part so you have this
6 transmission system modeled correctly. So after you
7 get the model, the next step then is you do use
8 software that uses that information of the model to
9 perform a load flow study.

10 So one of the members on Gavin's team was
11 Scott Gass. Scott works for PowerGem. Scott is a
12 former employee. He used to work for PJM and he did
13 those transmission studies. That's what he was an
14 expert on at PJM and did that for a number of years.
15 And, as I said, the team did these things together,
16 but Scott was the one member on the team who ran --
17 ran the software, and then after the software ran and
18 the results came out, then Gavin and the team
19 reviewed the results.

20 Q. Did you personally conduct any of the
21 modeling associated with the generation
22 deliverability analysis?

23 A. The studies were already done, and I just
24 reviewed the process, the methodology, what they
25 used, what the results were, those type of things.

1 Q. So the answer to my question is no,
2 correct?

3 MR. LANG: Objection, your Honor.

4 EXAMINER PRICE: Grounds?

5 MR. LANG: He answered the question. It
6 wasn't a "yes" or "no" answer. It was that answer.

7 EXAMINER PRICE: I understand, but he was
8 simply trying to narrow down, have a nice clean
9 record.

10 Fair enough. You can answer the
11 question.

12 A. I ran no additional studies. They had
13 already completed that.

14 Q. And PJM did not perform any of the
15 modeling for the generation deliverability analysis,
16 correct?

17 A. I'm a little confused what you are
18 calling modeling. PJM provided the models, but they
19 did not perform any load flow studies on them.

20 Q. Okay. And you did not ask PJM to
21 personally perform any load flow studies on the
22 models they provided you, correct?

23 A. No.

24 EXAMINER PRICE: Have you consulted with
25 PJM regarding the types of upgrades that may be

1 necessary?

2 THE WITNESS: No.

3 EXAMINER PRICE: Has anybody at
4 FirstEnergy or FirstEnergy Solutions or FirstEnergy
5 Corp. consulted with PJM regarding the upgrades that
6 may be necessary?

7 THE WITNESS: I am not aware of any
8 discussions with PJM.

9 EXAMINER PRICE: If discussions had been
10 had, would you be aware of them?

11 THE WITNESS: If Gavin, who ran the
12 study, would have, I am sure that's one of the things
13 that would have been discussed with me.

14 EXAMINER PRICE: Okay. Thank you.

15 Q. (By Mr. Moore) Did Mr. Gass also perform
16 the modeling associated with the load deliverability
17 analysis?

18 A. Mr. Gass would have performed the same
19 role where he ran the software, yes.

20 Q. So you did not personally conduct this
21 modeling either, correct?

22 A. Those studies were already done, and I
23 did not run any additional studies.

24 Q. And PJM did not conduct any of the
25 modeling for that, correct?

1 A. They provided the RPM case that was used,
2 but they did not run the study.

3 Q. And you did not ask PJM to perform any of
4 the modeling in the meantime?

5 A. I did not, no.

6 Q. Do you know if PJM performed such
7 modeling?

8 A. Yes. PJM, when generators actually put
9 in a notice that they are going to retire, that's the
10 studies that PJM will do, yes.

11 Q. Let's talk a little bit about what PJM
12 does do when a generator notifies them they would
13 like to retire. Are you familiar with that process
14 at all, Mr. Phillips?

15 A. Some.

16 Q. So PJM generation owners are required to
17 notify PJM of their intent to deactivate or retire,
18 correct?

19 A. Yes.

20 Q. And this notice period is at least 90
21 days prior to the deactivation; is that right?

22 A. I believe that's the timeframe.

23 Q. And then, as you said, PJM will -- will
24 conduct a series of studies and analyses on how such
25 a generator deactivation will impact the transmission

1 system; is that right?

2 A. Yes.

3 Q. And those impacts will include
4 reliability impacts; is that right?

5 A. They will be studying what type of
6 reliability criteria violations would occur on the
7 transmission system.

8 Q. What type of studies do they do?

9 A. They do similar studies to what we did,
10 gen deliverability, load deliverability N-1-1.

11 Q. So if PJM determines there is no
12 reliability issue with the plant's retirement, then
13 they will notify the generation owner that they can
14 retire; is that right?

15 A. They will notify -- yes, they have to
16 tell the owner if there is any retirement -- or any
17 issues, but all they do is tell that to them, and
18 they can still retire even if they wanted to.

