

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

- - -

PROCEEDINGS

before Mr. Gregory Price, Ms. Mandy Chiles, and
Ms. Megan Addison, Attorney Examiners, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 9:00 a.m. on
Thursday, October 15, 2015.

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1 Thursday Morning Session,
2 October 15, 2015.

3 - - -

4 EXAMINER ADDISON: Let's go ahead and go
5 on the record. The Public Utilities Commission of
6 Ohio has set for hearing at this time and place Case
7 No. 14-127-EL-SSO, being in the Matter of the
8 Application of Ohio Edison Company, the Cleveland
9 Electric Illuminating Company, and the Toledo Edison
10 Company for Authority to Provide a Standard Service
11 Offer pursuant to RC 4928.143 in the form of an
12 Electric Security Plan.

13 My name is Meghan Addison, and with me
14 is Mandy Chiles, and we are the Attorney-Examiners
15 assigned by the Commission to hear this case.

16 We'll dispense taking appearances this
17 morning and continue with staff witnesses.

18 Would staff like to call its next
19 witness?

20 MR. BEELER: Thank you, your Honor. The
21 staff calls Doris McCarter.

22 (Witness sworn.)

23 EXAMINER ADDISON: Please proceed,
24 Mr. Beeler.

25 MR. BEELER: Thank you, your Honor. I

1 would like to have marked at this time for
2 identification purposes Staff Exhibit 6, which is the
3 direct testimony of Doris McCarter of the Public
4 Utilities Commission of Ohio filed on September 18,
5 2015.

6 EXAMINER ADDISON: So marked.

7 (EXHIBIT MARKED FOR IDENTIFICATION.)

8 MR. BEELER: Thank you.

9 - - -

10 DORIS McCARTER

11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Mr. Beeler:

15 Q. Please state your name and by whom you
16 are employed.

17 A. My name is Doris McCarter,
18 M-C-C-A-R-T-E-R, and I am employed by the Public
19 Utilities Commission of Ohio.

20 Q. Do you have in front of you what has been
21 marked as Staff Exhibit 6?

22 A. Yes.

23 Q. Please identify that document for the
24 record.

25 A. This is the prefiled testimony of myself

1 in this case.

2 Q. And that testimony was prepared by you or
3 under your direction?

4 A. Yes.

5 Q. Do you have any corrections to make to
6 that document?

7 A. No.

8 Q. If I were to ask you the same questions
9 in Staff Exhibit 6 today, would your answers be the
10 same?

11 A. Yes.

12 Q. Are the answers true and accurate, to the
13 best of your knowledge?

14 A. Yes.

15 MR. BEELER: Your Honor, at this time,
16 subject to cross-examination, I would move for the
17 admission of Staff Exhibit 6 into the record and the
18 witness is available for cross.

19 EXAMINER ADDISON: Thank you. We will
20 defer ruling on that motion until cross-examination
21 has been completed.

22 Ms. Bojko, do you have any questions?

23 MS. BOJKO: No, your Honor.

24 EXAMINER ADDISON: Thank you.

25 Ms. Fleisher?

1 MS. FLEISHER: No questions, your Honor.

2 Thank you.

3 EXAMINER ADDISON: Ms. Cohn?

4 MS. COHN: No questions, your Honor.

5 EXAMINER ADDISON: Ms. --

6 MS. WILLIS: Ms. Willis.

7 EXAMINER ADDISON: Miss Willis?

8 - - -

9 CROSS-EXAMINATION

10 By Ms. Willis:

11 Q. Good morning, Ms. McCarter.

12 A. Good morning.

13 Q. Now, you testified on the delivery
14 capital recovery rider; is that correct?

15 A. Yes.

16 Q. And your testimony would be contained at
17 pages 6 through 14; is that right?

18 A. Yes.

19 Q. Am I correct that you do not recommend
20 that the PUCO grant an extension of the rider?

21 A. I don't take a position in my testimony.
22 My testimony is focused on if the Commission should
23 grant an extension.

24 MS. WILLIS: That's all the questions I
25 have. Thank you.

1 Thank you, Ms. McCarter.

2 EXAMINER ADDISON: Thank you.

3 Mr. Kutik?

4 MR. KUTIK: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Kutik:

8 Q. Good morning.

9 A. Good morning.

10 Q. Ms. McCarter, you would agree with me the
11 companies' average reliability has improved under
12 rider DCR?

13 A. I don't have any knowledge of that. That
14 would probably be something that perhaps
15 Mr. Nicodemus would have better addressed.

16 Q. So you haven't looked at the reliability
17 statistics and reliability measures; is that fair to
18 say?

19 A. I have briefly looked at them simply to
20 see if the companies have attained the targets, but
21 other than that, I have not done an evaluation.

22 Q. Okay. And so you wouldn't be able to say
23 whether rider DCR has been a positive factor in
24 helping the companies improve their reliability; fair
25 to say?

1 A. Fair to say.

2 Q. Now, would it also be true that the
3 companies' most recent customer perception surveys
4 demonstrate that customers perceive that they are
5 experiencing less outages?

6 A. I have not examined those surveys or the
7 results.

8 Q. So for purposes of your testimony, you
9 didn't look at customer perception surveys?

10 A. No, I did not.

11 Q. Would you agree that riders like riders
12 DCR help enable the companies to begin to recover
13 costs more quickly than they would under a rate case?

14 A. They do accelerate the recovery time,
15 yes.

16 Q. And under rider DCR, the companies would
17 recover dollars associated with reasonably incurred
18 costs that are subject to Commission review and
19 approval, correct?

20 A. Could I have it repeated? I missed the
21 first part.

22 MR. KUTIK: May we have it read, your
23 Honors?

24 EXAMINER ADDISON: You may.

25 (Record read.)

1 A. Yes.

2 Q. And that doesn't change regardless of
3 whatever the caps are, correct?

4 A. The DCR is a mechanism for more immediate
5 recovery of costs.

6 Q. So what I said was correct?

7 A. Irregardless of the caps, yes.

8 Q. Okay. So another way of saying it is
9 that regardless of the caps, the companies have to
10 demonstrate a revenue requirement for whatever the
11 DCR level is, correct?

12 A. Up to the caps, yes.

13 Q. Now, the review -- well, I'll back up.

14 Have you been part of the review of rider
15 DCR thus far?

16 A. Yes.

17 Q. And the review includes a review of
18 projects and work orders for plant-in-service
19 activity during the audit period, correct?

20 A. The annual compliance audit that is
21 conducted does involve a random sampling of various
22 projects and their account -- associated accounting.

23 Q. So it includes a review of selected
24 projects and work orders, correct?

25 A. For an accounting review, yes.

1 Q. Okay. And it also includes a review of
2 depreciation rates, correct?

3 A. Yes.

4 Q. Includes a review of the timing of
5 plant-in-service and -- versus estimated completion
6 dates?

7 A. Yes, it does.

8 Q. And it also includes a review of an
9 explanation of the difference between the timing of
10 plant-in-service dates and estimated completion
11 dates?

12 A. From an accounting perspective, yes.

13 Q. It also includes a review of actual
14 versus budgeted cost variances.

15 A. Yes, it does.

16 Q. It also includes field visits to ensure
17 assets are used and useful.

18 A. Yes, it does.

19 Q. And you would agree with me that the most
20 recent audit reports -- audit report for the
21 companies was something like 125 pages?

22 A. Yes, the way Blue Ridge structures their
23 reports, yes.

24 Q. And were you part of the rate-base review
25 of the companies' last rate case?

1 A. No, I was not.

2 Q. Are you familiar with the companies'
3 last -- or the Staff report in the companies' last
4 base-rate case?

5 A. I read it a long time ago.

6 Q. Okay. Fair enough.

7 MR. KUTIK: Your Honor, at this point I
8 would like to mark as Exhibit -- as Company Exhibit
9 122 the staff report in Case No. 07-551-EL-AIR,
10 et al.

11 EXAMINER ADDISON: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 MR. KUTIK: And I would like to approach,
14 your Honor.

15 EXAMINER ADDISON: You may.

16 Q. (By Mr. Kutik) Ms. McCarter, I have
17 handed you what has been marked for identification as
18 Company Exhibit 122. Do you recognize the Staff
19 report of the companies' last rate case?

20 A. It appears to be so.

21 Q. And would it be fair to say that if we
22 look at pages 4 through 8, that that appears to be
23 the extent of the discussion of the rate base in the
24 staff report?

25 A. I am going to need a moment. It's a big

1 document.

2 Other than the attached workpapers, it
3 appears to be so.

4 Q. Okay. And would it be fair to say the
5 period of time that was covered in terms of the
6 review since the last rate case before this was
7 something like 15 to 20 years?

8 A. I don't know.

9 Q. Would it be fair to say that the review
10 in the DCR audits is a period of about one year?

11 A. There's an annual compliance review, if
12 that's what you are referring to.

13 Q. So the period is about one year.

14 A. Between compliance audits, yes.

15 Q. Now, did you read Mr. Fanelli's testimony
16 in this case?

17 A. Yes, I did.

18 Q. And were you in the hearing room when
19 Mr. Fanelli testified?

20 A. I was not.

21 Q. Do you have any reason to dispute
22 Mr. Fanelli's statement that the revenue requirement
23 under rider DCR has increased on average \$30 million
24 a year since its inception?

25 A. I know that it has increased

1 significantly. I haven't gone back and done a
2 mathematical check of his number.

3 Q. My question is, do you have any reason to
4 dispute it?

5 A. I have no reason to confirm it or dispute
6 it.

7 Q. Fair enough. Now, we talked earlier
8 about one of the things that happens as part of the
9 DCR review is a review of selected work orders,
10 correct?

11 A. Correct.

12 Q. If I use the term blanket work order, do
13 you know what I mean?

14 A. Yes.

15 Q. All right. And a blanket work order is
16 work orders that cover specific types of projects,
17 and each work order may be relatively small; would
18 that be fair?

19 A. Correct.

20 Q. There are also certain work orders that
21 relate to certain programs, correct?

22 A. Could you give me an example?

23 Q. Replacing a certain type of -- certain
24 piece of equipment in substations.

25 A. There are specific project work orders.

1 Q. Okay. And, well, there are -- there are
2 also work orders with respect to we are going to
3 replace this line or we are going to reconstruct a
4 particular line, that would be an example of a
5 project, correct?

6 A. Correct.

7 Q. Whereas, what I mentioned earlier about
8 replacing a particular insulator or type of
9 insulator, that might be a program. Would you agree
10 with that as a difference?

11 A. I am struggling with the word "program."

12 Q. Okay. Would -- would you agree with me
13 that the average -- that the bulk of the work orders
14 are relatively small dollars?

15 A. I have not examined them directly myself.
16 Typically there are only a few large project work
17 orders that a company engages in.

18 MR. KUTIK: Your Honor, at this time I
19 would like to have marked as Company Exhibit 123, a
20 report from Blue Ridge Consulting Services in Case
21 No. 14-1929-EL-RDR submitted on March 30, 2015, and
22 filed with the Commission on April 22, 2015.

23 EXAMINER ADDISON: So marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MR. KUTIK: May I approach?

1 EXAMINER ADDISON: You may.

2 Q. (By Mr. Kutik) Ms. McCarter, I have
3 handed you what has been marked for identification as
4 Company Exhibit 123. Do you recognize this as the
5 audit report from the last DCR audit --

6 A. Yes, I do.

7 Q. -- for the companies?

8 For the companies?

9 A. Yes.

10 Q. I would like you to turn to page 57,
11 please.

12 A. I'm there.

13 Q. And we see there, do we not, in the table
14 a list of the incremental change in gross plant?

15 A. Yes.

16 Q. And the total is \$180 million.

17 MS. WILLIS: Objection.

18 EXAMINER ADDISON: Grounds?

19 MS. WILLIS: Your Honor, I don't believe
20 foundation has been established. Even though
21 Miss Carter said she recognized the document, that
22 does not mean she has familiarity with that document.
23 I recognize the document, and I don't have
24 familiarity with it. By looking at the document, you
25 can see that it is a Blue Ridge study, so I would --

1 my objection is there is no foundation laid to get
2 into the specifics of this document.

3 MR. KUTIK: Your Honor, she said she had
4 worked on the DCR audits earlier.

5 MS. WILLIS: But not this particular one.
6 That was not the question.

7 EXAMINER ADDISON: Ms. McCarter, are you
8 familiar with this document?

9 THE WITNESS: I am familiar with it.

10 EXAMINER ADDISON: Thank you. Please
11 proceed, Mr. Kutik.

12 MR. KUTIK: I believe a question was
13 pending, your Honor. Could I have the question
14 reread, please?

15 EXAMINER ADDISON: We may.

16 (Record read.)

