

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. :

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PROCEEDINGS

before Mr. Gregory Price, Ms. Mandy Chiles, and
Ms. Megan Addison, Attorney Examiners, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 9:00 a.m. on
Friday, September 25, 2015.

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1 Friday Morning Session,

2 September 25, 2015.

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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 Chiles, and with me are
15 Gregory Price and Meghan Addison, and we are the
16 Attorney Examiners assigned by the Commission to hear
17 this case. We will waive appearance this morning.

18 I believe we are ready for the
19 cross-examination of Ms. Savage. I would just like
20 to remind you, you are still under oath.

21 Do I have a volunteer to go first?
22 Ms. Petrucci.

23 MS. PETRUCCI: Yes. Thank you very much.

24 - - -
25

1 JOANNE M. SAVAGE

2 previously sworn, as prescribed by law, was examined
3 and testified as follows:

4 CROSS-EXAMINATION

5 By Ms. Petrucci:

6 Q. Good morning, Ms. Savage.

7 A. Good morning.

8 Q. On page 2 of your testimony, you've
9 indicated that the typical residential customer is
10 going to receive approximately \$343 over the term of
11 the rider RRS. Do you see that there on line 13?

12 A. Yes.

13 Q. So if we do a little bit of calculations
14 here, over the term of the RRS there -- the 400 --
15 I'm sorry -- the \$343 will equate to approximately
16 \$23 per year. Would you agree with that?

17 A. That sounds about right.

18 Q. Would you also agree, therefore, if we
19 break it down to a monthly benefit to the residential
20 customers, it would be about a \$1.90?

21 A. That sounds about right.

22 Q. Okay. And that's based on if the
23 forecasts that FirstEnergy has prepared are correct
24 or continue as anticipated for the entire 15-year
25 period of the rider; is that correct?

1 A. Those numbers are based on the companies'
2 projections, yes.

3 Q. And then the company is proposing that
4 the rider be reconciled on an annual basis. Is that
5 going to be an automatic approval process?

6 A. The rider will go into effect unless the
7 Commission orders otherwise.

8 Q. Is that essentially an automatic approval
9 process, or are you envisioning something else?

10 A. There will be 60 days between the time of
11 the filing and the time when the rate goes into
12 effect, and during that time the staff can review the
13 rider's calculations for mathematical errors.

14 Q. Have the companies proposed any other
15 procedural process for the reconciliation
16 proceedings?

17 A. Could you rephrase that?

18 Q. Has FirstEnergy proposed a specific
19 process associated with their reconciliation filings?

20 A. If you mean by the reconciliation process
21 you mean the tariff pricing, update to rider RRS on
22 an annual basis, no, we have not.

23 MR. KUTIK: Ms. Savage, you need to turn
24 your microphone back on.

25 Q. Is it fair to say that because rider RRS

1 is going to be developed, in part, based on projected
2 costs as well as projected market revenues, that
3 reconciliations are likely to take place each year in
4 which the rider is in effect?

5 MR. KUTIK: May we have the question
6 read.

7 And, Ms. Petrucci, if you could turn your
8 microphone on.

9 EXAMINER CHILES: You may have the
10 question read.

11 (Record read.)

12 A. The rider design contemplates a
13 reconciliation component.

14 Q. And is it, likely, in fact there will be
15 reconciliation in the years this rider RRS is in
16 effect?

17 A. Consistent with the companies' other
18 riders, the rate will include a reconciliation
19 component.

20 Q. You've also indicated in your testimony
21 at page 4, lines 6 through 9, that there are going to
22 be carrying costs that would apply to any amounts
23 that were not collected in the prior period under the
24 rider. Do you see that?

25 A. Yes, I see that.

1 Q. And the addition of the carrying costs
2 will add to the amount that customers have to pay
3 when the companies' projections for rider RRS are
4 lower than actual costs end up being; is that
5 correct?

6 MR. KUTIK: May I have the question read,
7 please.

8 EXAMINER CHILES: You may.

9 (Record read.)

10 A. Carrying costs will accrue on any over-
11 or underrecovery, so it works both ways.

12 Q. And you agree with me that's an
13 additional amount that customers will have to pay in
14 the event the projected costs and revenues don't
15 match the reality?

16 MR. KUTIK: Objection, asked and
17 answered.

18 EXAMINER CHILES: Overruled.

19 A. It would depend on the direction of your
20 example.

21 Q. And if we assumed that the projections --
22 projected costs and revenues were lower than what the
23 reality after the fact shows, customers then would
24 have to -- the carrying costs would be added to what
25 customers have to pay; is that accurate?

1 A. No, that's not necessarily accurate. In
2 your example you said both costs and revenues would
3 be lower. It would really look at the delta between
4 costs and revenues.

5 Q. Okay. With that clarification then, if
6 the delta is lower -- was projected to be lower, and,
7 therefore, there was an undercollection, and that
8 amount is placed into the reconciliation amount,
9 there would be on top of that the carrying costs that
10 the customers would have to pay; is that correct?

11 THE WITNESS: Could I have that question
12 reread?

13 EXAMINER CHILES: You may.

14 (Record read.)

15 A. In the event of an undercollection,
16 carrying costs would accrue on that balance.

17 Q. And the projected amounts that we
18 discussed in the beginning of your testimony, that
19 \$343, that did not involve any reconciliations that
20 may have to take place during the 15 years of the
21 rider RRS, correct?

22 A. There was no under/over collection
23 assumed in that calculation.

24 Q. Okay. So if over the course of the 15
25 years of the rider there are reconciliations, which I

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1 think you indicated to me that that was envisioned,
2 the estimate that you've provided that would -- above
3 the 343 is not taking into consideration that likely
4 reconciliations will incur -- let me try again.

5 We discussed earlier a \$1.90 per month
6 that residential customers might receive under the
7 estimates for rider RRS. That's not guaranteed to
8 take place for residential customers because there is
9 the likelihood of reconciliations; is that accurate?

10 THE WITNESS: Could I have that reread?

11 EXAMINER CHILES: You may.

12 (Record read.)

13 A. The 343 is the companies' estimate based
14 on the projections presented in this case, and that
15 is our best estimate of what's going to happen in the
16 future.

17 Q. Okay. And because you also agreed with
18 me, I thought that, reconciliations are likely to
19 take place throughout the 15 years of the rider, do
20 you also then agree with me that the \$343 or \$1.90
21 per month is likely to be a different number because
22 of those reconciliations?

23 A. No, I don't agree with that. While
24 reconciliation components are envisioned as part of
25 the annual true-up of this rider, I would not expect

1 them to have a material effect on the overall benefit
2 that is expected over the 15-year period.

3 Q. It's quite possible on a per-month basis
4 that when the customers are being charged rider RRS,
5 that they would not see the estimated \$1.90 if the
6 companies' projections result in a delta that's lower
7 than reality; isn't that correct?

8 A. The annual charge or credit is shown in
9 my Attachment JMS-4. I don't believe I've testified
10 that they would receive the average of the 1.90 each
11 and every month.

12 MR. SOULES: Your Honor, could I have the
13 last question and answer read back?

14 EXAMINER CHILES: You may.

15 (Record read.)

16 MR. SOULES: Thank you.

17 Q. (By Ms. Petrucci) It's possible that the
18 reconciliation that has to take place -- let me start
19 again.

20 It's possible that when a reconciliation
21 takes place, that the estimated amount per your
22 revised JMS-4 may be different, correct?

23 A. JMS-4 Revised is a projection, so, yes.

24 Q. Now, you also assumed in calculating the
25 rider RRS rates that sales levels would be the exact

1 same for every single year of the 15-year period of
2 rider RRS; is that correct?

3 A. For simplicity I have assumed that sales
4 levels would stay flat based on 2013 sales.

5 Q. So for simplicity you chose to use 2013
6 sales levels, although the company has sales levels
7 for each of the months up until you filed your
8 testimony in this matter, correct?

9 A. Yes. I have reviewed those sales
10 projections of the companies for a majority of the
11 time period of the proposed PPA, and based on my
12 review of the companies' sales forecasts, they are
13 predicted to remain relatively flat, so that supports
14 my decision to use the 2013 sales levels for this
15 illustrative purposes.