19 Q. But if PJM identifies reliability or
20 market power issues, it will order certain
21 transmission upgrades or additions to be built by
22 transmission owners, correct?

23 A. Yes. If there were reliability criteria
24 violations, then PJM would identify required upgrades
25 which would be done by the transmission owners.

1 Q. And if PJM determines that a plant needs
2 to run beyond the proposed retirement date to assure
3 reliability while these transmission upgrades are
4 completed, then the generator can be compensated to
5 keep the plants open until those upgrades are
6 completed; is that right?

7 A. PJM has a process that they call
8 reliability must-run. If they had issues that could
9 not be solved before the generator retired, they
10 could request the generator to fall under this
11 reliability must-run for them to stay on, but that's
12 not a requirement for generation under. They would
13 have to make that decision.

14 Q. Do you know if PJM has performed a
15 similar study or analysis on the PPA units'
16 retirement?

17 MR. LANG: Objection, your Honor. Just
18 point of clarification, the PPA units?

19 MR. MOORE: I'm sorry, I should have
20 specified that earlier. I will rephrase.

21 Q. Do you know if PJM has performed a
22 similar study or analysis on the Sammis and
23 Davis-Besse power plant retirements?

24 A. There's not been a formal request, so
25 nothing -- they wouldn't have done it through a

1 retirement. I don't know if there is other scenarios
2 what else PJM might do.

3 Q. So, to your knowledge, they haven't
4 performed --

5 A. To my knowledge, they have not.

6 Q. You did not ask PJM to perform an
7 analysis?

8 A. No. PJM leaves it up to the transmission
9 owners to run their own different scenarios. They
10 are quite busy just addressing generator
11 deactivations or their normal studies they are doing,
12 so they normally would not want to help -- not say
13 help, but they are busy. We don't request them to
14 run just scenarios for us.

15 We had the models that are available to
16 us, and we have the capability of running those, and
17 we do that every year, hundreds of times with all
18 those studies, so that's not something we would ask
19 PJM to do normally.

20 Q. If PJM did run such an analysis, could it
21 come to a different conclusion than you did?

22 A. If PJM ran the same analysis using the
23 same 2019 RTEP and 2017-18 reliability, I would
24 expect them to come to similar results.

25 Q. So the analysis is not subject to

1 different interpretation?

2 A. No. The key is getting the model
3 established right, and that's why we use that from
4 PJM.

5 Q. But you will agree that PJM's
6 responsibility is to ensure the reliability of
7 electric transmission systems; is that correct?

8 A. PJM is -- PJM is one of several entities
9 that have responsibility for reliability of the
10 system. The transmission owners have responsibility
11 for building new facilities when directed by PJM or
12 doing maintenance or similar. My job is managing the
13 control centers that manage this system.

14 NERC has responsibility for the
15 reliability of the system or the ones who establish
16 the standards that we have to follow PJM and the
17 transmission owners, and even states have
18 responsibilities. Some of the different commissions
19 in the states are responsible when we are trying to
20 build transmission for siting, so they are involved.
21 Also states have requirements and look at the
22 maintenance that's performed on the transmission
23 system, aerial patrols, wood pole inspections,
24 different things vary.

25 So PJM, they do have responsibility, are

1 responsible for running the different studies, but
2 other entities also have responsibility.

3 Q. And the entities you just mentioned, PJM,
4 NERC, state commissions, and states themselves, would
5 they continue to be responsible for the reliability
6 of the electric transmission system whether the
7 plants, Sammis and Davis-Besse, are retired or not?

8 A. Yes.

9 Q. The study you are presenting in your
10 testimony, it assumes Davis and Sammis are retiring
11 at the same time; is that correct?

12 A. Yes.

13 Q. As part of that study, you did a
14 contingency analysis; is that right?

15 A. When you perform the different studies,
16 so in the 2019 RTEP, you do an N-1-1 contingency
17 analysis. When you do the gen deliverability
18 analysis, that's a special type of stress case, and
19 in that case you also do contingency analysis. And
20 when you do the load deliverability, which is another
21 different type of stress case, you also do
22 contingency analysis in it.

23 Q. But you did not do a full contingency
24 analysis; isn't that right?

25 A. For the N-1-1 we did contingency analysis

1 on 230 kV and above. In Ohio when you do the
2 N-1-1 -- when you run the different contingencies,
3 they are across PJM, and you're looking at close to
4 nine or ten thousand different contingencies you're
5 trying to study, so you're running one thing happens,
6 what does the system look like; another thing
7 happens, what does the system look like?