17 A. That is the figure listed in the
18 incremental column.

19 Q. And if we go to page 59, we can see a
20 number of work orders by company.

21 A. You are referring to table 18?

22 Q. Yes, I am.

23 A. Yes.

24 Q. That's 95,000?

25 A. Yes.

1 Q. And so if we would divide 180 million by
2 95,000, we would get something like 2,000 per work
3 order on average?

4 A. Small number.

5 Q. You accepted my math?

6 A. I would say subject to check, but I have
7 never seen anybody check, so I'll accept your math.

8 Q. Thank you. I want to talk to you a
9 little bit about investments in assets that are under
10 general and intangible plant. Would you agree that
11 investments that fall under general and intangible
12 plant can contribute to distribution system
13 reliability of customer satisfaction?

14 A. I think those -- those expenses
15 contribute to the entire functioning of the company,
16 not just distribution reliability.

17 Q. But they do contribute to -- or some do
18 contribute to reliability and customer satisfaction,
19 correct?

20 A. Among the contributions that they make to
21 the entire functioning of the company.

22 Q. Okay. So is the answer to my question,
23 "yes"?

24 MR. BEELER: Objection. She answered the
25 question.

1 EXAMINER ADDISON: I agree. Let's move
2 on, Mr. Kutik.

3 MR. KUTIK: Well, your Honor, I am not
4 sure if she answered yes. That's why I asked the
5 question. Can you tell me whether she answered yes,
6 your Honor?

7 EXAMINER ADDISON: Do you just want a
8 more direct answer? I believe she was trying to
9 answer your question.

10 MR. KUTIK: Well, again, I am not sure if
11 the answer is "yes." That's why I asked the
12 question.

13 EXAMINER ADDISON: Ms. McCarter, can you
14 answer the question yes or no?

15 A. The expenses recorded in those accounts
16 contribute to the entire function of the company.

17 Q. And can they also contribute to
18 reliability and customer satisfaction?

19 A. By definition that they contribute to the
20 entire functioning of the company, that would be a
21 subset within.

22 Q. Okay. And would you agree that some
23 subset of those assets specifically contribute to
24 reliability and customer satisfaction?

25 A. As I stated earlier, they contribute to

1 the entire functioning of the company which would
2 include also some contribution to that area.

3 Q. But some are specifically directed
4 towards reliability and customer satisfaction, are
5 they not?

6 MR. BEELER: Objection. I mean, she's
7 answered the question now a number of times.

8 EXAMINER ADDISON: Let's move on,
9 Mr. Kutik.

10 MR. KUTIK: Your Honor, I don't believe
11 she has answered question, and that's why I believe I
12 am entitled to a straight answer to my question.

13 EXAMINER ADDISON: I believe she has
14 given you the straightest answer that she can give,
15 so let's move on.

16 MR. KUTIK: Fair enough.

17 EXAMINER ADDISON: On to the next
18 question.

19 Q. (By Mr. Kutik) Do you see data requests
20 that the company provides Blue Ridge in the audits?

21 A. I do not read them specifically, no.

22 Q. Okay. So -- well --

23 MR. KUTIK: Your Honor, may I approach?

24 EXAMINER ADDISON: You may.

25 MR. KUTIK: Your Honor, I do not intend

1 to mark this as an exhibit. It is a confidential
2 data request, and so I don't intend to mark it as an
3 exhibit or offer it, but I would want to show the
4 witness this data request, and that's my intent at
5 this time.

6 EXAMINER ADDISON: We won't be discussing
7 any confidential information, though?

8 MR. KUTIK: Well, we will be discussing
9 some information in here, but I don't want to put
10 this entire document in because it does include a lot
11 of detail that would be confidential.

12 EXAMINER ADDISON: Do you have any
13 objection, Mr. Beeler?

14 MR. BEELER: So long as we are not
15 discussing the confidential information on the
16 record.

17 EXAMINER ADDISON: Please proceed,
18 Mr. Kutik.

19 Q. (By Mr. Kutik) Ms. McCarter, I have
20 handed you a data request from Case No.
21 14-1929-EL-RDR, BRC Set 1, Interrogatory 2,
22 Attachment 1, and have you seen this before?

23 A. No, I have not.

24 Q. Okay. Do you know what the GIS system
25 for the companies is?

1 A. Specifically for first -- I know
2 generally, but....

3 Q. Okay. And that's a system that helps the
4 companies and the companies' employees locate their
5 assets?

6 A. It is a locational service that helps in
7 many respects based on location of various plant --

8 Q. So the answer to my question is yes.

9 A. Could I have the question reread?

10 Q. Let me try again. It is a system that
11 helps with employees identify the location of company
12 assets and facilities?

13 A. All assets and facilities with whatever
14 is loaded into the system, yes.

15 Q. Okay. And are you familiar with the
16 companies' web mobile app?

17 A. I am not familiar with it.

18 Q. So you don't know whether FirstEnergy has
19 an app that helps customers advise FirstEnergy when
20 there are outages and helps FirstEnergy, therefore,
21 manage outages?

22 A. I do not know the details of First --
23 specifically FirstEnergy's system.

24 Q. Okay. Have you heard of companies that
25 have apps like that?

1 A. I am aware that AEP has an app like that.

2 Q. Okay. And that allows customers to
3 advise AEP as to when there are outages and allows
4 AEP to communicate back with customers about outages,
5 correct?

6 A. I am aware that that is one -- at least
7 one aspect of the app.

8 Q. Are you aware of the Power On program
9 that the companies have?

10 A. Not in detail, no.

11 Q. Okay. And are you aware that the Power
12 On program is an outage system for -- outage
13 management system?

14 A. In general, I am aware of that.

15 Q. And are you aware that the GIS companies'
16 customer mobile app and the Power On system are all
17 classified under FERC account 303, miscellaneous
18 intangible plant?

19 A. I believe that's where they would be
20 recorded.

21 Q. Would you agree with me that general and
22 intangible plant reviewed for DCR is about 10 percent
23 of eligible gross plant?

24 A. Yes.

25 Q. With respect to forecasted plant

1 balances, would it be correct to say that those
2 forecast -- or forecasted plant balances had been
3 used since the inception of rider DCR?

4 A. Yes.

5 Q. And would you agree with me that the use
6 of projected plant-in-service allows the companies to
7 timely recover investments with zero time lag?

8 A. I believe it allows the company to, in
9 fact, begin recovery even before the expenses have
10 been incurred.

11 Q. Okay. So it -- it's either zero even
12 before they are incurred, correct?

13 A. Yes.

14 Q. All right. And would it be fair to say
15 that customers are held harmless by virtue of
16 carrying charges?

17 A. I need you to explain what you mean by
18 "held harmless."

19 Q. Well, they get compensated for the value
20 of time and money, do they not?

21 A. Yes.

22 Q. With a carrying charge. That's the
23 purpose, right?

24 A. Yes.

25 Q. Okay. Now, would it also be fair to say

1 that in each of the audits to date, Blue Ridge has
2 been able to obtain an understanding of the
3 companies' processes and controls within rider DCR?

4 A. Yes.

5 Q. And is it also true to say in each and
6 every audit, Blue Ridge has found nothing to indicate
7 that the projected amounts were unreasonable?

8 A. Blue Ridge has found that the projected
9 amounts ultimately track fairly accurately with what
10 becomes the expended amount in this period.

11 Q. I'm sorry, I didn't --

12 A. In the next period.

13 Q. Okay. Well, I am not sure you answered
14 my question. Isn't it true that Blue Ridge has
15 specifically found that there was nothing to indicate
16 that the projected amounts were unreasonable in each
17 and every audit?

18 MR. BEELER: Objection. I believe that's
19 the same question that she answered before, to the
20 best of her knowledge.

21 EXAMINER ADDISON: I'll allow the
22 question.

23 A. Blue Ridge has not made a find -- I'm
24 sorry, has not made a finding that the projections
25 are unreasonable in terms of them being inaccurate to

1 what is then ultimately expended.

2 Q. I'm sorry, I am not sure that's my
3 question either. My question is specifically that
4 Blue Ridge has found nothing -- has specifically
5 found that there is nothing to indicate that the
6 projected amounts were unreasonable. That's a
7 finding they have made, correct?

8 A. Yes, and they are measuring whether the
9 projections that the company has made are in line
10 within what the company subsequently expended and on
11 those -- that measurement, they have not found the
12 projections to be unreasonable.

13 Q. Thank you. The auditors in each and
14 every audit have also reviewed the capitalization
15 policy of the companies, correct?

16 A. I believe so.

17 Q. Now, in prior ESPs, would it be correct
18 to say you have had discussions with the companies
19 regarding storm deferral criteria?

20 A. No.

21 Q. Okay.

22 MR. KUTIK: May I approach, your Honor?

23 EXAMINER ADDISON: You may.

24 MR. KUTIK: Your Honor, we would like to
25 have marked as Company Exhibit 124, an e-mail from

1 Doris McCarter to R.R. -- W.R. Ridmann at
2 FirstEnergyCorp.com dated Wednesday September 8,
3 2010.

4 EXAMINER ADDISON: So marked.

5 (EXHIBIT MARKED FOR IDENTIFICATION.)

6 Q. (By Mr. Kutik) Ms. McCarter, I have
7 handed you what has been marked for identification as
8 Exhibit Company 124. Do you recognize this as an
9 e-mail you sent to Mr. Ridmann at the companies?

10 A. I recognize the e-mail on the top is from
11 me. I'm, quite honestly, struggling to remember the
12 context or anything around it.

13 Q. You don't dispute that you sent this
14 e-mail, correct?

15 MS. WILLIS: Objection.

16 EXAMINER ADDISON: Grounds?

17 MS. WILLIS: Hearsay.

18 MR. KUTIK: Right now we are in the
19 authentication phase of the examination. It's not
20 hearsay. It's her document.

21 MS. WILLIS: It's an out of court
22 statement.

23 MR. KUTIK: By declaring out of court
24 she's here.

25 EXAMINER ADDISON: Objection overruled.

1 A. What was the question?

2 Q. The question is you don't dispute that
3 you sent this e-mail.

4 A. Well, no, I don't recall sending it, but
5 obviously, if it's an e-mail from me with my name on
6 it, I must have sent it.

7 Q. Okay. You accept that this is an e-mail
8 from you.

9 A. Yeah, I guess.

10 Q. Fair enough.

11 A. It might have been, though -- again, back
12 to my statement about storm deferrals, it may have
13 been one where I was relaying a message from somebody
14 else on staff who actually did work on storm
15 deferrals, particularly if this was occurring during
16 the stipulation discussions, where I was simply
17 relaying a message that -- a response to a question
18 that Mr. Ridmann had posed; so that doesn't mean that
19 I have any in-depth knowledge of this topic.

20 Q. Fair enough. But you are not disputing
21 the e-mail, correct?

22 A. No.

23 Q. Okay. Let me talk to you a little bit
24 about incremental tax and the companies' incremental
25 tax proposal. You're aware, are you not, of a recent

1 proposal in the General Assembly to change tangible
2 personal property tax to exempt generation units?

3 A. I am passingly familiar with that. I
4 also know that it did not move forward.

5 Q. Right. It was vetoed by the Governor,
6 correct?

7 A. Yes.

8 Q. And that proposal, if it had been --
9 well, first, that proposal since it was vetoed by the
10 Governor, passed both Houses of the General Assembly,
11 correct?

12 A. But it did not become law.

13 Q. Well --

14 A. Yes, but it did not become law. There
15 are lots of things that that is the way they go.

16 Q. Right. And that proposal, if the
17 Governor had not vetoed it, would have resulted in
18 higher property taxes, personal property taxes for
19 distribution utilities, correct?

20 MS. WILLIS: Objection.

21 EXAMINER ADDISON: Grounds?

22 MS. WILLIS: Relevance.

23 MR. KUTIK: It's an example, your Honor,
24 of incremental taxes that may or may not occur, and
25 this is one that was seriously put forward by the

1 General Assembly, and we have no reason to think that
2 it won't.

3 MS. WILLIS: We have reason to believe it
4 did not become law, and until it becomes law --

5 MR. KUTIK: Can I finish my statement --

6 MS. WILLIS: I'm sorry. Go ahead.

7 MR. KUTIK: -- please? Whether
8 something -- whether it would become law or not
9 obviously is something that we can debate in our
10 briefs, but this is an example of a tax proposal that
11 was made that would have serious impacts on the
12 company, that we think would fall within the
13 incremental tax rider that we have suggested as part
14 of our proposal and, obviously, that Ms. McCarter
15 feels differently about; so I think it's a fair topic
16 of examination for this witness.