16 Q. You did not choose to use more current
17 sales levels when you calculated your estimates for
18 rider RRS?

19 MR. KUTIK: Objection, asked and
20 answered.

21 EXAMINER CHILES: Overruled. At the time
22 I was putting together my testimony, the long-term
23 sales forecast actually showed a decrease, a slight
24 decrease, in the sales projection, so to the extent
25 that sales would have decreased, customers would

1 actually receive a larger credit in those out years;
2 so, therefore, by assuming sales are flat, it was
3 actually a conservative approach to take. Since then
4 I've reviewed the more current sales forecasts and
5 that shows, again, relatively flat sales so this
6 validated my forecast.

7 Q. The 2013 sales were actual sales numbers,
8 weren't they, not forecasted?

9 A. That's correct.

10 Q. And you chose not to use 2014's sales
11 numbers for purposes of making your rider RRS
12 estimates.

13 MR. KUTIK: Objection, asked and
14 answered. It's been established what she used, your
15 Honor.

16 EXAMINER CHILES: Sustained.

17 Q. Let's turn to the generation cost
18 reconciliation rider. And to make sure that the
19 record is clear, there are two proposed changes with
20 respect to the generation cost reconciliation rider;
21 isn't that correct?

22 A. That is correct. I am only sponsoring
23 one of those changes.

24 Q. Okay. So is it your -- you're sponsoring
25 the language change to make the rider language

1 reflect that the threshold has to be exceeded for two
2 consecutive quarters; is that correct?

3 A. That's correct.

4 Q. And that has been the practice that the
5 companies have followed but it was not expressly
6 included in the language of the rider; is that
7 correct?

8 A. That's correct. The two consecutive
9 quarters is the approved process for the
10 bypassability test of rider GCR.

11 Q. And that has been, in fact, the process
12 since the rider itself was approved; is that correct
13 too?

14 A. That's the process that's approved for
15 ESP II and ESP III. Prior to that I can't speak to.

16 Q. And then the second change, I think you
17 indicated you're not sponsoring, is the change in the
18 threshold amount from 5 percent to 10 percent.

19 A. That's correct. Ms. Mikkelsen is
20 supporting that change.

21 MS. PETRUCCI: Thank you. I have no
22 further questions.

23 EXAMINER CHILES: Thank you,
24 Ms. Petrucci.

25 Ms. Bojko.

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1 MS. BOJKO: Mr. Soules has asked to go
2 next.

3 EXAMINER CHILES: Mr. Soules, thank you.

4 MR. SOULES: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Soules:

8 Q. Good morning, Ms. Savage. How are you?

9 A. Good. How are you?

10 Q. Good, thank you. So just a few brief
11 questions for you today and if you could turn to page
12 2 of your written testimony.

13 A. I'm there.

14 Q. Okay. Great. And actually this is again
15 looking at the sentence that you were talking about
16 with Ms. Petrucci just a few minutes ago. Starting
17 on line 12, there is a sentence stating that your
18 "testimony shows that a typical residential customer
19 would nominally receive approximately \$343 over the
20 term of the Economic Stability Program"; is that
21 correct?

22 A. Yes.

23 Q. And the \$343 figure is essentially an
24 estimate of future credits that a typical residential
25 customer might receive through rider RRS over the

1 15-year period of the rider, correct?

2 A. No, the 343 is the net of charges and
3 credits.

4 Q. So the 343 is an estimate of the amount
5 that a typical residential customer could expect to
6 nominally receive over the 15-year period, correct?

7 THE WITNESS: Could I have that reread?

8 EXAMINER CHILES: You may.

9 (Record read.)

10 A. That's correct.

11 Q. Thank you. Could you please turn to
12 Attachment JMS-4 Revised?

13 A. I'm there.

14 Q. Okay. So this attachment shows the
15 calculation that resulted in that \$343 estimate,
16 correct?

17 A. That's correct.

18 Q. And this attachment, in turn, was used in
19 the calculations in JMS-2 and JMS-3, correct?

20 A. It was based on JMS-2 Revised and JMS 3.

21 Q. Oh, yes. Thank you for that
22 clarification. And if you could please turn to JMS-2
23 Revised.

24 A. Okay.

25 Q. Thank you. And the calculations in JMS-2

1 Revised were developed using Attachment JAR-1

2 Revised; is that correct?

3 A. That is correct.

4 Q. Okay. And you are familiar with
5 Attachment JAR-1 Revised, correct?

6 A. I am.

7 Q. And, in fact, you prepared that
8 attachment, correct?

9 A. I prepared JAR revised -- JAR-1 Revised
10 at the direction of Mr. Ruberto.

11 Q. Okay. Thank you. In attachment -- well,
12 if I ask you a question or two about JAR-1 Revised,
13 would you be more comfortable if you had that in
14 front of you?

15 A. That would be helpful.

16 MR. SOULES: Okay. Your Honors, could we
17 go off the record for a moment?

18 EXAMINER CHILES: You may.

19 (Discussion off the record.)

20 EXAMINER CHILES: All right. Let's go
21 back on the record.

22 MR. SOULES: Thank you, your Honor.

23 Q. (By Mr. Soules) So, Ms. Savage,
24 Attachment JAR-1 Revised provides a 15-year
25 projection of costs and revenues related to rider

1 RRS; is that correct?

2 A. That's correct.

3 Q. And if rider RRS were approved by the
4 Commission, the actual costs and revenues could be
5 different than what's projected in Attachment JAR-1
6 Revised, correct?

7 A. That's correct. JAR-1 Revised is based
8 on the projections of Mr. Lisowski and Mr. Rose.

9 Q. So that means that typical -- or strike
10 that.

11 That means the residential customers
12 could receive higher charges from rider RRS than the
13 estimates that are presented in your testimony; is
14 that correct?

15 A. Customers could receive higher charges or
16 they could receive lower charges. These are based on
17 the projections of Mr. Lisowski and Mr. Rose. I feel
18 it's reasonable to rely on the projections of those
19 two individuals. One, Mr. Lisowski is assistant
20 controller at FES. He's familiar with the costs of
21 these plants. He prepares financial statements for
22 FES.

23 As far as Mr. Rose, he is an energy
24 consultant with over 30 years of experience so,
25 therefore, I feel it's fair to rely on their

1 projections.

2 MR. SOULES: Your Honor, could I have
3 that last question and answer read back.

4 EXAMINER CHILES: You may.

5 (Record read.)

6 MR. SOULES: Your Honor, I would move to
7 strike everything in the answer after the first
8 mention of Mr. Lisowski and Mr. Rose, so starting
9 with the sentence beginning "I feel." I believe it's
10 not nonresponsive.

11 EXAMINER CHILES: Mr. Kutik, do you have
12 an a response?

13 MR. KUTIK: He was explaining his
14 reasons.

15 EXAMINER CHILES: I am going to deny the
16 motion to strike at this point, but I would direct
17 the witness to answer the question and only answer
18 the question asked. Thank you.

19 MR. SOULES: Thank you, your Honor.

20 Q. (By Mr. Soules) The residential customers
21 could receive a smaller credit than the estimates
22 presented in your testimony, correct?

23 A. My testimony presents the expected
24 credits.

25 Q. So is the answer to my question correct,

1 you agree with me that the credits could be smaller
2 than what's presented in your testimony?

3 A. My testimony shows the best estimate that
4 I have at this time.

5 MR. SOULES: Your Honor, could I have
6 that last question and answer or the last two
7 questions and answers?

8 EXAMINER CHILES: The last two questions
9 and answers, you may.

10 (Record read.)

11 MR. SOULES: Your Honor, I would actually
12 move to strike the response to my second-to-last
13 question as being nonresponsive.

14 EXAMINER PRICE: To your second-to-last
15 question?

16 MR. KUTIK: May I be heard?

17 EXAMINER CHILES: You may.

18 MR. KUTIK: Well, I think I would start
19 off with this observation, that I'm not sure why we
20 are wasting time on this for the unsurprising and
21 unremarkable point that projections are projections.
22 That's the first point.

23 Secondly, it sounds like this witness, at
24 least to me, isn't necessarily going to agree that
25 it's possible that things may be this or it's

1 possible that things may be that because she says
2 that she did the best job -- or she is using her best
3 projections she could find. She's not going to
4 engage in hypotheticals, and I think she said that
5 twice now.

6 Third, to ask for questions to be
7 stricken several, or at least two, is a little late.

8 EXAMINER CHILES: The motion to strike is
9 denied. However, I will direct the witness to answer
10 the last question using "yes" or "no."