8 When you do the N-1-1, you take one
9 contingency and then you take -- and you also look at
10 all the rest of them happening by the time that you
11 pair them up. So when you run the N-1-1, you are in
12 the tens of millions of analyses that you are doing.

13 So when we did the N-1-1, we just looked
14 at the contingencies that were with Ohio, so in that
15 case we did not look at any contingency for the N-1-1
16 that would have been outside the Ohio footprint. So
17 that would have been something we did not look at so
18 there could have been something we missed in that
19 case.

20 Q. So there could be transmission upgrades
21 that are necessary outside of Ohio that you didn't
22 study as part of your transmission upgrade study?

23 A. On the N-1-1, there could have been other
24 contingencies outside of the Ohio area that could be
25 impacted that when Sammis and Davis-Besse were moved,

1 and there could have been ran so many of these other
2 contingencies, they could have identified overloads
3 also.

4 Now, the overloads could have ended up
5 being anywhere on the system. It would have been
6 just those combinations of overloads that would have
7 caused somewhere on the system to be an overload. It
8 could have even been an overload that occurred in
9 Ohio or wherever. It was just the contingencies in
10 N-1-1 outside that we did not study.

11 Q. But those contingencies could be or would
12 be in the PJM system, correct?

13 A. Yes. The studies, the N-1-1, we did not
14 study were the PJM -- outside the Ohio area of PJM.

15 Q. As part of your study you also did a
16 voltage analysis; is that correct?

17 A. As part of the study that we did, we just
18 looked to see in -- that would have mainly been with
19 the N-1-1, or with the load deliverability we looked
20 at if there was major voltage problems, like voltage
21 collapse, something like that. We did not study the
22 individual just small voltage changes. It was just
23 some major voltage issue.

24 Q. So your analysis was a limited voltage
25 analysis, correct, in that it wasn't a full voltage

1 analysis?

2 A. It was not a full voltage analysis
3 because we just looked for, like, a voltage collapse.

4 Q. I think you spoke a little bit earlier
5 with Ms. Petrucci about the 2019 RTEP base case model
6 and when that was done. You said it was mid-2014; is
7 that right?

8 A. Yeah. PJM -- PJM will start working on
9 those base cases during the first half of the year.
10 They are working on finalizing that, and they are
11 usually finalized where they start doing their
12 studies after mid-year.

13 Q. Do you know which years' load forecast
14 was used for the RTEP base case model? Would that be
15 2019?

16 A. For the load forecast -- or for the RTEP
17 model that we used, the 2019 RTEP model, PJM would
18 have had a load forecast for 2019 based on their
19 latest study they had done, which would have been at
20 the beginning of 2014 where they forecast out for a
21 number of years.

22 Q. So if a generation facility that signed a
23 facility agreement was scheduled by PJM to be in
24 service after mid-2019, it was not included in the
25 2019 RTEP base case; is that correct?

1 A. For sure any generator who was not in
2 service by June 1st of 2019 would not be included, so
3 any generator that was a new generator that was
4 coming on line after June 1, 2019, would not be
5 included.

6 Q. Now, you said 2017-2018 RPM base case
7 model was developed in mid-2014, right?

8 A. It would be a similar process in the
9 first half of 2014, and it would have been finalized
10 May, June, something like that.

11 Q. So the load deliverability analysis which
12 was taken from the RPM 2017-2018 base case model does
13 not include any changes to the PJM generation queue
14 that occurred since mid-2014; is that right?

15 A. So it would have looked at -- the way
16 that would work is PJM would have looked at for
17 both -- both models, 2017 and 2019, they would have
18 looked at generators who had signed a facilities
19 study agreement or interconnection service agreement.
20 And then for the 2017 RTEP -- or RPM case, if they
21 had signed those two agreements and were going to be
22 in service by June 1, 2017, they would include that.

23 So if somebody had changed or some other
24 change happened after mid-2014, that case would
25 already have been locked down and finalized and those

1 changes would not be in the case.

2 Q. And, likewise, the load deliverability
3 analysis would not include any changes to the
4 regional transmission expansion planning process that
5 happens in 2014, right?