17 EXAMINER ADDISON: Ms. Willis.

18 MS. WILLIS: Your Honor, it did not
19 become law. The provisions did not become law. I
20 don't know how we can talk about something we don't
21 know the ramifications for and we don't -- we know
22 that, as we sit here today, it is not law.

23 MR. KUTIK: Well, that's the very point
24 of the companies' rider, that we don't know what's
25 going to happen with respect to tax provisions, and

1 so we are talking about things that are obviously in
2 the future. So that means we can't talk about any
3 tax provision because we don't know that's going to
4 actually happen. So, your Honor, this is a proper
5 subject of discussion.

6 MS. WILLIS: And it's not obviously in
7 the future. I don't know how we can sit here today
8 and say that that is obviously not in the future. It
9 was not passed. There is no proposal currently
10 pending at the Ohio legislature on the temporary --
11 the TPP.

12 EXAMINER ADDISON: Thank you.

13 MS. FLEISHER: And, your Honor, as I
14 think Miss Willis had mentioned, we don't know what
15 taxes might come to be in the future, just
16 illustrates this is completely speculative. We can
17 talk about bills that have been proposed in the
18 legislature. There is just no limit to the world of
19 taxes that could be passed, but we should deal with
20 what has been enacted.

21 MR. KUTIK: Well, again, this all proves
22 the point. Of course, this is a prospective
23 proposal, and so we are dealing with things that
24 might or might not happen in the future. And so it's
25 a proper subject to talk about things that have been

1 proposed and that may be proposed again just to show
2 the Commission an example of a proposal that could
3 happen and that would have a serious effect and that
4 would fall within the companies' proposal with
5 respect to the incremental tax rider.

6 MS. FLEISHER: Your Honors, he's asked
7 her a question about it. He established that it
8 exists. To ask a further question about it I think
9 is -- becomes not relevant. He can argue it in his
10 briefs, but the question is, is it appropriate to ask
11 a witness questions about things that are completely
12 speculative.

13 MR. KUTIK: Well, your Honor, I think the
14 question we are asking is that would have had an
15 effect on the companies if it had been proposed, and
16 I think that's a fair question to ask this witness.

17 EXAMINER ADDISON: I am going to allow
18 this one particular question. The witness can answer
19 if she has an opinion on the matter, but I wouldn't
20 like to stay in this particular area very long.

21 MR. KUTIK: I don't have many questions
22 on this, your Honor.

23 EXAMINER ADDISON: Thank you. Can we
24 have the last question back to the witness, please?

25 (Record read.)

1 A. I believe that particular one would have
2 had an impact to the companies, but I would note it
3 did not pass.

4 Q. Okay. Fair enough. I want to talk to
5 you a little bit about the rider -- proposed rider
6 GDR. It would be true to say that the Commission has
7 approved placeholder riders before, correct?

8 A. It has approved a few of them, yes, very
9 specifically targeted to particular costs, but it
10 has.

11 Q. So, for example, the Commission approved
12 a placeholder rider AMI in the companies' last
13 distribution case.

14 A. That was targeted very specifically to
15 SmartGrid, yes.

16 Q. All right. So the answer to my question
17 is yes?

18 A. It had a specific project and costs, and
19 it approved a zero place rider for that particular
20 category.

21 Q. So the answer to my question again is
22 yes.

23 MR. BEELER: Your Honor, asked and
24 answered.

25 MS. WILLIS: Objection.

1 EXAMINER ADDISON: I believe she did say
2 "yes" at the end of her first answer.

3 MR. KUTIK: Okay.

4 Q. (By Mr. Kutik) That was a placeholder
5 rider, correct?

6 A. It was a placeholder rider targeted to a
7 specific type of cost.

8 Q. Okay. And it's also true that the
9 Commission approved a placeholder rider in AEP's last
10 ESP for rider PPA.

11 A. For a very particular type of cost
12 request, yes.

13 Q. And staff is, in this case, requesting a
14 placeholder rider, correct?

15 A. For which?

16 Q. Do you know?

17 A. That is as broad and expansive and is
18 vaguely defined as GDR, no.

19 Q. Right. I asked you if they have -- or I
20 suggested proposing a placeholder rider in this case;
21 do you know or do you not?

22 A. I do not.

23 Q. Okay.

24 A. But I have had discussions with staff and
25 asked about the GDR, and this type of rider that the

1 FE is proposing is very vague and ill-defined and not
2 in the nature of a zero placeholder rider that is
3 targeted to very specific costs.

4 MR. KUTIK: Your Honor, I move to strike
5 everything including and after the word "but."

6 MR. BEELER: Your Honor, again, very
7 broad question. The witness has stated she believes
8 that the rider is vague. She is just giving her
9 understanding of what we are dealing with.

10 MR. KUTIK: I asked her specifically if
11 she knew whether the -- whether the staff was
12 proposing a placeholder rider, and then she gave me a
13 discussion about her thoughts or what she thought the
14 staff's thoughts were on rider GDR. Two separate
15 subjects.

16 EXAMINER ADDISON: I tend to agree. I am
17 going to grant the motion to strike after the word
18 "but."

19 Mr. Beeler, you can raise that during
20 redirect if you so wish.

21 MR. BEELER: Thank you.

22 Q. (By Mr. Kutik) Now, in this case with
23 respect to rider GDR, the only specific costs that
24 the companies have proposed for inclusion relate to
25 the costs of including supplier logos on bills and

1 the supplier web portal, correct?

2 A. Those -- there are those requests in the
3 GDR; however, my understanding is those have already
4 been dealt with in the retail COI, their recovery.

5 Q. So the answer to my question is "yes"?

6 MR. BEELER: Objection. She answered the
7 question to the best of her knowledge.

8 EXAMINER ADDISON: If she can give a
9 direct answer, I am going to allow the question.

10 THE WITNESS: Can I just -- sorry --
11 reread again?

12 EXAMINER ADDISON: Sure.

13 (Record read.)

14 A. Within the general request being made in
15 the GDR, you have included -- FirstEnergy has
16 included those two items.

17 Q. So my answer -- the answer to my question
18 is "yes"?

19 MR. BEELER: Objection. Asked and
20 answered.

21 MR. KUTIK: I wish I knew what the answer
22 was.

23 MR. BEELER: Your Honor, not every answer
24 calls for a "yes" or "no."

25 MR. KUTIK: But this one clearly does.

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1 EXAMINER ADDISON: Ms. McCarter, are you
2 able to answer "yes" or "no" to this particular
3 question?

4 THE WITNESS: They are two of the items
5 included in the general GDR request. I thought I was
6 answering.

7 EXAMINER ADDISON: Are they the only?

8 THE WITNESS: They are not the only --
9 well, they are two of the costs that -- that have
10 been included. I have heard discussion of the gas
11 plants and other things like that.

12 Q. They are the only costs that have been
13 identified that the companies are going to seek
14 recovery for under rider GDR; isn't that correct?

15 A. I'm sorry. I am struggling because you
16 have asked for various different things inside the
17 GDR. Those are two of them.

18 Q. The only two costs that they specifically
19 identified for inclusion in rider GDR are the costs
20 relating to the supplier logos on the bills and the
21 supplier web portal; isn't that correct?

22 A. I thought that I had read, pretty sure I
23 had, that there was also a gas plant remediation cost
24 that was also included in the GDR request. So that's
25 why I'm struggling to say that those other two were

1 the only two.

2 Q. So you think that the companies know that
3 they have those costs now, correct?

4 A. Are you saying quantified costs?

5 Q. Yes.

6 A. My understanding is that there have been
7 some dollar amounts mentioned but that the company
8 hasn't actually incurred some costs or that those are
9 estimates.

10 Q. Okay. And the only estimates that they
11 provided is, isn't it true, for supplier logos on
12 bills and the supplier web portal?

13 A. Those are the only two items that I'm
14 aware of that have any kind of costs.

15 Q. Thank you.

16 A. Estimate put into the record.

17 Q. Thank you. Now, are you familiar with
18 the FCC technology transitions order?

19 A. No, I am not.

20 Q. So you don't know of any FCC rule -- FCC
21 rule that establishes for telecommunication companies
22 how they have to retire copper facilities?

23 A. No, I am not.

24 Q. And you don't know whether the companies
25 have copper facilities that are going to have to be

1 retired as part of this FCC rule?

2 A. No, I do not.

3 Q. You wouldn't know how much that would
4 cost either, would you?

5 A. No. I would have -- there have been
6 absolutely no costs -- I mean, I am not aware of
7 anything, no.

8 Q. Okay. Now, isn't it also true that with
9 respect to SEET adjustments, the generic SEET order
10 allows for adjustments for nonrecurring extraordinary
11 or special items?

12 A. Yes.

13 Q. And is it your proposal here to exclude
14 the adjustments that have previously been available
15 to the companies?

16 A. It is my proposal that the companies make
17 those requests inside their annual SEET filings. So
18 my recommendation is not to sign off on any
19 adjustments to the SEET now, but rather is to wait
20 until the proper context which, to me, is the annual
21 SEET filings, so --

22 Q. So you are proposing that those not be
23 continued as part of the ESP, correct?

24 A. As a provision of the specific ESP that
25 they would flow into the annual SEET filing.

1 Q. Now, would it be fair to say that the
2 companies have had deferred -- a deferred carrying
3 cost adjustment for each year of their SEET filings?

4 A. As part of their stipulated agreements,
5 yes.

6 Q. Okay. And the carrying costs have been
7 some years negative and some years positive.

8 A. Uh-huh, yes.

9 Q. Is that a yes?

10 Slightly different subject. Would you
11 agree with me that a base rate freeze has been
12 recognized by the Commission in prior ESPs as a
13 benefit of the ESP?

14 A. Within the whole context of the ESPs,
15 when they are weighing the balance, they do cite that
16 as one of the benefits.

17 Q. And the base rate freeze has been cited
18 as a benefit that provides certainty, predictability,
19 and stability for customers, correct?

20 A. That there would not be a base
21 distribution rate increase, yes.

22 Q. And, in fact, staff -- staff witnesses
23 have made that very point.

24 A. They have included that, I believe, in
25 their analysis of the test, yes, the MLO versus ESP

1 test, just to be clear.

2 Q. Now, I want to talk to you just briefly
3 about your recommendation about having the companies
4 file a base rate case and how the DCR would end,
5 rider DCR would end. Does your -- is it true that
6 your proposal assumes that there would be a
7 successful resolution of a base rate case by the end
8 of ESP IV?

9 A. It does assume that there would be a -- a
10 timely resolution around the time of the termination
11 of the ESP IV.

12 Q. And the companies' last rate case, that
13 took 20 months to litigate, correct?

14 A. I don't know the time period. I know it
15 was an extended time period.

16 Q. It was filed in 2007, and it was decided
17 in 2009, correct?

18 A. I don't know the dates, but I know that
19 it was an extended time period.

20 Q. Okay. Would you accept those dates?

21 A. You'll accept that it was an extended
22 time period. I'm just reluctant to accept the date,
23 but I -- it was beyond 12 months.

24 Q. Okay. Well, the case number is an 07
25 case number, correct?

1 A. Correct.

2 Q. If the companies follow your -- if the
3 Commission adopts your suggestion, the companies file
4 a rate case, the DCR, the last DCR would recover
5 plant through either the end of December -- end of
6 February or early March 2019, beginning of March of
7 2019, correct?

8 A. I'm sorry. Give me -- Whether you file
9 the rate case or not?

10 Q. No. Assume the companies filed a rate
11 case.

12 A. Okay.

13 Q. The last DCR recovery would be of plant
14 through either end of March -- end of February, early
15 March 2019.

16 A. The plant that would be included, yes.

17 Q. Okay. And for a rate case, if it was
18 filed either on or before May of 2018, would include
19 plant involving a date certain no later than whatever
20 the filing would be, correct?

21 A. Correct.

22 MR. KUTIK: May I have a minute, your
23 Honor?

24 EXAMINER ADDISON: You may.

25 MR. KUTIK: I have no further questions.

1 Thank you, your Honor.

2 Thank you, Miss McCarter.

3 EXAMINER ADDISON: Thank you, Mr. Kutik.

4 Mr. Beeler?

5 MR. BEELER: May I have a few minutes to
6 confer?

7 EXAMINER ADDISON: You may.

8 Let's go off the record.

9 (Discussion off the record.)