11 If we could have the question reread,
12 please.

13 MR. KUTIK: Well, your Honor, could she
14 also be given the option of explaining why she can't
15 answer "yes" or "no"?

16 EXAMINER CHILES: She can try.

17 MR. KUTIK: Thank you. If that's her
18 answer.

19 Can the question be read, please.

20 (Record read.)

21 A. The credits would be larger or smaller.

22 Q. Thank you. Ms. Savage, did you bring any
23 notes with you up on the stand apart from your
24 testimony?

25 A. I did not.

1 Q. Thank you. So going back to the \$343
2 figure presented on page 2 of your written testimony,
3 if rider RRS were approved by the Commission, there
4 is no guarantee that a typical residential customer
5 would nominally receive \$343 over the term of the
6 economic stability program, correct?

7 MR. KUTIK: Objection, asked and
8 answered. We have been through this.

9 EXAMINER CHILES: Sustained.

10 MR. SOULES: Nothing further, your Honor.
11 Thank you.

12 EXAMINER CHILES: Thank you, Mr. Soules.
13 Ms. Bojko.

14 MS. BOJKO: Thank you, your Honor.

15 - - -

16 CROSS-EXAMINATION

17 By Ms. Bojko:

18 Q. Good morning, Ms. Savage.

19 A. Good morning.

20 Q. Let's take a step back. You are a
21 FirstEnergy Service Corp. employee, correct? Or
22 company employee?

23 A. I'm employed by FirstEnergy Service
24 Company.

25 Q. Thank you. And you were a member of the

1 EDU team for the proposed transaction; is that
2 correct?

3 A. That's correct.

4 Q. Is it also fair to say that you've been
5 presented for most of the hearing, if not all of the
6 hearing, in this case?

7 A. I have not been present for all of the
8 hearing. I have been here for most of it.

9 Q. And you are the person that designed
10 rider RRS; is that correct?

11 A. I did design rider RRS to implement the
12 companies' -- as part of the companies' economic
13 stability program, yes.

14 Q. And you designed the rider RRS to be
15 financially neutral to the companies; is that
16 correct?

17 A. That's correct.

18 Q. And the proposed rider RRS tariff was
19 attached to the companies' application in this case
20 as Attachment 4; is that correct?

21 MR. KUTIK: I mean, your Honor, the
22 attachment is the attachment. The number is the
23 number. What's the point?

24 MS. BOJKO: Your Honor, we have a right
25 to explore what the witness, not counsel, knows or

1 doesn't know about the filings and the testimony that
2 they are responsible for in this case.

3 MR. KUTIK: Do you want her to get up and
4 go look at the document? What's the point.

5 MS. BOJKO: The point is I am asking her
6 whether she is familiar with the document, whether
7 she supported it. If I didn't do that, then I would
8 get an objection to foundation.

9 EXAMINER CHILES: Ms. Bojko has some
10 leeway to help establish a foundation with this
11 witness.

12 A. I'm not sure if it's Company Exhibit 4.

13 Q. You believe it was attached to the
14 application, though.

15 A. Yes.

16 Q. And did you create the tariff provision
17 that was attached to the application as Attachment 4?

18 MR. KUTIK: May I have the question read,
19 please?

20 EXAMINER CHILES: You may.

21 (Record read.)

22 MR. KUTIK: Are we talking about rider
23 RRS?

24 MS. BOJKO: That's Attachment 4, rider
25 RRS.

1 MR. KUTIK: Attachment 4 is all the
2 tariffs.

3 MS. BOJKO: Attachment 5 is all of the
4 tariffs. Attachment 4 is rider RRS.

5 EXAMINER PRICE: I would just like to
6 observe that counsel should direct their comments to
7 the Bench and not to each other.

8 MS. BOJKO: Sorry, your Honor.

9 A. I would have drafted the rider RRS tariff
10 sheet, if that's your question, yes.

11 Q. And do you know whether the -- do you
12 know if the companies have withdrawn the tariff that
13 was attached to the application due to the filing of
14 the stipulations in this proceeding?

15 A. It's my understanding that the rider RRS,
16 the actual tariff sheet, would be updated in a
17 compliance filing after Commission approval in this
18 case.

19 Q. Okay. So it would need to be revised to
20 reflect the provisions of the stipulation; is that
21 correct?

22 A. It would need to be updated, yes.

23 Q. And you had a little discussion this
24 morning, but I want to attempt to clarify or
25 understand. The annual revenue requirement for rider

1 RRS will be based upon the difference between the
2 projected costs of the plants, including a return on
3 and of invested capital, and the projected PJM market
4 revenues; is that correct?

5 MR. KUTIK: May I have the question read,
6 please.

7 EXAMINER CHILES: You may.

8 (Record read.)

9 A. Those are two of the components. There
10 are other things that would also be included.

11 EXAMINER PRICE: What else would also be
12 included?

13 THE WITNESS: I don't believe she
14 mentioned the OVEC costs. She just said the plants,
15 and then also the reconciliation component.

16 Q. (By Ms. Bojko) Thank you. I said
17 "plants" generically. Thank you for that
18 clarification.

19 That was my next question. The revenue
20 requirement will also include a reconciliation from
21 the prior period for the actual costs and revenues
22 that were incurred; is that correct?

23 A. That's correct.

24 Q. Okay. And the return on and of invested
25 capital, that will be based upon 11.15 percent ROE as

1 well as the return on the debt portion; is that
2 accurate?

3 A. The ROE will be based on the 11.15 and
4 also with the hypothetical 50/50 percent debt-equity
5 ratio, as Mr. Ruberto previously testified, the 11.15
6 when considered with FES's actual equity of
7 65 percent is more of an effective ROE of 9.6
8 percent.

9 Q. Right. You said "hypothetical 50/50"
10 ratio. It's not a hypothetical. That's the actual
11 calculation you intend to use; is that right?

12 A. Yes. 50/50 was agreed upon in the term
13 sheet, yes.

14 Q. And the carrying costs that you discussed
15 earlier with Ms. Petrucci, those carrying costs would
16 accrue at 8.48 percent; is that correct?

17 A. The carrying costs on any over or under
18 would accrue at 8.48 percent, correct.

19 Q. And the revenue calculation, the revenue
20 requirement calculation, will be allocated to each of
21 the companies based on demand; is that correct?

22 A. That's correct.

23 Q. So if we could take a look at JMS-2,
24 please.

25 MR. KUTIK: Are you talking about JMS-2

1 Revised?

2 MS. BOJKO: Revised, thank you.

3 A. I'm there.

4 Q. JMS-2 Revised, if we look at lines 3 to 5
5 under Company Breakdown, do you see that?

6 A. I see that.

7 Q. So the revenue requirement would be
8 allocated based on this breakdown; is that correct?

9 A. The revenue requirement would be based on
10 demand. This is an example of the allocation to each
11 of the companies.

12 Q. And this is based on the best estimate
13 you had available, as referenced in previous
14 responses this morning?

15 A. Yes. This is based on 2013 data.

16 Q. Okay so. Based on the 2013 data, Ohio
17 Edison Company customers will receive 45.58 percent
18 of the revenue requirement; is that correct?

19 A. That's correct.

20 Q. And CEI customers would receive 36.02?

21 A. That's correct.

22 Q. And Toledo Edison customers would receive
23 18.4 percent?

24 A. That's correct.

25 Q. So the companies themselves are not

1 allocated in equal proportion of the revenue
2 requirement; is that fair?

3 MR. KUTIK: Well, I guess the way the
4 question is going to read in the transcript is going
5 to read is it fair to do the allocation --

6 MS. BOJKO: I will rephrase, your Honor.

7 EXAMINER CHILES: Thank you.

8 Q. Is it true, Ms. Savage, that the
9 companies are not equally allocated a share of the
10 revenue requirement for rider RRS?

11 A. If by "equal" you mean are the
12 allocations 33-1/3 percent to each of the operating
13 companies, then, no, they are not the same
14 percentages.

15 Q. And JMS-2 was revised pursuant to the
16 execution of the stipulations; is that correct? It
17 was actually revised with regard to the first
18 stipulation; is that correct?

19 MR. KUTIK: I'll object, your Honor.
20 JMS-2 Revised was filed, and then JMS-2 Revised was
21 modified pursuant to a subsequent filing, so I'm not
22 sure which filing counsel is referring to.