6 A. For the RTEP, if the RTEP had -- for the
7 RTEP in the RPM case for 2019, they would -- by
8 mid-year of 2014, they would have identified and
9 included in the case any facilities that were
10 scheduled to be in service by June 1, 2019, or in the
11 RPM case June 1, 2017. So by mid-year PJM would have
12 identified that, and that would have been finalized
13 so if any additional facilities were identified after
14 that, those would not be included.

15 Q. After mid-2014, right?

16 A. After mid-2014, PJM, that would fall for
17 another year.

18 Q. Okay. And also the load deliverability
19 analysis would not reflect any changes to the PJM
20 load forecast that would have occurred since
21 mid-2014, correct?

22 A. That's correct.

23 Q. You talked a little bit earlier about
24 some of the new plants that are coming on line. For
25 example, you talked about you are aware of the new

1 power plant being built in Lordstown, Ohio, right?

2 A. I'm aware of the Lordstown plant that's
3 in the generation queue, yes.

4 Q. And the 2019 RTEP base case model did not
5 include the Lordstown plant, right?

6 A. It did not.

7 Q. So your generation deliverability study
8 did not include the Lordstown plant, right?

9 A. No, it did -- it was not in because it
10 hadn't met the requirements for the PJM to include
11 them in there.

12 Q. And the RPM 2017-2018 base case model did
13 not include the Lordstown plant, correct?

14 A. Correct. An in-service date beyond that
15 in-service date, so it wouldn't have been included
16 also for that reason.

17 Q. So your load -- excuse me. The load
18 deliverability analysis did not include the Lordstown
19 plant, correct?

20 A. It did not include it.

21 Q. Are you familiar with the Rolling Hills
22 generation station in Vinton County, Ohio?

23 A. I know the Rolling Hills plant in the
24 generation queue, yes.

25 Q. Are you aware that it is converting from

1 a baseload combined cycle -- excuse me. It's being
2 converted to a combined cycle and peaking station?

3 A. I don't know the specifics. I just know
4 it is in the generation queue for adding
5 610 megawatts.

6 Q. Was this power plant included in your
7 study?

8 A. I -- for that one I don't -- I don't know
9 if it was in the model or not.

10 Q. You don't know if it was in the 2019 base
11 case model or the RPM 2017-2018 base case model; is
12 that right?

13 A. That's correct.

14 Q. Are you aware that there is a power plant
15 being built in Middletown, Ohio, the Middletown
16 Energy Center?

17 A. Yes.

18 Q. Was that plant included in your study?

19 A. I don't know what -- if that plant was in
20 the study or not.

21 EXAMINER PRICE: All other variables
22 being equal, what's the impact if these plants had
23 been in the study? Does it lessen. We presented a
24 -- why don't you answer my question first. If the
25 new plants do come on line, does that lessen the need

1 for these transmission investments?

2 THE WITNESS: Those -- those plants are
3 located in a variety of different places around --
4 around the state. A couple of them we discussed, two
5 of them are in the ATSI territory, and the rest of
6 them are in AEP, and some of the -- a couple others
7 are even further south.

8 So when you look at the transmission
9 system, it's always good when you have new
10 generators, megawatts. That's a good thing. But
11 when you study it from a load flow perspective, what
12 you are doing is you are removing the Davis-Besse to
13 Sammis, and the transmission system was built for
14 that generation to flow out of those stations, and so
15 the transmission system is built for how that's going
16 to flow.

17 Now, when you add the other new plants,
18 that's a good thing that it's replacing megawatts,
19 but when the generation does not go back in the exact
20 same spot in the exact same amount and connected the
21 same way, the net flows on the system are totally
22 different. So even though you bring on additional
23 generation, they are still going -- the flows are
24 different, and you can still have overloads that
25 could help some, but you have to -- you have to do

1 the study because they are just totally connected
2 different places, and the flows drastically change
3 the way the system works.

4 EXAMINER PRICE: Okay. And you
5 presented -- Mr. Cunningham initially presented and
6 you adopted a conservative estimate of upgrades; is
7 that correct, four hundred some million dollars; is
8 that correct?

9 A. That's correct.

10 EXAMINER PRICE: And you also presented
11 a -- I won't say -- a less conservative estimate of
12 over a billion dollars; is that right?

13 THE WITNESS: Yes.

14 EXAMINER PRICE: And if these facilities
15 that Mr. Moore is discussing come online, does that
16 mean that it is more likely to be the less
17 conservative or the more conservative estimate, or
18 does it have no impact at all?