10 EXAMINER ADDISON: Let's go back on the
11 record.

12 Redirect, Mr. Beeler?

13 MR. BEELER: No redirect, your Honor.

14 EXAMINER ADDISON: Thank you.

15 Ms. McCarter, you are excused. Thank you
16 very much.

17 THE WITNESS: Thank you.

18 MR. BEELER: Your Honor, at this time I
19 would renew my motion to admit Staff Exhibit 6 into
20 the record.

21 EXAMINER ADDISON: Any objections?

22 Hearing none, it will be admitted.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 MR. KUTIK: Your Honor, we move for the
25 admission of Exhibit 123 and 124.

1 EXAMINER ADDISON: Any objections?

2 MS. BOJKO: Yes, your Honor.

3 EXAMINER ADDISON: Ms. Bojko.

4 MS. BOJKO: Yes. I object to the
5 admission of Companies' Exhibit 124. It was beyond
6 the scope of the direct testimony of the witness.
7 She could not confirm the e-mail. She could not
8 confirm or verify the contents of the e-mail. She
9 doesn't recall drafting the e-mail. She could have
10 been -- she stated it could have been drafted by
11 someone else which would make it hearsay.

12 It seems like the company is trying to
13 admit this document for the truth of the statements
14 contained therein which is improper. The information
15 cannot be verified. We had no ability to
16 cross-examine the witness on this document, and the
17 information seems to be in dispute with another
18 witness -- staff witness' testimony.

19 So I think he is trying to get this in
20 under Ms. McCarter's testimony when, in reality, the
21 issue is being addressed by another witness. So it's
22 improper also to admit a discovery response in
23 another case which is the attachment. She couldn't
24 verify. She couldn't say anything about this
25 document, so -- and then he stopped cross-examining

1 her on this document.

2 I also would say this document looks like
3 a very unusual e-mail. It could be typewritten. I
4 don't think that there is any justification or any
5 statements from the witness that could confirm the
6 authenticity of this e-mail.

7 MS. WILLIS: Your Honor, I might add that
8 the e-mail refers to an attachment. The attachment
9 is a discovery response and request. It's not clear
10 that -- We have no evidence that, in fact, this
11 attachment was, in fact, forwarded to Ms. McCarter,
12 so I would object specifically to the attachment
13 being part -- being admitted into evidence.

14 I think it's one thing to say that we
15 have an e-mail being sent. I would not say that we
16 have proof that the attachment was with the e-mail,
17 so I think it is inappropriate for that purpose, as
18 well as I would join Ms. Bojko's objections to the
19 overall document.

20 MR. BEELER: And, your Honors, staff
21 would join to the extent that the witness testified
22 that, you know, it may have been something she just
23 replied to and sent on to the company. So to no
24 personal knowledge, staff joins to that extent.

25 MR. KUTIK: May I be heard, your Honor?

1 EXAMINER ADDISON: One moment, Mr. Kutik.
2 Were there any objections to Company Exhibit 123?

3 MR. BEELEER: No objection.

4 MS. BOJKO: No.

5 EXAMINER ADDISON: Okay. Thank you.
6 Hearing none, we will admit Company Exhibit 123.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 EXAMINER ADDISON: Mr. Kutik, would you
9 like to respond to the objections?

10 MR. KUTIK: Yes, your Honors.
11 Ms. Bojko's comments actually proved the point of the
12 relevance of this document. Staff took one position
13 in the last case and/or a couple of cases ago, and
14 now they are taking a different position. That
15 certainly proves its relevance.

16 With respect to the document itself,
17 your Honor, this witness, I believe, ultimately said
18 that she adopted this and accepted this as her
19 e-mail. That's sufficient to prove foundation.
20 Whether she was merely passing it along or whether
21 she was the author is of no moment since she adopted
22 this as her e-mail and did not dispute that it was
23 her e-mail.

24 With respect to the attachment, I guess
25 we are damned if we do and damned if we didn't. If

1 we didn't include the attachment, everyone would be
2 saying, "Gee, where's the attachment? It is
3 incomplete." So now we have the attachment for the
4 completion of the e-mail, and so for the purpose of
5 completeness, we have included the attachment and it
6 is appropriate.

7 MS. BOJKO: May I respond?

8 EXAMINER ADDISON: You may, Ms. Bojko.

9 MS. BOJKO: Can you hear me, Mr. Kutik?

10 Oh, there it goes. First, usually in an
11 e-mail, there's an indication that there is an
12 attachment to the e-mail attached. That doesn't
13 occur here. The only indication that there is an
14 attachment is in the body of the e-mail that the
15 spreadsheet calculation is attached.

16 If it was a discovery response, I think
17 that it would have noted that there was a discovery
18 response attached, not just the spreadsheet attached.
19 We have no verification that this is, in fact, the
20 spreadsheet that was referenced in the e-mail.

21 Furthermore, I disagree with Mr. Kutik.
22 I don't think Ms. McCarter actually said that it was
23 her e-mail or that she did confirm or authenticate
24 that e-mail. She was very reluctant. She didn't
25 know anything about the e-mail.

1 And I think that if the company is trying
2 to get in this information, they should ask it
3 through the witness that actually is testifying about
4 the information, not try to get it in through an
5 alternative witness that doesn't recall an e-mail
6 that appears could very well have been typed.

7 MR. KUTIK: Well, of course, your Honor,
8 if we had asked Mr. Hecker about this e-mail, he
9 would say it's not my e-mail; it's Ms. McCarter's
10 e-mail. So who are we supposed to ask? We are
11 supposed to ask Ms. McCarter. She is the author of
12 the e-mail, and she accepted it.

13 EXAMINER ADDISON: Ms. Bojko?

14 MS. BOJKO: I just disagree. She didn't
15 accept it, and you can -- you can ask Mr. Hecker the
16 contents of the e-mail without necessarily showing
17 him the e-mail. Ms. McCarter said she didn't recall
18 it. She doesn't recall sending it. She doesn't
19 recall the information contained therein. Somebody
20 else could have drafted it. She just didn't know.
21 So there's no foundation set that this is, in fact,
22 her e-mail.

23 EXAMINER ADDISON: Thank you, all. At
24 this time we will admit Company Exhibit 124.
25 Although few questions were asked regarding the

1 content of the e-mail, Ms. McCarter did recognize it
2 as her own, and we feel that the companies raise a
3 good point as to what witness they should have
4 directed their questions, as it has been -- well, the
5 e-mail indicates it was authored by Ms. McCarter.

6 If there are any additional questions
7 that parties would like to ask regarding the content
8 of the e-mail, they can certainly see if Mr. Hecker
9 has any additional information that he would like to
10 add regarding the content.

11 But at this time, we will be admitting
12 the exhibit, Company Exhibit 124, and the Commission
13 will give it the weight -- the proper weight that
14 they see fit to afford to it.

15 (EXHIBIT ADMITTED INTO EVIDENCE.)

16 MS. BOJKO: With the attachment, your
17 Honor?

18 EXAMINER ADDISON: With the attachment,
19 yes.

20 MR. BEELER: Is the company -- 122, are
21 you not moving that one?

22 MR. KUTIK: No.

23 EXAMINER ADDISON: Thank you, all.

24 Let's go off the record.

25 (Discussion off the record.)

1 EXAMINER ADDISON: Let's go back on the
2 record.

3 Mr. Lindgren, please call your next
4 witness.

5 MR. LINDGREN: Thank you, your Honor.
6 The staff calls Jeffrey Hecker as its next witness.

7 (Witness sworn.)

8 EXAMINER ADDISON: Thank you. Please
9 proceed.

10 MR. LINDGREN: Thank you. Your Honors, I
11 would ask to have marked for identification purposes
12 Staff Exhibit 7, which is the direct testimony of
13 Jeffrey Hecker that was filed in this docket on
14 September 18 of 2015.

15 EXAMINER ADDISON: So marked.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MR. LINDGREN: Thank you.

18 - - -

19 JEFFREY HECKER

20 being first duly sworn, as prescribed by law, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 By Mr. Lindgren:

24 Q. Good morning, Mr. Hecker.

25 A. Good morning.

1 Q. Would you please state your full name for
2 the record.

3 A. My name is Jeffrey Hecker.

4 Q. And where are you employed?

5 A. The Public Utilities Commission of Ohio.

6 Q. Do you have in front of you the document
7 that has been marked as Staff Exhibit 7?

8 A. Yes, I do.

9 Q. And what is that document?

10 A. That's my prefiled testimony in this
11 case.

12 Q. And was that testimony prepared by you?

13 A. Yes.

14 Q. Do you have any corrections to make to
15 that document today?

16 A. Yes, I do. I actually have several.

17 Q. Please proceed.

18 A. Okay. On page 4, line 8, where it says
19 "Staff also recommends recovery," it should be
20 inserted, "Staff also recommends that the companies
21 apply for recovery or refund within 90 days." So I
22 am adding "that the companies apply for" between
23 "recommends" and "recovery," and after "recovery,"
24 the words "or refund."

25 On line 10, I need to correct the OAC

1 reference there. It should be "Section 4901:1-10-01
2 (capital T)." There are, I believe, two or three
3 other places where that same correction, on line 5 --
4 I'm sorry, on page 5, line 10, and on page -- let's
5 see -- oh, I should -- on page 3, go back to page 3
6 on line 9. And at the bottom of page 5 -- I am sorry
7 I am jumping around here. It should say "Section"
8 Section, not "Rule 4901."

9 On page 7, line 19, where it says "the
10 benefit of the labor for which it has," the word
11 "been" should be removed. It should just say "for
12 which it has paid."

13 And on page 11, question 18, line 17 and
14 18, line 17, which is "billing line item 1101 and
15 1109," both of those should be removed. They should
16 not have been in there.

17 And that's it.

18 Q. Are those all the corrections you have?

19 A. Yes.

20 Q. Thank you. With those corrections being
21 made, if I were to ask you the same questions in
22 Staff Exhibit 7 today, would your answers be the
23 same?

24 A. Yes, they would.

25 Q. And are the answers true and accurate, to

1 the best of your knowledge?

2 A. Yes, they are.

3 Q. Thank you.

4 MR. BEELER: Your Honors, at this time,
5 subject to cross-examination, I would move for the
6 admission of Staff Exhibit 7 into the record, and the
7 witness is now available for cross-examination.

8 EXAMINER ADDISON: Thank you. We will
9 defer ruling on the motion until cross-examination
10 has been completed.

11 Ms. Bojko, do you have any questions?

12 MS. BOJKO: Yes, your Honor. Thank you.

13 - - -

14 CROSS-EXAMINATION

15 By Ms. Bojko:

16 Q. Good morning, Mr. Hecker.

17 A. Good morning.

18 Q. On page 2 of your testimony you
19 discuss -- you begin to discuss storm deferrals. Are
20 you there?

21 A. Yes.

22 Q. Okay. As I understand storm deferral,
23 there is a baseline embedded in distribution rates.
24 There's an amount that the company is allowed to
25 collect in base distribution rates; is that correct?

1 A. Yes, that's correct.

2 Q. And anything over that amount that's
3 embedded in base distribution rates would be
4 considered incremental; is that correct?

5 A. Correct.

6 Q. Okay. And that's the "incremental" that
7 you are referring to throughout your testimony, is
8 that right, in this section?

9 A. In this section, we are referring to the
10 amount over that base. I use the term incremental in
11 other places to mean something different.

12 Q. In this storm deferral section.

13 A. Yes.

14 Q. And on page 3, you discuss the applicable
15 Ohio Administrative Code that you just corrected the
16 citation to, and that definition appears on page 5 of
17 your testimony; is that correct?

18 A. Correct.

19 Q. And that is the definition for "major
20 event"; is that correct?

21 A. That's correct.

22 Q. And your recommendation is that the --
23 the companies be allowed to continue their storm
24 deferral mechanism but that it have certain
25 modifications; is that correct?

1 A. Yes, that's correct.

2 Q. And one of those modifications is to
3 modify the definition of major event to be consistent
4 with the other electric distribution utilities; is
5 that correct?

6 A. Correct.

7 MS. BOJKO: That's all I have. Thank
8 you.

9 EXAMINER ADDISON: Thank you, Ms. Bojko.
10 Ms. Fleisher?

11 MS. FLEISHER: No questions, your Honor,
12 at this time.

13 EXAMINER ADDISON: Thank you.
14 Ms. Cohn?

15 MS. COHN: No questions.

16 EXAMINER ADDISON: Mr. Sauer?

17 MR. SAUER: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Sauer:

21 Q. Good morning, Mr. Hecker.

22 A. Good morning.

23 Q. Ms. Bojko had just asked you some
24 questions about the storm recovery rider and the
25 baseline that exists for the various utilities. I

1 think there is an exhibit up there, FirstEnergy
2 Exhibit No. 124. Is that there?