23 EXAMINER CHILES: Ms. Bojko, could you
24 clarify?

25 MS. BOJKO: Thank you for that

1 clarification.

2 Q. (By Ms. Bojko) JMS-2 Revised has been
3 modified from the initial filing to incorporate the
4 results of this stipulations that have been filed in
5 this case; is that correct?

6 A. JMS-2 Revised was modified as a result of
7 the stipulation.

8 Q. And Miss Mikkelsen provided new estimated
9 rider RRS rates for certain rate scheduling as a
10 result of the stipulation; is that correct?

11 THE WITNESS: Could I have that reread?

12 EXAMINER CHILES: You may.

13 (Record read.)

14 A. Ms. Mikkelsen provided updated rates for
15 GS, GP, GSU, and GT.

16 Q. And the rider RRS estimate that you
17 discussed this morning with regard to the typical
18 residential customer, that was provided for a
19 projection over the term of the PPA; is that correct?

20 A. That's correct.

21 Q. And is it your understanding from your
22 work with JAR-1 Revised, is it your understanding
23 that over the term of the ESP the companies are
24 projecting a charge for customers of approximately
25 \$412.5 million?

1 A. I'm not sure if that's the precise
2 number. The rider RRS is expected to be a charge in
3 the early years.

4 Q. In the magnitude of \$400 million?

5 MR. KUTIK: Objection, asked and
6 answered. She said she didn't know the number.

7 EXAMINER CHILES: Sustained.

8 Q. And did you do an estimate of a typical
9 residential customer's charge projected during the
10 term of the ESP?

11 A. Yes.

12 Q. And that's the calculation resulting on
13 lines 19 and 20?

14 A. I'm sorry. Could you provide a reference
15 to the document you are looking at?

16 Q. Oh, I'm sorry, your testimony on page 5.

17 A. Yes, that's shown in my testimony on
18 lines -- starting at line 19 -- or 18.

19 Q. Did you do the calculation of an estimate
20 of the charge projected over the term of the ESP for
21 a GS-1 commercial customer?

22 A. Ms. Mikkelsen is now sponsoring the rider
23 RRS rates for rate schedules such as GS.

24 Q. Before Ms. Mikkelsen, before the
25 stipulations were filed, did you perform a

1 calculation of an estimate of the charge that would
2 be associated with a GS-1 customer?

3 A. Yes. Attachment JMS-3 would have shown
4 the rates for a rate GS customer for the term of the
5 ESP.

6 Q. I am not talking about the rates. Did
7 you actually perform a calculation with the assumed
8 demand and usage of a customer in order to get an
9 estimated projected per-month dollar charge for a
10 GS-1 customer?

11 MR. KUTIK: Well, at this point, your
12 Honor, I'll object. As a result of the stipulation,
13 rider RRS will change, the proposed rider will change
14 in terms of whether it's designed for a certain rate
15 class including this rate class. Ms. Mikkelsen then
16 provided testimony with respect to that rate design,
17 and that is that supercedes any testimony that
18 Ms. Savage has with respect to that rate schedule.

19 MS. BOJKO: Your Honor, I am not asking
20 the numbers. I am asking if she performed the
21 calculation. She was the sponsoring witness prior to
22 the stipulation, so my question was talking about
23 prior to the stipulations, did she perform such
24 calculation for commercial customers, GS-1 customers.

25 MR. KUTIK: My objection, it's

1 irrelevant.

2 EXAMINER CHILES: Sustained on the
3 relevancy objection.

4 Q. (By Ms. Bojko) So you are not offering
5 any testimony today on the estimated rider RRS rates
6 for rate schedules GS, GP, GSU, and GT; is that
7 correct?

8 THE WITNESS: Could I have that reread?

9 EXAMINER CHILES: You may.

10 (Record read.)

11 A. The estimated rider RRS rates for rate
12 GS, GP, GSU, and GT are being sponsored by
13 Ms. Mikkelsen.

14 Q. Right. So my question was you are not
15 offering any testimony regarding those rate schedules
16 and the impact of rider RRS on those rate schedules;
17 is that correct?

18 A. That's correct.

19 Q. And the rider RRS tariff schedule does
20 not include the carrying costs that we discussed
21 previously this morning; is that true?

22 A. Without having the document in front of
23 me, I can't say what specifically is in -- contained
24 in the words in the tariff sheet.

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

1 EXAMINER CHILES: You may.

2 EXAMINER PRICE: Could I have the last
3 question back, please.

4 (Record read.)

5 EXAMINER PRICE: Thank you.

6 MS. BOJKO: Your Honor, I know there is a
7 question pending, but should we mark for
8 identification purposes the rider RRS tariff
9 provision? It's OMAEG Exhibit 14, I believe.

10 EXAMINER CHILES: 14. So marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 A. The carrying cost is not included in the
13 words on these pages.

14 Q. Ms. Savage, you adopted Ms. Jurica's --
15 am I pronouncing that correctly? Ms. Jurica's
16 testimony?

17 A. That's correct.

18 Q. Am I pronouncing it correctly?

19 A. Ms. Jurica.

20 Q. So are you the witness that's sponsoring
21 GEN -- rider GEN?

22 MR. KUTIK: Your Honor, I think the --
23 just to be clear, the testimony --

24 EXAMINER CHILES: Would you mind turning
25 your microphone on. Sorry.

1 MR. KUTIK: I thought it was on.

2 The testimony of Ms. Jurica has been
3 modified by subsequent errata deleting any reference
4 in Ms. Jurica's testimony to rider GEN.

5 EXAMINER CHILES: Ms. Bojko?

6 MS. BOJKO: That's kind of the point of
7 my questions, your Honor. I am trying to figure out
8 if she is a sponsoring witness of rider GEN. If
9 she's not, she can say no.

10 EXAMINER CHILES: I'll allow the
11 question.

12 THE WITNESS: Could I have the question
13 reread?

14 EXAMINER CHILES: You may.

15 (Record read.)

16 A. No, I am not.

17 Q. And you don't have any details of whether
18 rider GEN is continuing or being eliminated; is that
19 correct?

20 A. It's my understanding that rider GEN is
21 continuing.

22 Q. But not in the form originally proposed
23 by the companies; is that correct?

24 MR. KUTIK: Your Honor --

25 MS. BOJKO: If she knows.

1 MR. KUTIK: Now I object.

2 EXAMINER CHILES: Grounds?

3 MR. KUTIK: She said she is not the
4 witness sponsoring rider GEN. Those questions should
5 be asked to other witnesses and, particularly,
6 Ms. Mikkelsen.

7 EXAMINER CHILES: She can answer this
8 question if she knows, but then I think we need to
9 move on.

10 MS. BOJKO: Yep, last one.

11 THE WITNESS: Could I have it reread?

12 EXAMINER CHILES: You may.

13 (Record read.)

14 A. I'm not sure what you mean by "the form."
15 I think those questions would be better for
16 Ms. Mikkelsen.

17 Q. Thank you. Are you the sponsoring
18 witness for rider AER?

19 A. I am the sponsoring witness for the
20 design changes to rider AER.

21 Q. So are you familiar with rider AER's
22 tariff that implements the changes you just
23 mentioned?

24 THE WITNESS: Could I have that reread?

25 EXAMINER CHILES: You may.

1 (Record read.)

2 A. I'm familiar with the rider AER tariff.

3 Q. And as stated on page 6, the rider AER
4 tariff was attached to the application as Attachment
5 5; is that correct?

6 MR. KUTIK: Ms. Jurica's testimony?

7 MS. BOJKO: Yes. We have been on
8 Ms. Jurica's testimony.

9 MR. KUTIK: Actually, you haven't been, I
10 don't think, your Honor.

11 EXAMINER CHILES: Ms. Bojko, could you
12 clarify your question to specify which testimony you
13 are referring to?

14 Q. Thank you. You told me you adopted
15 Ms. Jurica's testimony; isn't that correct?

16 A. That's correct.

17 Q. Okay. On page 3 and 4 of Ms. Jurica's
18 testimony you explained to me that you are not the
19 witness sponsoring rider GEN; is that correct?

20 MR. KUTIK: May I have the question read,
21 please?

22 EXAMINER CHILES: You may.

23 (Record read.)