19 THE WITNESS: Until you did the study you
20 won't know for sure because, as I indicated, they are
21 not going back in the same location so the system was
22 built for that much power flowing out from there so
23 now when these generators are located other places,
24 the flows are still different on the system, so you
25 can see overloads. And depending on what type of

1 contingency happened, the flows are still all
2 different so that's the reason why you have to do the
3 study. So even though you add those, you -- I
4 believe based on experience you would still have
5 overloads. Now, what's the magnitude? How many?
6 You would not know that until you did the study and
7 had those all included in there.

8 EXAMINER PRICE: Similarly you assumed a
9 June 1, 2017, as a retirement date; is that correct?

10 THE WITNESS: Yes.

11 EXAMINER PRICE: And if the actual
12 retirement date -- you picked a different assumed
13 retirement date, June 1, 2019, would that have any
14 impact on whether the conservative estimate or the
15 less conservative estimate is more appropriate, or do
16 you not know because you would have to model it?

17 THE WITNESS: No. In our case if you
18 would say that Sammis and Davis-Besse retired by June
19 1, 2019, the gen to load study and N-1 study we did
20 was against a 2019 RTEP so that would have the same
21 results which would produce the same amount of
22 overloads that we saw.

23 EXAMINER PRICE: Thank you, Mr. Moore.
24 Mr. Moore, why don't you wrap up your current line of
25 questioning and we will call it a day, whenever you

1 get to a natural breaking point, I am just saying.

2 MR. MOORE: Okay.

3 Q. (By Mr. Moore) Could you have included
4 the plants we were just speaking about in your study?

5 A. We were following the PJM procedure, and
6 we were following to make sure that our process would
7 match the same results PJM would get. So we used
8 their base cases, and we would not add those because
9 that would be changing the process that PJM would be
10 using.

11 Q. Could you have added them?

12 A. You can edit a model to add anything you
13 wanted, so you could do that, but as I indicated, we
14 were trying to get the same answers that PJM would
15 do. And PJM would not include those generators if
16 they did not meet the in-service date or if they had
17 not signed a facilities' study agreement or
18 interconnection agreement. If those were not
19 included in there by PJM, then we would not add them.

20 Q. The three plants I just mentioned, the
21 Lordstown plant, the Rolling Hills generation
22 station, and the Middletown plant, do you know if any
23 of those three plants cleared the BRA, the recent
24 BRA?

25 A. I am not familiar with those plants in

1 anything in the performance capacity market.

2 EXAMINER PRICE: Do you know if
3 Davis-Besse or Sammis cleared the most recent BRA?

4 THE WITNESS: No.

5 EXAMINER PRICE: Do you know whether the
6 companies or their parent companies have publicly
7 announced that Davis-Besse or Sammis cleared the
8 transitional auctions that were recently held?

9 THE WITNESS: I have personally not read
10 anything or seen anything.

11 EXAMINER PRICE: Thank you.

12 Q. For clarity of the record can you explain
13 what you meant by N-1-1 studies that you mentioned
14 earlier?

15 A. Yes. So the N-1-1 study is a contingency
16 analysis that you do against the base case. And what
17 that involves is you have your power flow model and
18 you take one -- you have one contingency, for an
19 example some transmission line tripping out, so
20 you -- that transmission line trips out. Then --
21 then you have another line that trips out and that's
22 where they call it N-1-1. What it is, the first one
23 trips and there is a procedure you go through that
24 you trip out and you see what type of overload you
25 have. And then you have to be able to redispatch the

1 generation to bring the system back under control,
2 back within its normal limits. And if you can't do
3 that, then that will count as a violation.

4 Then after that occurs, then you take
5 another contingency right after that again to see
6 then if you have a voltage violation or a thermal
7 overload that's above the emergency limits.

8 MR. MOORE: I think this is a good
9 stopping point.

10 EXAMINER PRICE: Okay. At this time we
11 will adjourn for the evening. We will convene again
12 at 9 o'clock tomorrow. Thank you all. We are off
13 the record.

14 (Thereupon, at 5:14 p.m., the hearing was
15 adjourned.)

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1 CERTIFICATE

2 I do hereby certify that the foregoing is
3 a true and correct transcript of the proceedings
4 taken by me in this matter on Monday, September 21,
5 2015, and carefully compared with my original
6 stenographic notes.

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11 Karen Sue Gibson, Registered
Merit Reporter.

12 (KSG-6093)

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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 09/21/15 - Volume XV electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.