3 A. Oh.

4 Q. Do you see it up there?

5 A. Do I see it up there? No, I don't.

6 EXAMINER ADDISON: Let's go off the
7 record for a moment.

8 (Discussion off the record.)

9 EXAMINER ADDISON: Let's go back on the
10 record.

11 Q. (By Mr. Sauer) The document that I just
12 handed you, Mr. Hecker, was marked as FirstEnergy
13 Exhibit No. 124, and have you seen this document
14 before?

15 A. Yes. I have seen it before.

16 Q. Okay. I believe the -- there are amounts
17 at the very bottom of the first page for each of the
18 companies that are supposed to represent their
19 baseline of storm damage expenses that are in base
20 rates. Are you familiar with those numbers?

21 A. Generally, yes, I am.

22 Q. So the numbers for Ohio Edison, CEI, and
23 Toledo Edison on that page are the baseline numbers
24 that they have in their base rates for storm cost
25 recovery, as you understand them.

1 A. As I understand them, yes.

2 Q. Okay. Thank you. On page 3 of your
3 testimony, you are recommending that the balances
4 that exist within their deferred asset and deferred
5 liability storm accounts either be recovered or
6 refunded at this -- within a certain period of time,
7 correct?

8 A. That they apply for recovery or refund.

9 Q. Okay. And do you know if they were to do
10 that today, would that be a recovery or a refund?

11 A. Two of the companies would have a
12 recovery and one would have a refund.

13 Q. And do you know for -- Ohio Edison, for
14 example, do you know the order of magnitude of what
15 that recovery or refund would be?

16 MR. BURK: I object, your Honor.

17 EXAMINER ADDISON: Grounds?

18 MR. BURK: Confidential. The information
19 is marked confidential and was provided to staff in
20 discovery.

21 EXAMINER ADDISON: Mr. Sauer, if you
22 would like to go into this area, we can reserve it
23 for confidential.

24 MR. SAUER: Okay. I will defer that.

25 Q. (By Mr. Sauer) Mr. Hecker, at the bottom

1 of page 3, you are discussing one of the rationales
2 is that there -- for your recommendation is that the
3 difficulty in auditing costs that go back to as far
4 as 2009, correct?

5 A. That's part of it, yes.

6 Q. Would you be opposed to an audit
7 procedure where every year the storm activity would
8 be audited within those deferral accounts?

9 A. You mean going forward?

10 Q. Going forward.

11 A. It's definitely something we would
12 consider, yes.

13 Q. That wasn't part of your recommendation,
14 was it?

15 A. No.

16 Q. You also have recommended a change in the
17 storm event definition, correct?

18 A. The change being what has been
19 established by the Ohio Administrative Code.

20 Q. Okay. Based on what the companies are
21 doing today, will there be more storm activity or
22 less storm activity as a result of the change in
23 defining a major event?

24 A. Most likely there would be fewer storms
25 because it would only be major events. Those would

1 be deemed to be major events would be included.

2 Q. Okay. Could you turn to page 16 of your
3 testimony where you are talking about carrying charge
4 interest rates.

5 A. Okay. I'm there.

6 Q. And in question and answer 24, you are
7 describing what the companies are doing today,
8 correct?

9 A. Correct.

10 Q. And directionally will your
11 recommendation increase carrying charges for
12 consumers or reduce carrying charges for consumers?

13 A. I have no way of knowing that. It
14 depends on the variations with the embedded costs
15 versus what the last approved long-term debt was. I
16 have no way of knowing that.

17 Q. And you haven't done that calculation.

18 A. No.

19 MR. SAUER: Those are all the questions I
20 have. Thank you, your Honor.

21 EXAMINER ADDISON: Thank you, Mr. Sauer.

22 Mr. Burk?

23 MR. BURK: Thank you, your Honor.

24 - - -
25

CROSS-EXAMINATION

By Mr. Burk:

Q. Good morning, Mr. Hecker.

A. Good morning.

Q. I am Jim Burk. I am with the FirstEnergy Legal Department.

A. Okay.

Q. I wanted to first refer you to page 6, line 18 of your testimony, and this is really more of an effort just to clarify the record. You would agree with me that the companies do not currently have a storm damage cost recovery rider or an SDRR, correct?

A. Honestly, I don't know for sure by that title.

Q. Okay. But you would agree that the mechanism that the companies currently have is just a deferral mechanism. There's no recovery associated with that mechanism, correct?

A. That's correct.

Q. Okay. So your references to SDRR in your testimony are meant to apply to the companies' storm deferral mechanism that is in place.

A. Yes, yes.

Q. Or as proposed. Let me refer you now to

1 page 3, line 3.

2 A. Okay. I'm there.

3 Q. Okay. And because the companies do not
4 have a storm deferral recovery mechanism, only a
5 deferral, you recommend that the companies file for
6 recovery of the current balances of regulatory assets
7 and regulatory liabilities, correct?

8 A. Recovery or refund.

9 Q. Right. And you agree that the companies
10 did not propose doing that as part of their
11 application in this case, correct?

12 A. Correct.

13 Q. And you agree that a regulatory asset
14 balance would be collected from customers and a
15 regulatory liability balance would be flowed back to
16 customers, correct?

17 A. Correct.

18 Q. And you agree that if your recommendation
19 is adopted, that at least -- I don't want to violate
20 my own confidentiality rule, but I think this is
21 general enough -- maybe I should wait for the
22 confidential session since we are going to have one.

23 And since the companies do not currently
24 have a storm deferral rider but you're recommending
25 the companies file to either refund or collect the

1 deferral balances, are you proposing that the
2 companies file a new rider to recover or refund those
3 balances?

4 A. Since there is currently not one
5 established, I guess that would be a new rider, so,
6 yes.

7 Q. Okay. And as you say, such a filing
8 should take place within 90 days of the opinion and
9 order. I think that's a reference to page 3, line 5.

10 A. Yes.

11 Q. Now, by this, do you mean within 90 days
12 of a final order?

13 Since there may be rehearings on this
14 issue that may not be resolved within 90 days of the
15 initial opinion and order; would you agree with that?

16 A. Yes.

17 Q. Okay. So it's fair to read your
18 testimony as your recommendation is within 90 days of
19 a final order.

20 A. Yes.

21 Q. Now, let's turn to your recommendation
22 regarding the major event definition. I think that
23 starts on I have page 5.

24 A. Okay.

25 Q. Now, here you are recommending changing

1 the definition currently used by the companies to
2 determine whether storm costs are deferred under the
3 companies' storm cost deferral mechanism, correct?

4 A. Could you repeat the question, please?

5 Q. Yeah. You recommend changing the
6 definition used by the companies to determine whether
7 storm costs are deferred under the companies' current
8 storm cost deferral mechanism, correct?

9 A. We're recommending -- I think I am
10 understanding the question, but we are recommending
11 the change so we know what is considered to be
12 deferred. So I guess it -- so yes.

13 Q. So for that purpose, currently the
14 companies are using one definition and you are
15 proposing the Commission order the companies to use
16 another definition.

17 A. Correct.

18 Q. Okay. And you would agree that the
19 current method used to determine the inclusion of
20 storm deferral costs was approved in the companies'
21 last base distribution rate case, Case No.
22 07-551-EL-AIR, correct?

23 A. I actually don't know when that was --
24 because I wasn't working on that at that time, so I
25 don't know.

1 Q. Okay. That wasn't part of your
2 investigation in preparing your testimony?

3 A. No, no.

4 Q. You have no reason to believe that what I
5 said isn't correct, though.

6 A. Correct.

7 Q. And you are aware that the current
8 definition being used by the companies today was
9 formalized related to the companies' ESP II
10 proceeding and that occurred in 2010?

11 A. Again, I take your word for it. I don't
12 know exactly when that was, but I know it was
13 established back in that time frame.

14 Q. Okay. That a formal definition was
15 established?

16 A. Yes.

17 Q. And the same definition that was
18 established in that 2010 time frame has been in place
19 for the entire period following the -- that
20 agreement? Or following that establishing of the
21 formal definition?

22 A. Yes.

23 Q. And that definition actually arose as a
24 result of an agreement between the companies and the
25 Commission staff, correct?

1 A. From what I understand, yes.

2 Q. Yeah. You were not involved with that at
3 that point in time?

4 A. No, I was not.

5 Q. But it actually -- do you know whether it
6 actually grew out of a provision of the stipulation
7 in that case that was approved by the Commission?

8 A. I don't know.

9 Q. Okay. But you do know there was a formal
10 agreement reached as to the definition.

11 A. Yes.

12 Q. And that is company -- what has been
13 marked and admitted as Company Exhibit 124, that
14 definition is reflected within the body of that
15 e-mail?

16 A. Yes.

17 Q. And the definition set forth there is the
18 same that's currently being used by the companies,
19 correct?

20 A. From what I understand, yes.

21 Q. And it's the same definition that, in
22 fact, appears at the top of page 5 of your testimony,
23 correct, lines 1 to 5?

24 A. Yes.

25 Q. And I may have asked you this before, I

1 can't recall, and as far as you know, the companies
2 have been determining the storm deferral amounts in
3 accordance with that agreement since at least 2010.

4 A. Yes.

5 Q. And you would also agree that the
6 companies have been using the baseline set forth --
7 set forth in the agreement with staff for the entire
8 period as well as reflected in Company Exhibit 124?

9 A. From what I understand, yes.

10 Q. And you would agree that if your
11 recommendation regarding changing the definition or
12 the method for determining the storm deferral amount
13 is changed, then the baseline itself would also need
14 to be recalculated using the same new definition in
15 order to continue comparing Apples to Apples?

16 A. I don't think I can answer that. I don't
17 know.

18 Q. Don't know. That wasn't part of your
19 consideration in making a recommendation as part of
20 your testimony today?

21 A. No.

22 Q. So it would be correct to say you didn't
23 take into consideration the baseline would need to be
24 adjusted if the storm deferral definition was
25 adjusted; fair to say?

1 A. That's fair to say, yes.

2 Q. Okay. Referring to page 5, line 9 of
3 your testimony, again, on the same topic area. Your
4 basis for proposing to change the current storm
5 deferral definition is because the definition
6 currently being used does not comply with the
7 Commission's rule defining major event, correct?

8 A. When you say "current," I am not
9 referring to the current balances. I am talking
10 going forward. Going forward they would refer to the
11 new -- to the OAC.

12 Q. Right. So your testimony is the
13 definition being used by the companies today does not
14 comply if it was continued to be used going forward
15 with the Commission -- major event definition
16 Commission rules.

17 A. That's correct.

18 Q. Okay. And I think you identified in your
19 corrections the rule we are talking about is Ohio
20 Administrative Code 4901:1-10-01(T)?

21 A. Correct.

22 Q. And you would agree with me that in that
23 definition, there is no requirement that this -- that
24 the definition be used for purposes of determining
25 storm cost deferral amounts, correct? I can show you

1 the definition if you would like to look at it.

2 A. Could you repeat that question again or
3 rephrase it?

4 Q. Sure. You would agree with me that in
5 that definition, there is no suggestion this
6 definition be used to establish storm cost deferral
7 amounts.

8 A. I'm saying that if they do establish
9 deferrals, this is the definition they would use. I
10 am not saying that they have to establish one, but if
11 they are going to, they should use this code -- or
12 this standard.

13 Q. But there's nothing in the definition
14 itself that says it should be used for storm cost
15 deferrals, correct?

16 A. It should be used to determine which
17 storms in which the costs are being deferred. I
18 think that's saying the same thing.

19 Q. Yeah. I think you're expressing your
20 opinion, and I am asking you about the content of the
21 rule.

22 A. Okay, okay.

23 Q. So within the content of the rule,
24 there's no suggestion that this definition should be
25 used to calculate storm cost deferrals?

1 MR. LINDGREN: Objection. Calls for a
2 legal conclusion.

3 EXAMINER ADDISON: Mr. Hecker, you are
4 not an attorney, correct?

5 THE WITNESS: That's correct.

6 EXAMINER ADDISON: While that's noted on
7 the record, he can answer the question, answer the
8 question if he has an opinion.

9 THE WITNESS: I'm sorry, I need it asked
10 one more time.

11 MR. BURK: Your Honor, may we have the
12 question reread, please?

13 EXAMINER ADDISON: We may. Thank you,
14 Karen.

15 (Record read.)

16 A. That's correct.

17 Q. Okay. Thank you. I mean, in fact,
18 there's no reference to storm deferral amounts at all
19 in the definition, correct?