24 A. Pages 3 and 4 of Ms. Jurica's testimony
25 have been stricken.

1 Q. Right. And they were related to the
2 rider GEN, so that is no longer something you are
3 sponsoring; is that correct?

4 A. That's correct.

5 Q. Okay. And now we are turning to page 5
6 of Ms. Jurica's testimony. Page 5 and 6 deal with
7 rider AER; is that correct?

8 A. That's correct.

9 Q. And you have adopted Ms. Jurica's
10 testimony with regard to rider AER; is that correct?

11 A. That is correct.

12 Q. Okay. And so then on the top of page 6
13 there's a reference to rider AER tariff being
14 attached to the application at Attachment 5; is that
15 correct?

16 A. Yes. I see that reference.

17 MS. BOJKO: Okay. May I approach, your
18 Honor?

19 EXAMINER CHILES: You may.

20 MS. BOJKO: Your Honor, at this time may
21 I have marked as OMAEG Exhibit 15 the rider AER
22 redlined tariff?

23 EXAMINER CHILES: It will be so
24 marked.

25 (EXHIBIT MARKED FOR IDENTIFICATION.)

1 Q. (By Ms. Bojko) Are you familiar with this
2 document that's been marked as OMAEG 15, Ms. Savage?

3 A. I am.

4 Q. And is this the proposed redline of Rider
5 AER that the company filed as part of the
6 application, Attachment 5?

7 A. That's my understanding.

8 Q. Do you have an estimated or proposed AER
9 charge at this time?

10 A. I do not.

11 Q. Do you know when that number would be
12 known, when that rate would be known?

13 A. I don't know precisely. It would be
14 prior to June 1, 2016.

15 Q. Okay. And the companies are proposing to
16 update rider AER on a quarterly basis; is that
17 correct?

18 A. That's correct.

19 Q. And are the companies proposing that
20 rider AER would extend beyond the ESP period?

21 A. Well, I am not sure what the companies
22 would propose in their next ESP. It's my
23 understanding rider AER would continue.

24 Q. And that's why you believe the company
25 has redlined the tariff to state "This rider shall be

1 in effect until all costs are fully recovered"?

2 A. Rider AER is designed to recover the
3 alternative energy resource requirements, so to the
4 extent that there are requirements the companies need
5 to fulfill, they would recover their costs through
6 this rider.

7 Q. And that would be true if those costs are
8 incurred beyond the current ESP term?

9 A. That's correct.

10 Q. So it's your understanding that the rider
11 is approved for the term of the ESP IV period and
12 then the companies would have to request continuation
13 of the rider in the next ESP case; is that your
14 understanding?

15 MR. KUTIK: Objection to the extent it
16 calls for a legal conclusion.

17 EXAMINER CHILES: Ms. Bojko?

18 MS. BOJKO: If she knows. She is the
19 regulatory rate design expert.

20 EXAMINER CHILES: Ms. Savage, you are not
21 an attorney, are you?

22 THE WITNESS: I am not.

23 EXAMINER CHILES: We will note for the
24 record you are not an attorney, but you may answer
25 the question to the extent you know.

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

3 EXAMINER CHILES: You may.
4 (Record read.)

5 A. Since rider AER does not have an
6 expiration date, it's my understanding it will
7 continue until otherwise ordered.

8 Q. Let's turn to rider GCR, and this is in
9 your direct testimony on page 6. Are you there?

10 A. I'm there.

11 Q. And as you've noted in your testimony on
12 page 6, starting on line 20, the proposed tariff
13 regarding rider GCR was also attached to the
14 companies' application at Attachment 5; is that
15 right?

16 A. That's correct.

17 Q. And the testimony that was attached to
18 the application would have been redlined to reflect
19 your changes in your direct testimony filed on
20 August 4, 2014; is that correct?

21 MR. KUTIK: I believe counsel misspoke.
22 May we have the question read?

23 EXAMINER CHILES: You may.
24 (Record read.)

25 MS. BOJKO: I will rephrase, your Honor.

1 EXAMINER CHILES: Thank you.

2 MS. BOJKO: Thank you.

3 Q. (By Ms. Bojko) The tariff attached to the
4 companies' application at Attachment 5 would have
5 been redlined to reflect the changes in your -- that
6 you note -- explained in your direct testimony that
7 was filed on August 4, 2014; is that correct?

8 A. That's correct.

9 Q. And are you the witness that's sponsoring
10 the revised tariff provision?

11 A. Yes, I am sponsoring this change.

12 Q. Okay. And there was a second change
13 mentioned by Ms. Petrucci. Did that change occur as
14 a result of the stipulations filed in this case?

15 A. It did.

16 Q. And so would the tariff need to be
17 correspondingly updated or revised to reflect the
18 change that was designated in the stipulation?

19 A. Yes. Assuming the Commission approved
20 the stipulation including that change, the tariff
21 would need to be updated in a compliance filing.

22 MS. BOJKO: That is all I have. Thank
23 you very much for your time, Miss Savage.

24 THE WITNESS: Thank you.

25 EXAMINER CHILES: Thank you, Ms. Bojko.

1 Mr. Boehm?

2 MR. BOEHM: No questions, your Honor.

3 EXAMINER CHILES: Mr. Kumar?

4 MR. KUMAR: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Kumar:

8 Q. Good morning, Ms. Savage. I am Ajay
9 Kumar, an attorney with the OCC. How are you doing
10 this morning?

11 A. Good, thanks.

12 Q. You mentioned earlier that you are a
13 member of the -- you were a member of the EDU team.

14 A. That's correct.

15 MR. KUMAR: Your Honor, may I approach?

16 EXAMINER CHILES: You may.

17 Q. I have just handed you a copy of an
18 exhibit that's already been marked and admitted as
19 Sierra Club Exhibit 1. It's the term sheet for the
20 proposed transaction. Are you familiar with this
21 term sheet?

22 A. Yes, I am.

23 Q. Could you turn to page 4 of the term
24 sheet. I believe section 13 starts on page 4. Could
25 you look through, I guess, section 13, which goes

1 through page 6 for me.

2 A. Okay. I've reviewed that section.

3 Q. Now, this section 13, this -- it details
4 the monthly payments that will be made to FirstEnergy
5 Solutions by the companies under the proposed
6 transaction; is that correct?

7 A. That's correct.

8 Q. Do you have a copy of your testimony in
9 front of you, your direct testimony?

10 A. I do.

11 Q. Could you turn to page 3.

12 A. Okay.

13 Q. And I believe on line 8 of page 3 you
14 discuss certain projected costs for rider RRS.

15 A. I see that reference.

16 Q. And the projected costs, I guess, as
17 described in line 8 of your testimony, those will be
18 based on the monthly charges for Sammis, Davis-Besse,
19 and OVEC as detailed in section 13 of the term sheet;
20 is that correct?

21 A. Yes. The projected costs for the revenue
22 requirement would be based on a 12 months of
23 projections.

24 Q. And so the projected costs as described
25 in line 8 will be those costs as billed to the

1 companies under the proposed transaction.

2 A. It would be a projection of those monthly
3 costs.

4 Q. Okay. You have stated in your testimony,
5 I believe on page 2, lines 21 around 22, that "Rider
6 RRS is designed to be financially neutral to the
7 Companies."

8 A. I see that reference.

9 Q. And it is correct that rider RRS will be
10 financially neutral to the companies because any
11 revenue collected through PJM which is above the
12 costs set in the revenue requirement of rider RRS
13 will be returned to customers as a credit.

14 A. Yes, that's the intent of rider RRS.

15 Q. And if the revenue collected from PJM is
16 below the costs set in the revenue requirement, then
17 that shortfall will be charged to customers.

18 THE WITNESS: Could I have that reread?

19 EXAMINER CHILES: You may.

20 (Record read.)

21 A. That's correct.

22 Q. So regardless of the revenue collected
23 from PJM for the capacity, energy, ancillary
24 services, and the environmental attributes of the
25 plants, the amount of money the companies will be

1 receiving will be equal to the costs set out by the
2 proposed transaction?

3 MR. KUTIK: May I have the question read,
4 please.

5 EXAMINER CHILES: You may.

6 (Record read.)

7 MR. KUTIK: I'll object, your Honor. I
8 am not sure that's an intelligible question, but I
9 think it's contrary to her answer.

10 MR. KUMAR: I would be happy to rephrase
11 the question --

12 EXAMINER CHILES: Please do so.

13 MR. KUMAR: -- more intelligible.

14 Q. (By Mr. Kumar) So regardless of the
15 revenue that's collected from PJM for the capacity,
16 energy, and ancillary services, and environment --
17 strike that.

18 Regardless of the revenue collected from
19 PJM when the companies' dispatched -- strike that.
20 Let me try this again.

21 Regardless of the revenue that's
22 collected from PJM, the amount of moneys that the
23 companies will be receiving after that revenue is
24 flowed through rider RRS will be equal to the costs
25 as set out in the proposed transaction.

1 THE WITNESS: Could I have that reread?

2 EXAMINER CHILES: You may.

3 (Record read.)

4 MR. KUTIK: Your Honor, I must object
5 again. I guess the problem with the question is the
6 word "receiving." Receiving from whom? Receiving
7 from PJM? Receiving from customers? Receiving from
8 FES? What are we talking about?

9 EXAMINER CHILES: Sustained.

10 Mr. Kumar, could you try rephrasing
11 again.

12 Q. (By Mr. Kumar) Let me try this again. So
13 the companies will receive -- the companies will
14 presumably dispatch these units into PJM, and they
15 will receive some revenue from that.

16 A. The companies will sell the output into
17 PJM and receive the revenues from PJM, yes.

18 Q. And that revenue will then be flowed
19 through rider RRS.

20 A. The net of costs and PJM revenues will
21 flow through rider RRS.

22 Q. And if the revenue is above the cost,
23 customers will get a credit. If it is below, the
24 customers will be charge, as we discussed.

25 A. Yes.

1 Q. After that happens, what will be left
2 will be equivalent to the costs in the proposed
3 transaction.

4 A. The costs in the proposed transaction
5 would be the projected costs that are included as
6 that part of the rider calculation.

7 MR. KUMAR: Could I have that answer
8 reread?

9 EXAMINER CHILES: You may.

10 (Record read.)

11 Q. So --

12 MR. KUMAR: I apologize. May I have it
13 reread again?

14 EXAMINER CHILES: You may.

15 MR. KUMAR: Thank you.

16 (Record read.)

17 Q. And those costs that are included in that
18 part of the rider calculation are going to be
19 equivalent to the costs that are billed to the
20 companies under the proposed transaction?

21 A. The projected costs would be a round
22 estimate of the monthly -- the sum of the monthly
23 contract price.

24 Q. And those costs would subsequently be
25 reconciled to meet the actual costs on an annual

1 basis.

2 A. The costs would be reconciled as part of
3 the update, yes.

4 Q. Okay. Thank you. If you will bear with
5 me, I have a few questions about the structure of
6 rider RRS. And you structured rider RRS to use
7 demand values rather than usage for allocating the
8 revenue requirement?

9 A. The revenue requirement is allocated
10 based on demand, yes.

11 Q. And you have done this to comply with the
12 principles of cost causation.

13 A. That's correct.

14 Q. Now, would it be possible to allocate the
15 revenue requirement based on an energy allocation
16 rather than demand allocation?

17 A. My proposal is to allocate based on
18 demand.

19 Q. Would it be possible to use energy
20 instead?

21 MR. KUTIK: Well, I object. What does
22 that mean, would it be possible?

23 EXAMINER CHILES: Mr. Kumar.

24 MR. KUMAR: Your Honor, as I understand
25 it, when it comes to rate design, usually it's

1 allocated based on demand or energy, and so I am
2 simply asking whether it's possible to allocate based
3 on energy. She did do the rate design.

4 MR. KUTIK: What does it mean? You just
5 take sales and divide the revenue requirement by
6 sales? Is that the question?

7 MR. KUMAR: As I understand it, energy
8 components are often based on the kilowatt-hour usage
9 of the customers.

10 MR. KUTIK: That's not what he asked her.

11 EXAMINER CHILES: Mr. Kumar, could you
12 rephrase your question to make sure the witness knows
13 what you are talking about.

14 MR. KUMAR: Sure.

15 EXAMINER CHILES: Thank you.

16 Q. (By Mr. Kumar) Maybe I will try some
17 other tactic. Ms. Savage, you based the design of
18 rider RRS partially on the design of rider GEN; isn't
19 that true?

20 A. That's true.

21 MR. KUMAR: Your Honor, I would like to
22 have an exhibit marked. It's OCC Exhibit 15.

23 EXAMINER CHILES: I'm sorry. Can you
24 repeat that?

25 MR. KUMAR: This is the currently filed

1 tariff with Ohio Edison with regard to rider GEN.

2 EXAMINER CHILES: Did you say 15?

3 MR. KUMAR: Yes, I believe 15 is correct.

4 EXAMINER CHILES: Thank you. So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. (By Mr. Kumar) If you could take a second
7 and review this.

8 A. Okay.

9 Q. This contains both a -- rider GEN
10 contains both a capacity component and an energy
11 component?

12 A. Yes.

13 Q. And you base the structure of the rate
14 design for rider RRS on rider GEN.

15 A. My proposal for rider RRS to allocate the
16 revenue requirement to each company and each rate
17 schedule based on demand is consistent with rider
18 GEN.

19 Q. Okay. Would it be possible to
20 allocate -- would it be possible to allocate the
21 rider -- the revenue requirement for rider RRS to
22 each class based on energy instead of demand?

23 A. That is an alternate method of rate
24 design. That is not what I have proposed.

25 Q. Okay. Isn't it true that residential

1 demand closely tracks system peak demand?

2 A. Could you rephrase that?

3 Q. I can. The peaks for residential
4 customers often are parallel to the peaks of the
5 entire system, so for the entire Cleveland Electric
6 Illuminating Company, the peaks for residential often
7 mirror the peaks of the entire system. So in the
8 summer when people are home and ACs are running, the
9 peak is often in the afternoon and the evening, and
10 the residential customers mirror those peaks.

11 EXAMINER PRICE: Can you turn your
12 microphone back on.

13 MR. KUTIK: I'll object to the extent the
14 question is compound. I am not sure what question
15 the witness is supposed to answer.

16 EXAMINER CHILES: Mr. Kumar.

17 MR. KUMAR: I am trying to get to the
18 fact residential often mirrors the peaks of the
19 entire system when it comes to demand.

20 MR. KUTIK: So the question to the
21 witness, your Honor, is what?

22 EXAMINER CHILES: Is that your question?
23 Would you like your last question reread, or do you
24 want to rephrase it?

25 MR. KUMAR: Sure.

1 EXAMINER CHILES: Can we have the last
2 question reread?

3 (Record read.)

4 EXAMINER CHILES: Mr. Kumar, would you
5 mind just rephrasing your question?

6 MR. KUMAR: Sure.

7 EXAMINER CHILES: It's unclear which one
8 when she read back.

9 Q. (By Mr. Kumar) I guess what I am trying
10 to get at, if costs -- if the revenue requirement was
11 allocated based on energy rather than demand, it
12 could result in lower -- a lower cost for consumers,
13 couldn't it?

14 A. I have not done that analysis.

15 Q. Okay. You stated earlier that your
16 design of rates was paid on cost causation
17 principles.

18 A. That's correct.

19 Q. Will residential customers be
20 receiving -- will the load or capacity of the
21 companies' residential customers be using any of the
22 power that is generated by Sammis, Davis-Besse, or
23 OVEC?

24 EXAMINER PRICE: Can I have that question
25 back again, please.

1 (Record read.)

2 MR. KUMAR: Would you like me to
3 rephrase, your Honor?

4 EXAMINER CHILES: Yes, please.

5 Q. Will the power generated by Sammis,
6 Davis-Besse, or OVEC be directly serving the load or
7 capacity of the customers of the companies?

8 MR. KUTIK: And are we talking about the
9 output of those plants as part of the proposed
10 transaction, your Honor?

11 EXAMINER CHILES: Could you clarify,
12 Mr. Kumar?

13 MR. KUMAR: I'm talking about the output
14 of those plants in general.

15 MR. KUTIK: Well, I'll object, your
16 Honor. It's the old "you can't see electrons" issue,
17 and that would be irrelevant to her testimony.

18 EXAMINER CHILES: Mr. Kumar, do you have
19 a response?

20 MR. KUMAR: I am just trying to
21 understand some of the witness's statements regarding
22 cost causation and the rate design of this specific
23 rate.