20 A. Correct.

21 Q. And the defined term quote-unquote, major
22 event, is not used at all in reference to storm
23 deferral amounts anywhere in the entire chapter of
24 the Commission rules, correct?

25 A. I'm sorry. Could you repeat that?

1 Q. Yes. The defined term "major event" is
2 not used at all in reference to storm deferral
3 amounts anywhere in the entire chapter of the
4 Commission rules that we are discussing, correct?

5 A. Well, I mean, these words were right out
6 of the chapter, so whatever it says here is what was
7 in the chapter.

8 Q. But there's no place in the Commission's
9 chapter of rules where it says this definition for
10 major event should be used to calculate storm cost
11 deferrals, correct?

12 A. Correct, correct.

13 Q. In fact, storm cost deferral amounts
14 aren't mentioned at all in the Commission rules,
15 correct?

16 MR. LINDGREN: Objection. The rules
17 speak for themselves. The witness is not here to
18 opine on the content of the Commission's rules.

19 EXAMINER ADDISON: I'll allow the
20 question.

21 MR. BURK: Thank you, your Honor.

22 A. I don't know the answer to that, to tell
23 you the truth. I don't know. I don't know
24 specifically word for word what is in there.

25 Q. Okay. Let me refer you to page 7, line

1 10.

2 A. Okay. I'm there.

3 Q. Thanks. In this section of your
4 testimony, you are proposing that the amount of
5 mutual assistance payments received from other
6 utilities for straight time, for the straight time
7 portion of the first 40 hours of labor costs should
8 be an offset to the companies' storm cost deferrals
9 balances, correct?

10 A. Correct.

11 Q. And your recommendation is based on your
12 belief when base rates for the companies were
13 calculated in the last base distribution rate case,
14 the first 40 hours of each employees' weekly straight
15 time labor determined to be part of the revenue
16 requirements to calculate rates, correct?

17 A. That's correct.

18 Q. I believe you testified earlier that you
19 were not involved in the companies' last distribution
20 base rates case; is that correct? Do I recall that
21 correctly?

22 A. This portion of it -- this portion of it,
23 I was not.

24 Q. So your position is that, at least
25 hypothetically, is that if a lineman works 40 hours

1 in a week, 30 hours on his regular job and 10 hours
2 in mutual assistance for another utility, and
3 customers are only getting 30 hours of work when 40
4 hours is included in base rates, that's your view,
5 correct?

6 A. That's fair to say, yes.

7 Q. Would it be equally fair to say but then
8 the next week, when the lineman works 50 hours in his
9 regular job, to make up for the work he missed the
10 previous week, the customers got 50 hours of work but
11 only paid for 40; wouldn't that also be correct?

12 A. Could you repeat that, please?

13 Q. Yeah. It would also be fair to say that
14 the next week, when the lineman was working his
15 regular job and worked 50 hours to make up for his
16 mutual assistance hours the week before, the
17 customers got 50 hours of work but only paid for 40;
18 wouldn't that also be correct?

19 A. In that scenario, yes.

20 Q. And would you agree with me the
21 companies' last base distribution rate case, I may
22 have mentioned this already, was Case No.
23 07-551-EL-AIR?

24 A. Yes.

25 Q. And do you recall what the test year was

1 for that case?

2 A. No, I do not.

3 Q. Okay.

4 A. Not offhand I don't know.

5 Q. Would you agree with me, at least subject
6 to check, that it was March 1, 2007 to February 29,
7 2008?

8 MR. LINDGREN: Objection. The witness
9 said he didn't know.

10 MR. BURK: That's why I said "subject to
11 check," your Honor.

12 EXAMINER ADDISON: You can answer the
13 question.

14 A. I really don't know, but I -- subject to
15 check, yeah, I can go with it.

16 Q. Okay. And do you recall the date certain
17 for that case?

18 A. No, I do not.

19 Q. Again, would you agree, subject to check,
20 it's May 31, 2007?

21 A. Yes.

22 Q. Thank you. Now, as part of the work in
23 your case, in preparation for your testimony, did you
24 look at the filings in the companies' last
25 distribution rate case to confirm the baseline

1 numbers for storm costs that were established in that
2 case?

3 A. I confirmed the numbers but not
4 necessarily from that case, but I did confirm the
5 numbers.

6 Q. Okay. Did you maybe look at Company
7 Exhibit 124 to confirm that or the attached
8 spreadsheets?

9 A. Honestly, I don't know, but there was a
10 couple of documents we had had that list -- that
11 showed what the baselines were, so I was able to find
12 them.

13 Q. Okay. Thank you. And as part of your
14 work in this case, did you look at how many hours of
15 mutual assistance were provided by the companies to
16 other utilities during the test year in the
17 distribution -- the companies' last distribution base
18 rate case?

19 A. No, I did not.

20 Q. But you would agree, would you not, that
21 most likely there were at least some mutual
22 assistance hours during the test year?

23 A. I really don't know. I mean, it could
24 have been a light year for storms elsewhere. I don't
25 know. I can't say.

1 Q. Okay. Again, let me ask a hypothetical
2 then. Let's assume there were mutual assistance
3 hours during the test year and during the last base
4 distribution case. Those hours would be allocated to
5 mutual assistance during that year, correct?

6 A. How do you mean allocated to mutual
7 assistance in this case?

8 Q. Accounted for on the lineman's time
9 sheet.

10 A. I would assume so.

11 Q. And so they would not be allocated to his
12 regular job with the company in his service
13 territory, correct?

14 A. For work that he had done elsewhere,
15 that's correct.

16 Q. So the way I was thinking is it would be
17 allocated to a non-jurisdictional account for mutual
18 assistance, correct?

19 A. I don't know the whole -- the accounting
20 system completely to know exactly how they account
21 for that. I can't say for sure.

22 Q. But if those hours were not allocated or
23 assigned to the companies during the test year, then
24 they would not have been included in the test year
25 for ratemaking purposes, correct?

1 A. I don't know because, like I said, I did
2 not review that part of it. I can't answer for sure.

3 Q. You can't answer that within your general
4 knowledge about rate --

5 MR. LINDGREN: Objection. The witness
6 said he didn't know.

7 MR. BURK: If I could finish my question,
8 please.

9 EXAMINER ADDISON: Finish your question.

10 Q. (By Mr. Burk) Okay. You are not able to
11 respond to that question within your personal
12 knowledge of rate making that you relied upon to
13 formulate your testimony?

14 MR. LINDGREN: Objection.

15 EXAMINER ADDISON: Grounds?

16 MR. LINDGREN: The witness said he didn't
17 know.

18 EXAMINER ADDISON: Sustained.

19 Q. (By Mr. Burk) Let me refer you to page 7,
20 line 13 in your testimony. Now, there you state,
21 "The first 40 hours of each employee's weekly labor
22 are determined to be part of the revenue requirement
23 used to calculate rates," and you state that "based
24 on the fact that that occurs." But based on your
25 previous response, I guess that you are not really --

1 have requisite knowledge to make that statement?

2 A. I guess I should say generally that's how
3 I would expect that they are calculated. Without
4 knowing their system inside and out, I guess I looked
5 at those as a little bit different questions. I am,
6 just saying generally that's how labor is calculated
7 in a rate case, the first 40 hours is included. So
8 how they exactly did it, I couldn't answer that.

9 Q. Okay. And when you say "how they exactly
10 did it," you mean how it was done and approved by the
11 Commission in the companies' last base distribution
12 rate case.

13 A. That in their actual accounting system,
14 how they account for it in the accounting system.

15 Q. You just don't know that?

16 A. Right.

17 Q. Okay. And further related to the 40
18 straight time hours we have been talking about,
19 again, you reference on page 7 -- you reference this
20 on page 7, line 11, you would agree with me that for
21 ratemaking purposes, some of the hours would be
22 treated as O&M, operation and maintenance, expense,
23 and some would be capitalized, correct?

24 A. That's correct.

25 Q. And for those that are capitalized, they

1 would not be included in test-year expenses reflected
2 in rates, correct?

3 A. Correct.

4 Q. And you would agree with me, if you know,
5 for the companies in their last base distribution
6 rate case, the split between operation and
7 maintenance expense allocation and capitalization of
8 labor hours was approximately 55 percent operation
9 and maintenance expense and 45 percent capitalized?

10 A. I don't know -- I don't know.

11 Q. Okay. Well, then hypothetically, if only
12 55 percent of the labor hours were treated as O&M,
13 then only about 55 percent of the 40 straight time
14 hours of labor costs would have been included in
15 test-year expense for inclusion in base rates,
16 correct?

17 A. Based on that analysis, I would agree
18 with that.

19 Q. Okay. And you recall talking earlier
20 about the baseline for storm costs you included in
21 the companies' storm deferral mechanism?

22 A. Yes.

23 Q. And this was covered a little bit by some
24 of the other counsel, but just to make sure the
25 record is clear, you understand that the baseline

1 number is included in base rates and that if storm
2 costs are incurred above the baseline, a regulatory
3 asset is created, and if storm costs are -- occur --
4 let me start over.

5 You understand that the baseline number
6 is included in base rates and that if storm costs are
7 incurred above the baseline, a regulatory asset is
8 created, and that if storm costs are below the
9 baseline, a regulatory liability is created, correct?

10 A. Correct.

11 Q. And is it your understanding that those
12 regulatory assets or regulatory liabilities are
13 created and recorded on a monthly basis?

14 A. I don't know.

15 Q. Okay. And I believe we discussed and
16 agreed earlier that a regulatory liability is an
17 amount that would be flowed back to customers, and a
18 regulatory asset is an amount that would be collected
19 from customers, correct?

20 A. Correct.

21 Q. So would you agree that at least a
22 portion of the baseline amount for storm costs in
23 base rates, which is used for purposes of the
24 companies' storm deferral mechanism, is made up of
25 straight-time labor costs, correct?

1 A. Could you repeat that, please?

2 Q. Yes. You would agree that at least a
3 portion of the baseline amount for storm costs
4 included in base -- strike that. Let me start again.

5 You would agree that at least a portion
6 of the baseline amount for storm costs in base rates
7 is made up of straight-time labor costs, correct?

8 A. Yes.

9 Q. So in any month where actual storm
10 expenses are less than the monthly storm baseline,
11 the difference, which would be a regulatory
12 liability, would have the effect of flowing back to
13 customers part of the costs of the straight-time
14 labor costs that were included in base rates,
15 correct?

16 A. I'm sorry. Could you repeat that again
17 or rephrase it?

18 MR. BURK: Could we have the question
19 reread, please?

20 EXAMINER ADDISON: Yes, please.

21 (Record read.)

22 A. Yes, I guess so, yes.

23 Q. Okay. Therefore, at least
24 hypothetically, if company employees did not perform
25 work on a major event in their service territory

1 during a month but did provide mutual assistance in
2 another utility's service area during that same
3 month, then under your recommendation the companies
4 could potentially end up crediting the storm deferral
5 twice for the same labor, correct?

6 A. I don't see it that way, but I would
7 almost have to see an exact sample of numbers and
8 everything. But at this point, I can't see it that
9 way.

10 Q. Well, you would take -- you would credit
11 the mutual assistance revenues received by the
12 company and reduce the deferrals, correct?

13 A. Correct.

14 Q. And you would also reduce the deferral by
15 the regulatory liability that flowed -- that would
16 flow back to customers, correct?

17 A. Correct.

18 Q. And those would both occur in the same
19 month, correct?

20 A. I guess I am not looking at it on a
21 monthly basis. I am actually -- all along I have
22 tried to think of it as an overall standpoint, not
23 just monthly, you know, or on a per-storm basis, so I
24 don't know.

25 Q. So would it change your thinking or your

1 recommendation in your testimony if you knew that
2 these regulatory assets and regulatory liabilities
3 were actually recorded on a monthly basis?

4 A. No. I am just saying, as I am sitting
5 here, I can't -- as I am sitting here, I can't, I
6 guess, put it all together and agree or disagree with
7 it. It would be part of the whole audit process, you
8 know, from auditing the deferral and all of that,
9 determining what should be in there and what
10 shouldn't be in there.

11 Q. But -- so sitting here today, can you
12 confirm that you didn't hear anything in my
13 hypothetical that would be incorrect?

14 A. I don't believe so.

15 Q. You would agree nothing was incorrect?

16 A. It didn't jump out at me and say, oh,
17 you're wrong.

18 Q. Okay. Let's turn to page 9, line 9.
19 And, again, just for clarity of the record, the
20 reference to "SDRR," we should read as a reference to
21 the companies' storm deferral recovery mechanism,
22 correct?

23 A. Right.

24 Q. And here you are talking about
25 incremental expenses in the companies' storm deferral

1 mechanism, and you would agree that if the Commission
2 has specifically authorized an amount for recovery in
3 a rider or in the deferral mechanism, then the
4 companies are permitted to collect that amount or to
5 record that deferral notwithstanding what your
6 testimony says in this proceeding, correct?

7 A. What we're trying to do is establish the
8 rules for setting up the deferral, and hopefully,
9 that in the audit of that deferral, we'll find that
10 everything is proper. So we hope that the amount
11 that's set up in the deferral is the actual rule.
12 Sometimes within the audit process, we might find
13 some variations to that, but --

14 Q. I don't think my question was very clear.
15 All I am asking is you're not suggesting that any
16 existing PUCO orders be reversed, correct?

17 A. We are asking for a change in the method
18 of deferral or in the, you know, the -- in the way
19 the major storm calculation -- you know, that whole
20 process -- definition of storms and all that, so
21 that's, I think, a change in a past order.

22 Q. Okay. Are you aware -- again, moving to
23 the portion of your testimony related to SmartGrid,
24 page 14. Are you aware that the companies recently
25 received approval in Case No. 09-1820-EL-ATA, et al.,

1 from the Commission for cost recovery to complete
2 studies related to the Ohio site deployment of
3 SmartGrid modernization initiative?

4 A. Not specifically, I'm not, not on that
5 case, no.

6 Q. You are not aware of the order that was
7 issued by the Commission in May and the Entry on
8 Rehearing that was issued in August of this year
9 relative to that application?

10 A. No, I am not.

11 Q. Okay. Those aren't orders and entries
12 that you reviewed in preparation of your testimony?

13 A. No.

14 Q. Okay. But you understand that's the same
15 case you cited in your testimony?

16 A. Let me read my --

17 Q. I guess I would references you to
18 footnote 5, footnote 5 on page 14.

19 A. Small print. Okay. Could you -- now
20 that I am familiar, could you repeat the question,
21 please?

22 Q. Yes. I was just asking, based upon that
23 reference, if you were familiar with the orders
24 issued by the Commission in that same docket which is
25 more recently.

1 A. I'm -- I worked with them a little bit
2 but not on like a real specific -- for example, we
3 were looking for a reference and found the reference,
4 but I'm not intimately familiar with the case.

5 Q. Okay. Would your familiarity with the
6 case allow you to understand that the companies had
7 specifically requested recovery of certain dollar
8 amounts?

9 A. Yes.

10 Q. Okay. And one of the dollar amounts
11 included was for other incremental labor, for
12 engineering analysis, and field support in the amount
13 of \$2-and-a-half million?

14 A. Not specifically, no.

15 Q. Okay. But you're aware in the
16 application that amounts were requested by the
17 companies?

18 A. Yes, yes.

19 Q. And that those requests were granted
20 through the Commission's order and subsequent Entry
21 on Rehearing?

22 A. Subject to check, yes.

23 MR. BURK: Your Honor, could I request we
24 take -- short of trying to introduce this as a
25 document or as an exhibit, that we just take

1 administrative notice of the application that was
2 filed on December 22, 2014, in Case No.
3 09-1820-EL-ATA? It was an application that was filed
4 by the companies. It was granted by the Commission.
5 The order has been issued. The Entry on Rehearing
6 has been issued. Rather than try to introduce it as
7 an exhibit.

8 EXAMINER ADDISON: Just to clarify, one
9 moment, just the application in that proceeding?

10 MR. BURK: Yes, your Honor.

11 MS. FLEISHER: Your Honor, before you do
12 that, I don't think we've established relevance or
13 foundation.

14 MR. BURK: Well, the docket is cited in
15 his testimony. He talks about incremental expense,
16 and this is talking about incremental expenses.

17 EXAMINER ADDISON: Ms. Fleisher?

18 MS. FLEISHER: Can you be more -- at
19 least to me, the fact that they talk about a very
20 general category of expenses, that they both do that
21 doesn't necessarily show how it's relevant to his
22 testimony.

23 MR. BURK: Well, I think it does show
24 it's relevant to his testimony. He is talking about
25 how to manage incremental expenses relative to the

1 SmartGrid rider and this is an application that's
2 talking about recovery of incremental expenses
3 relative to the SmartGrid rider.

4 EXAMINER ADDISON: Do you have an issue
5 with taking administrative notice of the entire
6 application, or --

7 MS. FLEISHER: My concern is that, you
8 know, the application has a lot of material in there.
9 There is a Commission order on this matter that they
10 are free to cite, and so to have the whole document
11 in there without any specifics as to what they might
12 pull out of it, and with large parts of it
13 potentially not relevant to his testimony, it just
14 makes me concerned there is not really a basis to
15 have it in the record.

16 MR. BURK: If I could briefly respond,
17 your Honor.

18 EXAMINER ADDISON: Yes, Mr. Burk.

19 MR. BURK: The application is a total of
20 about five and a half pages, and I have copies if
21 people would like to take a look at it. But like I
22 say, it is part of a docket that the witness cites
23 and the application has been approved. The
24 application itself has more of the detail regarding
25 the incremental expenses that Mr. Hecker testifies

1 about.

2 MS. BOJKO: Your Honor, it's because
3 Mr. Hecker doesn't know, so that goes to the
4 foundation question. He asked him if he was familiar
5 with the order that was recently issued, and he said
6 no. And then he asked him if he knew some details,
7 and he said no.

8 The witnesses are saying no, and then we
9 keep like testing them and saying, "Subject to, would
10 you believe me? Do you have any reason to not
11 believe me?" It's like we're browbeating them into
12 submission when they have already said they don't
13 know or they are not familiar with it.

14 If there is an order issued, that would
15 cite to the application. There is no reason to have
16 the application itself in the docket. There is an
17 order that's been issued and parties are free to cite
18 that without administrative notice, as the Bench has
19 ruled before.

20 MS. FLEISHER: I'll also just point out
21 that, as we discussed off the record, they will have
22 the opportunity to file rebuttal testimony, and if
23 they want to bring the document in that way, in some
24 way that's relevant, they're certainly able to do
25 that.

1 MR. LINDGREN: Staff also objects to
2 taking administrative notice of this application.

3 EXAMINER ADDISON: Mr. Hecker, did you
4 review the application in that proceeding in
5 preparation for your testimony?

6 THE WITNESS: No. To clarify, I looked
7 for a reference talking about incremental expense,
8 incremental labor, okay, but as far as reviewing the
9 whole, no, I did not.

10 EXAMINER ADDISON: Mr. Burk, did you have
11 something to add?

12 MR. BURK: Well, I would just add, your
13 Honor, I did ask the witness about the content of the
14 application, and he did have some familiarity that
15 the companies did request recovery of, you know,
16 certain costs and dollars within that application.
17 He cites to the very same docket in his own
18 testimony, your Honor. It seems only fair that we be
19 able to at least take administrative notice of an
20 application that has been approved by the Commission.

21 EXAMINER ADDISON: All right. At this
22 time, we will go ahead and take administrative notice
23 of the application in that proceeding. If there are
24 relevancy objections, the parties will be free to
25 make those arguments in your briefs, and we will deal

1 with it then.

2 MR. BURK: Thank you, your Honor.

3 EXAMINER ADDISON: Thank you.

4 Q. (By Mr. Burk) Mr. Hecker, could you turn
5 to page 6, line 5 of your testimony. Here you are
6 talking about the carrying charge interest rate.

7 A. Okay.

8 Q. Are you there?

9 A. Yes.

10 Q. You would agree, at least for the
11 companies, that the Commission has approved different
12 carrying charges for different riders, and that not
13 all of the, quote, last approved costs and not all at
14 the last approved costs of long-term debt, correct?

15 A. I believe that's correct.

16 Q. Okay. And you would agree that other
17 utilities across the state have a variety of
18 authorized carrying charges as well for different
19 riders, correct?

20 A. The other utilities are all using the
21 last approved cost of debt, the last long-term cost
22 of debt, not embedded cost of debt.

23 Q. Your understanding is for every single
24 rider for -- for all the utilities?

25 A. The ones that I am familiar with, that's

1 correct. I can't speak for all the riders, but I can
2 speak for the ones that I have done.

3 Q. So there could be different riders that
4 have a different carrying charge.

5 A. There could be. I am not aware of it.

6 Q. And your recommendation in this case, if
7 there had been a rider that the Commission
8 specifically ordered was to have a specific carrying
9 charge associated with it, you are not suggesting to
10 change those orders, are you? Correct?

11 A. No, I'm not.

12 Q. Okay.

13 A. Going forward, this is -- this is for
14 going forward.

15 Q. Right. So if we had a rider today that
16 was -- had been determined by the Commission should
17 earn a weighted average cost of capital for that
18 rider in a previous order, that rider would continue
19 to accrue the weighted average cost of capital going
20 forward, correct, so we understand?

21 A. As far as I understand it, yes.

22 Q. Okay. And I think you just said this,
23 but in your recommendation, it would only take effect
24 on a going-forward basis for the riders that it did
25 apply to, starting with ESP IV, correct?

1 A. Yes.

2 MR. BURK: That's all the questions I
3 have, your Honor.

4 Thank you very much, Mr. Hecker.

5 EXAMINER ADDISON: Thank you, Mr. Burk.

6 At this time, we will go ahead and move
7 to the confidential portion of our transcript. I
8 will ask anyone who hasn't executed a confidentiality
9 agreement or is a PUCO staff member to please exit
10 the room at this time. Let's go off the record.

11 (Discussion off the record.)

12 (CONFIDENTIAL PORTION EXCERPTED.)

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(OPEN RECORD.)

EXAMINER ADDISON: Mr. Lindgren, do you
have any public redirect?

MR. LINDGREN: Yes, I do, your Honor.

- - -

REDIRECT EXAMINATION

By Mr. Lindgren:

Q. Mr. Hecker, if a company is currently
using the weighted average cost of capital for a
rider, are you recommending they change the carrying
cost rate for that?

A. No, I'm not.

Q. Can you explain your answer?

A. Yeah. We are not looking at that time.
We are saying that those riders that are currently
using the embedded costs of debt are the ones we feel
should be converted to long-term -- the last approved
long-term cost of debt, but we're not recommending
anything with what the back-weighted average cost
capital.

MR. LINDGREN: Thank you. That's all I

1 have.

2 EXAMINER ADDISON: Thank you,

3 Mr. Lindgren.

4 Ms. Bojko?

5 MS. BOJKO: No questions, your Honor.

6 Thank you.

7 EXAMINER ADDISON: Ms. Fleisher?

8 MS. FLEISHER: No questions, your Honor.

9 EXAMINER ADDISON: Ms. Cohn?

10 MS. COHN: No questions, your Honor.

11 EXAMINER ADDISON: Mr. Sauer?

12 MR. SAUER: No questions, your Honor.

13 EXAMINER ADDISON: Mr. Burk?

14 MR. BURK: No questions, your Honor.

15 EXAMINER ADDISON: Thank you.

16 Mr. Hecker, thank you very much. You are
17 excused.

18 THE WITNESS: Thank you.

19 EXAMINER ADDISON: I believe staff has
20 already moved for admission of Staff Exhibit No. 7.
21 Are there any objections?

22 Hearing none, it will be admitted

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER ADDISON: Let's go ahead and go
25 off the record.

1 (Discussion off the record.)

2 EXAMINER PRICE: Let's go back on the
3 record.

4 Staff, you may call your next witness.

5 MR. LINDGREN: Thank you, your Honor.
6 The staff calls Timothy Benedict as its next witness.

7 (Witness sworn.)

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

10 THE WITNESS: My name is Timothy W.
11 Benedict. My business address is 180 East Broad
12 Street, Columbus, Ohio 43215.

13 EXAMINER PRICE: Please proceed,
14 Mr. Lindgren.

15 MR. LINDGREN: Thank you. Your Honor, I
16 would ask to have marked for identification purposes
17 as Staff Exhibit 8 the direct testimony of Timothy W.
18 Benedict that was filed in this docket on September
19 18, 2015.

20 EXAMINER PRICE: It will so marked.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 MR. LINDGREN: Thank you.

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TIMOTHY W. BENEDICT

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

DIRECT EXAMINATION

By Mr. Lindgren:

Q. Good morning, Mr. Benedict.

A. Good morning.

Q. Do you have in front of you what has been
marked as Staff Exhibit 8?

A. I do.

Q. And is this your testimony?

A. Yes, it is.

Q. Did you prepare this testimony?

A. Yes, I did.

Q. And do you have any corrections to make
to this testimony today?

A. No.

Q. Thank you. Then if I were to ask you the
same questions in this exhibit today, would your
answers be the same?

A. They would.

Q. And are the answers in this document true
and accurate, to the best of your knowledge?

A. Yes, they are.

MR. LINDGREN: Thank you. Your Honors,

1 at this time, subject to cross-examination, I would
2 move for the admission of Staff Exhibit 8 into the
3 record, and the witness is now available for
4 cross-examination.