24 MR. KUTIK: That doesn't explain the
25 question, your Honor, or the need for clarification

1 for the question.

2 EXAMINER CHILES: The objection is
3 sustained.

4 Q. (By Mr. Kumar) Ms. Savage, are the
5 customers of the companies' cost causers for the
6 proposed transaction?

7 A. Could you rephrase that?

8 Q. If you could let me know what parts
9 weren't clear, it might help me.

10 A. The proposed transaction is designed to
11 be a financial hedge. I'm not sure how that relates
12 to your question.

13 Q. Okay. I'm simply asking whether the
14 customers, the distribution customers of the
15 companies, are causing any of the costs related to
16 the running of the plants included in the proposed
17 transaction.

18 A. Rider RRS is designed to serve as this
19 financial hedge. It is not the actual generation the
20 customers are receiving themselves.

21 Q. So the customers are not actually causing
22 the costs related to the running of those plants.

23 A. To the extent that the companies sell the
24 generation output into the PJM markets, the customers
25 themselves will not be the ones consuming that

1 generation.

2 Q. Thank you. Now, if could you turn to
3 page 5 of your testimony, on lines 3 through 5 you
4 state that you've estimated the rates for rider RRS
5 based on the data from Company Witness Ruberto.

6 A. That's correct.

7 Q. And the data that was used by Company
8 Witness Ruberto is an estimate; isn't that correct?

9 A. That's correct. It says estimated on his
10 attachment.

11 Q. So your estimated rates are based on the
12 estimated data of Company Witness Ruberto?

13 A. Yes. That's the way we build
14 projections, based on estimates.

15 Q. And your projected customer impact is
16 also based on the estimate of Company Witness
17 Ruberto?

18 A. My projection is consistent with the
19 underlying data shown in Mr. Ruberto's exhibit.

20 Q. And if the estimate of Company Witness
21 Ruberto was for some reason inaccurate, then it would
22 presumably change your projected customer impacts?

23 A. As I've stated earlier, this is the
24 companies' best estimate based on the data presented
25 in this case, whether through Mr. Ruberto, and then

1 Mr. Ruberto's projections are based on other
2 witnesses' projections. I think it's reasonable to
3 rely on those projections.

4 Q. But if for some reason those projections
5 were inaccurate, it would change your projected
6 impacts.

7 A. Yes, projections could be different.

8 Q. Now, you used 2013 sales figures to --
9 when you estimated rates -- to calculate, sorry, the
10 rates.

11 A. That's correct.

12 Q. And those 2013 sales figures would be
13 used to calculate rates for the next 15 years under
14 rider RRS?

15 A. No. As I proposed and laid out, the
16 rider would be filed annually each year, and at each
17 annual filing, we would use the most recent sales
18 forecasts at that point in time.

19 Q. Thank you for that clarification. I have
20 a quick question about the 8.48 percent carrying
21 charge. How was that developed?

22 A. The 8.48 percent carrying charge is based
23 on the weighted average cost of capital approved in
24 our most recent base distribution rate case.

25 EXAMINER PRICE: Why did you use weighted

1 average cost of capital instead of long-term cost of
2 debt?

3 THE WITNESS: We had other
4 generation-related riders, such as our rider GEN and
5 GCR, as well as rider AER, and they both also use the
6 8.48 from our last distribution case; so, therefore,
7 to be consistent and also point to a number that's
8 transparent for others to review, that's why we used
9 the 8.48 percent.

10 EXAMINER PRICE: Okay. Thank you.

11 Q. (By Mr. Kumar) I understand that you are
12 also adopting the testimony of Company Witness
13 Jurica?

14 A. That's correct.

15 Q. I had a few questions about rider AER.
16 Do you know what the companies' renewable energy
17 resource requirements are?

18 A. I'm generally aware of the requirements.

19 Q. Do you know what they are?

20 A. I'm not sure what you mean. Could you
21 rephrase?

22 Q. Could you detail what those specific
23 requirements are?

24 MR. KUTIK: Well, I think the problem
25 with the question is what does the word

1 "requirements" mean.

2 EXAMINER CHILES: Mr. Kumar?

3 MR. KUMAR: Your Honor, she says that
4 Witness Jurica says to fill the companies' -- excuse
5 me -- renewable energy resource requirements. I am
6 just trying to get at what exactly those requirements
7 that she is talking about in her testimony are.

8 EXAMINER CHILES: Mr. Kumar, can you
9 clarify, are you talking about specific numbers that
10 are required, percentages? Are you talking about
11 types?

12 MR. KUMAR: Just what are the
13 requirements that the company has to accomplish in
14 order to meet those requirements.

15 EXAMINER CHILES: Just in general?

16 MR. KUMAR: Yes.

17 EXAMINER CHILES: With that
18 clarification.

19 A. It's my understanding that the AER
20 requirements are to satisfy the requirement in the
21 Ohio Revised Code.

22 Q. Now, on lines 5 through 7 of page 5 of
23 Miss Jurica's testimony, you state that "These costs
24 include the costs of the RECs themselves as well as
25 to administer such procurements and costs associated

1 with the audit of this Rider, among other things."

2 A. I see that.

3 Q. Are there any other components of rider
4 AER charges?

5 A. These are the major items, the costs of
6 the RECs, the cost to administer the procurements,
7 and then the costs of the audit. The "among other
8 things" could be items such as if you were going to
9 advertise an upcoming RFP in a newspaper ad and then
10 recover the costs of that newspaper ad.

11 Q. Could you explain what you mean by the
12 "costs to administer such procurements"?

13 A. The RFPs are often administered by an
14 outside consultant, and that would be those costs.

15 Q. Do you know how much these costs are on a
16 monthly basis for a residential customer?

17 A. I do not.

18 Q. Do you know how these costs are tracked?

19 A. They are tracked monthly on an accounting
20 deferral spreadsheet, which would lay out the
21 specific general ledger accounts, and then compare
22 the revenues compared to these costs.

23 Q. Do you know who -- who tracks those costs
24 or what division of the company tracks those costs?

25 A. It would be the accounting department.

1 Q. Okay. And --

2 EXAMINER CHILES: I don't mean to
3 interrupt. Ms. Savage, can you speak more directly
4 into the microphone. Thank you. I don't want to
5 lose anything.

6 Q. (By Mr. Kumar) Do you know how
7 specifically these costs are included in the total
8 rider AER charge?

9 MR. KUTIK: May I have the question read,
10 please.

11 EXAMINER CHILES: You may.

12 (Record read.)

13 A. There's a very detailed spreadsheet that
14 lays out this calculation.

15 Q. And that spreadsheet would detail how
16 they are allocated among various classes and how
17 close it flows -- how those costs are then flowed
18 through to the customers?

19 A. So there is a monthly accounting
20 spreadsheet, and then there is also the quarterly
21 rate design for the -- to see the allocation to the
22 companies and to the rate schedules. I would refer
23 you to the quarterly rate design.

24 Q. Okay. Could you explain what you mean by
25 the costs associated with the audit of this rider?

1 A. Yes. A lot of our riders are audited on
2 a regular basis. Sometimes the staff chooses to do
3 the audit internally, and then other times they hire
4 an external consultant to conduct the audit on their
5 behalf, so the costs of the audit of the rider would
6 be if an outside firm is hired by the Commission to
7 conduct the audit.

8 Q. So by staff, you mean the staff of the
9 Commission?

10 A. That's correct, yes.

11 Q. Okay. Do you know how often the audits
12 of this rider happen?

13 A. The companies file an audit report
14 annually.

15 Q. Do you know when the last audit was?

16 A. We have a schedule which defines which
17 riders and what month we file the audit. I don't
18 remember precisely what month rider AER is filed, but
19 it would have been in the last year.

20 Q. Do you know the case number for the last
21 audit?

22 A. I don't offhand.

23 Q. Okay. Do you know if there was a
24 prudency review in the last audit?

25 A. I know the companies submitted the audit

1 for review. I don't know what happened.

2 Q. Do you know anything about the results of
3 the last audit?

4 A. Could you be more specific when you say
5 "the last audit"?

6 Q. The last audit that would have been
7 submitted to the Commission.

8 A. I don't know the results of that audit.

9 Q. Okay. Still on page 5, in line 8 you
10 discuss how the recovery costs were levelized through
11 May 31, 2016.

12 A. Yes.

13 Q. Could you explain what exactly you mean
14 by "levelized"?

15 A. In ESP III we received approval to
16 levelize the costs over the remainder of the ESP II
17 and ESP III.

18 Q. Okay. You also discuss on lines 8 and 9
19 carrying charges.

20 A. That's correct.

21 Q. Do you know what are those estimated
22 carrying charges?

23 A. I do not know a dollar amount.

24 Q. Do you know if they are included in the
25 audit?

1 A. Yes, that would be reviewed as part of
2 the audit.

3 Q. On page 5, lines 13 and 14, you state
4 that the levelized recovery costs also end on May 31,
5 2016 and that you are now requesting approval to
6 modify -- excuse me -- modify rider AER effective
7 June 1, the rate design of rider AER effective June 1
8 to charge these costs to customers?

9 A. I see that reference.

10 Q. And you are requesting approval to modify
11 rider AER, the rate design, to charge those costs to
12 customers?

13 A. Could you rephrase that?

14 Q. The companies are now requesting approval
15 to modify rider AER's rate design effective January 1
16 to charge these costs to customers.

17 EXAMINER PRICE: I am not understanding
18 your question, Mr. Kumar. The charges have always --
19 the costs have always been charged to customers.
20 Before they were done on a levelized basis. Now,
21 they are going -- proposing to go to a
22 quarter-by-quarter basis. But they were always paid
23 by the customers.

24 MR. KUMAR: I think that gets at it.

25 Q. (By Mr. Kumar) What will happen if the --

1 if the Commission denies this proposal?

2 A. This proposal is consistent with the
3 recommendations made in the Case No. 11-5201-EL-RDR,
4 and that was the recommendations of the staff's
5 consultant in that audit.

6 Q. On page 5, lines 14 and 15, you state you
7 will recover -- you will recover costs with "any
8 actual over or underrecovery included in this rider."

9 A. Yes. There will be a reconciliation
10 component to the rider.

11 Q. So if you overrecover, will you credit
12 this amount of overrecovery back to customers?

13 A. Yes, that's the intent of the rider.

14 Q. And if you underrecover, will you charge
15 this customer -- will you charge customers this
16 amount in the next quarter?

17 A. Due to the timing of when we file the
18 rate and when it actually goes into effect, it
19 actually might be two quarters, but fundamentally it
20 will be trued up.

21 Q. So it will be then two quarters it will
22 be charged to customers if there is an underrecovery.

23 A. Yeah. Due to the timing it's more like
24 two quarters.

25 Q. Okay. If this is an overrecovery, is

1 that returned with carrying charges?

2 A. Carrying charges would accrue on any
3 over- or underrecovery.

4 Q. Earlier the Attorney Examiner asked you
5 about the long-term cost of debt.

6 A. I remember that.

7 Q. Do you know what the long-term cost of
8 debt is?

9 A. The current weighted average cost of
10 long-term debt of the companies is just over
11 7 percent.

12 MR. KUMAR: Thank you. I have no further
13 questions, your Honor.

14 EXAMINER CHILES: Thank you, Mr. Kumar.
15 Mr. Lindgren?

16 MR. LINDGREN: Yes. Thank you, your
17 Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Lindgren:

21 Q. I am not sure if this is working. I
22 believe it is now.

23 Good morning, Ms. Savage. I believe you
24 testified that there is going to be a 60-day period
25 between the filing of an updated rider RRS and when

1 that rider actually goes into effect; is that right?

2 A. That's correct.

3 Q. And did you testify that the staff will
4 have an opportunity to verify that the mathematical
5 calculations were correct during this 60-day period?

6 A. I did, yes.

7 Q. And is it your understanding that that
8 will be the only scope of the staff's review during
9 this period?

10 A. Yes. The companies have proposed a
11 two-tier audit. For this first tier of the audit,
12 it's limited to mathematical accuracy during that
13 60-day window.

14 Q. Thank you. And when would the second
15 tier take place?

16 A. There's also a more periodic audit which
17 would be more of an after-the-fact audit of what
18 actually happened, and Ms. Mikkelsen goes into detail
19 about that second-tier audit.

20 MR. LINDGREN: Thank you. No further
21 questions.

22 EXAMINER CHILES: Thank you, Mr.
23 Lindgren.

24 EXAMINER PRICE: I have a follow-up for
25 Mr. Lindgren's comment, questions. Could you turn to

1 page 3 of your testimony. At line 6 and beyond you
2 describe the components to rider RRS revenue
3 requirements; is that right?

4 THE WITNESS: Yes.

5 EXAMINER CHILES: So we have the costs
6 which you described first, and then we have the
7 revenues, and then we have the reconciliation
8 component, right?

9 THE WITNESS: Yes.

10 EXAMINER PRICE: And those are the three
11 components that you lay out here.

12 THE WITNESS: Correct.

13 EXAMINER PRICE: Are there other
14 components?

15 THE WITNESS: No.

16 EXAMINER PRICE: In your definition of
17 reconciliation, does that include crediting back to
18 customers a disallowance resulting from the prudence
19 review that you discussed after the Commission issues
20 a final nonappealable order?

21 THE WITNESS: To the extent that the
22 companies have a disallowance which is approved by
23 the Commission, it would be recorded on the
24 companies' books in the month that we get the
25 decision, and then it would be included in the next

1 reconciliation filing as part of the reconciliation
2 balance.

3 EXAMINER PRICE: So in your mind that
4 would be part of the reconciliation process?

5 THE WITNESS: Yes.

6 EXAMINER PRICE: Okay. Thank you.

7 EXAMINER CHILES: Thank you.

8 Mr. Kutik?

9 MR. KUTIK: Your Honor, may we go off the
10 record?

11 EXAMINER CHILES: Yes.

12 (Discussion off the record.)

13 (Recess taken.)

14 EXAMINER CHILES: Let's go ahead and go
15 back on the record. Mr. Kutik.

16 MR. KUTIK: We have no redirect, your
17 Honor.

18 EXAMINER CHILES: Thank you.

19 MR. KUTIK: And if there are no further
20 questions from the Bench, the companies move for the
21 admission of Exhibits 43, 44, and 45.

22 EXAMINER CHILES: Are there any
23 objections to the admission of Company Exhibits 43,
24 44, and 45?

25 Hearing none they will be admitted.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 MR. KUMAR: Your Honor, to the extent we
3 haven't already done so, I would like to take
4 administrative notice of the existing tariffs of
5 Cleveland Electric Illuminating, Toledo Edison, and
6 Ohio Edison.

7 EXAMINER CHILES: Any objection?

8 EXAMINER PRICE: All of them?

9 MR. KUMAR: The existing tariffs that are
10 filed at the Commission.

11 MR. KUTIK: We have no objection, your
12 Honor.

13 EXAMINER PRICE: That's just a lot.

14 EXAMINER CHILES: Administrative notice
15 will be taken.

16 Ms. Bojko?

17 MS. BOJKO: Your Honor, I know they are
18 attached as part of the application, but given that
19 we referenced them and identified both the rider RRS
20 tariff, as proposed, and rider AER tariff, I would
21 ask that we move those as marked.

22 EXAMINER CHILES: Are there any
23 objections to the OCC Exhibits 14 and 15 as marked?

24 MR. KUTIK: Other than it's cumulative of
25 the companies' attachment, there is really no need

1 for them in the record. We can refer to the
2 attachments without referring to the exhibits. It
3 was a handy reference, but it doesn't necessarily
4 need to be done.

5 EXAMINER CHILES: For ease of reference,
6 we will go ahead and admit OMAEG Exhibits 14 and 15.

7 MS. BOJKO: Thank you, your Honor.

8 (EXHIBITS ADMITTED INTO EVIDENCE.)

9 EXAMINER CHILES: Thank you, Ms. Savage.
10 You are excused.

11 EXAMINER PRICE: Thank you.

12 EXAMINER CHILES: At this point we'll
13 adjourn for the day, and we will reconvene at
14 10 o'clock on Monday. Thank you.

15 (Thereupon, at 11:29 a.m., the hearing
16 was 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 Friday, September 25,
5 2015, and carefully compared with my original
6 stenographic notes.

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11 Karen Sue Gibson, Registered
Merit Reporter.

12 (KSG-6096)

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Case No(s). 14-1297-EL-SSO

Summary: Transcript In the Matter of the application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company hearing held on 09/25/15 - Volume XVIII electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.