5 EXAMINER PRICE: Thank you.

6 Ms. Bojko?

7 MS. BOJKO: No questions, your Honor.

8 EXAMINER PRICE: Ms. Fleisher?

9 MS. FLEISHER: No questions, your Honor.

10 EXAMINER PRICE: Ms. Cohn?

11 MS. COHN: No questions, your Honor.

12 EXAMINER PRICE: OCC?

13 MR. MOORE: Thank you, your Honor.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Moore:

17 Q. Good morning, Mr. Benedict.

18 A. Good morning.

19 Q. My name is Kevin Moore. I am an attorney
20 with the OCC. On page 1 to 2 of your testimony, you
21 state that the purpose of your testimony is to
22 recommend that the companies file a business case
23 that seeks to expand their existing SmartGrid
24 program; is that correct?

25 A. That's correct.

1 Q. What is the purpose of a business case?

2 A. In my mind, a business case would have
3 two core elements. The first would be a description
4 of what the company plans to do, and the second would
5 be a justification for why they plan to do it.

6 Q. Under what circumstances must a business
7 case be filed?

8 A. Well, I believe the burden of proof in
9 the subsequent proceeding that I am recommending take
10 place would lie with the company. I don't believe
11 the Commission can unilaterally tell the company to
12 do it without adequate justification. So in my mind,
13 the burden of proof would be on the company, and then
14 the business case would become the topic of
15 discussion for the rest of the parties.

16 MR. MOORE: Could I have the answer
17 reread?

18 EXAMINER PRICE: You may. Let's have the
19 question and answer read back, please.

20 (Record read.)

21 Q. You stated the Commission cannot direct
22 the companies to file a business case without
23 justification. What sort of justification are you
24 referring to?

25 MR. LINDGREN: Objection. I think this

1 mischaracterizes his testimony.

2 EXAMINER PRICE: I am sure it
3 mischaracterizes his testimony. Why don't you
4 rephrase, Mr. Moore.

5 MR. MOORE: Could I have his previous
6 answer read back again?

7 EXAMINER PRICE: I think the issue is
8 it's not clear what your question was, so I think his
9 answer was nonresponsive to your question because I
10 don't think we got off to a right foot. I didn't
11 understand your question either so why don't we start
12 your question over again and we will start this
13 process over.

14 MR. MOORE: Sure, your Honor.

15 Q. (By Mr. Moore) My original question was
16 under what circumstances must a business case be
17 filed by a utility.

18 EXAMINER PRICE: I'm still not
19 understanding your question, to be honest.

20 MR. MOORE: Well, Mr. Benedict's
21 testimony is recommending the utilities file a
22 business case, and I am simply wondering if there are
23 a certain circumstances when the -- a utility must
24 file a business case.

25 EXAMINER PRICE: When ordered by the

1 Commission. Mr. Benedict's recommending the
2 Commission order the companies to file a business
3 case.

4 MR. MOORE: Correct.

5 EXAMINER PRICE: Right.

6 MR. MOORE: I am wondering if there is
7 ever any time when a company -- a company or utility
8 must -- is required to do so unilaterally by itself
9 without Commission directive.

10 A. I believe we have seen in other states
11 where companies were compelled to pursue SmartGrid
12 investments through legislature -- legislation,
13 excuse me, rather than through a Commission order.

14 Q. Are there any other circumstances?

15 A. None that occur to me as I sit here
16 today.

17 Q. So it would only be due to legislature
18 concerning SmartGrid initiatives?

19 A. Correct.

20 Q. I think in the answer you gave me
21 originally you stated that the burden of proof would
22 be on the companies in the subsequent proceeding; is
23 that correct?

24 A. Yes.

25 Q. What would the burden of proof be in

1 subsequent proceedings?

2 MR. LINDGREN: Objection. That calls for
3 a legal conclusion.

4 EXAMINER PRICE: Sustained.

5 Q. (By Mr. Moore) Would the utilities be
6 required to show that the benefits of its SmartGrid
7 initiatives outweigh the costs of the Smart --

8 MR. LINDGREN: Objection.

9 EXAMINER PRICE: Grounds?

10 MR. LINDGREN: Legal conclusion.

11 EXAMINER PRICE: I think he can answer
12 this one. You can answer if you know.

13 A. I believe that would be one of the core
14 considerations that one would give to a business case
15 as to whether it would be prudent to move forward is
16 if the costs are larger in magnitude -- smaller in
17 magnitude than the benefits.

18 Q. What other considerations would be taken
19 by the Commission?

20 A. There could be many. The impact on
21 reliability and how the company's currently doing in
22 terms of reliability, ratepayer impacts, those sort
23 of things.

24 Q. What do you mean by "ratepayer impacts"?

25 A. Bill impacts.

1 Q. Would any other impacts to ratepayers be
2 considered?

3 A. Considered by whom? I am not following
4 your question, I'm sorry.

5 Q. I'm sorry, I will rephrase. Would any
6 other impacts to ratepayers be considered by the
7 Commission in analyzing a company's -- utility's
8 business case?

9 A. I can't speak for the Commission.

10 Q. Okay. But they would consider
11 reliability and bill-related ratepayer impacts.

12 A. I said that those were examples of core
13 things that one would consider.

14 Q. Must -- must the Commission approve a
15 business case before a utility can make the
16 investments needed to go forward with its SmartGrid
17 initiatives?

18 A. Not necessarily.

19 Q. In what way could a utility go forward
20 with the SmartGrid initiatives without the Commission
21 approving a business case?

22 A. With shareholder funds.

23 Q. So a utility doesn't need Commission
24 approval of a business case in order to begin
25 SmartGrid expenses?

1 A. Not in the instance where they were
2 willing to move forward using only shareholder funds
3 and not recovering those costs from customers, but
4 that's highly unlikely.

5 Q. So if a utility wants to be able to
6 recover the costs of its SmartGrid initiatives, it
7 must file a business case, and that business case
8 must be approved by the Commission; is that correct?

9 A. They must file an application.

10 Q. And an application is different than a
11 business case, correct?

12 A. Yes.

13 Q. So after a business case is filed with
14 the Commission, a utility must also file an
15 application; is that what you are saying?

16 A. No. I believe the business case would be
17 in the application.

18 Q. Okay. And that application inside the
19 business case must be approved before a utility could
20 recover costs associated with SmartGrid initiatives?

21 A. Right.

22 EXAMINER PRICE: Are you asking him for a
23 legal conclusion, or are you asking him for something
24 else?

25 MR. MOORE: I am simply asking for his

1 opinion on what must be approved before --

2 EXAMINER PRICE: As an economist?

3 MR. MOORE: To the best of his knowledge.

4 EXAMINER PRICE: Okay. To the best of
5 your knowledge.

6 MR. MOORE: Thank you, your Honor.

7 A. Yes, I do believe the Commission would
8 have to approve the companies' application before
9 they could receive recovery of the dollars spent
10 pursuant to that application.

11 Q. On page 2, starting on line 20, to page 3
12 ending on line 2, you state that, "In a general
13 sense, the Companies should file a business case for
14 future limitation or broad spectrum of SmartGrid
15 technologies inclusive of advanced metering
16 infrastructure distribution automation credit
17 reconfiguration and Volt/VAR optimization to the
18 extent that these investments or costs are
19 effective." Do you see that?

20 A. Yes, I do.

21 Q. Are there any other SmartGrid
22 technologies that you are aware of that FirstEnergy
23 should consider including in the business case you
24 recommend that the Commission approve?

25 A. There are other types of SmartGrid

1 technologies, none of which I am recommending the
2 companies include in their business case.

3 Q. Are there any non-SmartGrid-related
4 investments that you recommend that FirstEnergy
5 include in this business case?

6 A. I'm sorry. I don't think I follow the
7 question.

8 Q. I'll restate. Are there any
9 non-SmartGrid-related investments that you recommend
10 that FirstEnergy include in the business case?

11 A. There would obviously be some back office
12 systems that would be necessary for the company to
13 build out in support of these SmartGrid investments,
14 but I would consider that part and parcel of the
15 SmartGrid investment itself. So if you consider that
16 to be part of the SmartGrid deployment, the answer to
17 your question would be no.

18 Q. Can you describe what you mean by back
19 office systems?

20 A. Sure. Examples include --

21 EXAMINER PRICE: I think it's you,
22 Mr. Moore. Why don't you slide your microphone over
23 this way. You need to turn yours back on,
24 Mr. Benedict. Mr. Benedict, you need to turn your
25 microphone back on. It is on, I'm sorry.

1 A. So I believe the pending question was
2 back office systems that were necessary?

3 Q. Correct.

4 A. Examples include meter data management
5 systems, communications equipment, those sort of
6 things, web portals.

7 Q. At the beginning of the sentence that I
8 referred to, page 2, line 20, you say "In a general
9 sense..." Did you -- what do you mean by that?

10 A. I guess what I mean is that like, for
11 instance, with AMI, staff is not being prescriptive
12 in terms of what vendor the company should use or
13 what communications protocol they should adopt or
14 similar with the ACR or VVO. Those are general
15 type -- general terms for technologies, and we are
16 not being prescriptive as to what specific technology
17 solution the companies should include in their
18 business case.

19 Q. So you are going to leave those decisions
20 up to the companies, correct?

21 A. Correct.

22 Q. At the end of that sentence, you state
23 "to the extent that these investments are cost
24 effective." Do you see that, page 3, line 1 and 2?

25 A. Yes. I'm there.

1 Q. How do you define "cost effective" in
2 this context?

3 A. In my mind, it's the net benefits of the
4 ratepayers above and beyond the costs. Usually we do
5 that in terms of a net present value analysis.

6 Q. And when you say "we", you mean the
7 Commission, correct?

8 A. I mean economists.

9 Q. Economists employed by the Commission?

10 A. Just in terms of analyzing a business
11 case and whether it has more net benefits than costs,
12 one would generally employ a net present value
13 analysis to that undertaking.

14 Q. When you say "one," are you referring to
15 the Commission?

16 A. I was referring --

17 MR. LINDGREN: I believe he has already
18 asked and answered that.

19 EXAMINER PRICE: Sustained. He has
20 already stated he can't speak for the Commission.

21 Q. (By Mr. Moore) I am simply wondering who
22 is going to be determining what is cost effective.
23 Would that be a Commission determination?

24 A. Ultimately.

25 Q. And if ultimately the Commission does not

1 show the benefits outweigh the costs, you would
2 recommend that FirstEnergy not expand the SmartGrid
3 program; is that correct?

4 A. Yes.

5 Q. Are you aware of any studies or analysis
6 performed by FirstEnergy or any other Ohio utility --

7 EXAMINER PRICE: I want to go back to the
8 previous question because I thought -- I am not sure
9 if I understood your question. Are you saying
10 strictly on a quantitative cost/benefit analysis, or
11 are you asking him on a consideration of quantitative
12 and qualitative factors?

13 MR. MOORE: I believe the witness stated
14 earlier or --

15 EXAMINER PRICE: I am asking what your
16 question was.

17 MR. MOORE: My question was simply
18 whether the benefits will outweigh the costs.

19 EXAMINER PRICE: And so I am asking you,
20 did you strictly mean on a quantitative base, or did
21 you mean quantitative and qualitative?

22 MR. MOORE: I meant in the way that the
23 witness defined benefits and costs earlier in his
24 testimony. I believe he defined that as ratepayer
25 impacts.

1 EXAMINER PRICE: Well, I don't think
2 that's characterizing his testimony properly. That's
3 why I am trying to ask you if you would clarify your
4 question because I don't think that the record is
5 clear as to what he is answering.

6 MR. MOORE: I will do that, your Honor.
7 Thank you.

8 Q. (By Mr. Moore) When you are referring to
9 benefits of a business case, are you referring to
10 ratepayer bill impacts, or are you referring to
11 ratepayer bill impacts and reliability?

12 A. Ratepayer bill impacts would be a cost,
13 not a benefit.

14 Q. Right. Excuse me. When you are
15 referring to the cost/benefit analysis, are you
16 referring to -- are you referring to the benefits of
17 the SmartGrid initiatives weighed against the
18 quantitative costs to the ratepayer?

19 A. So in your question you define the costs
20 as quantitative but didn't define the benefits, and
21 in my mind it is easier to quantify the cost side of
22 the equation. The benefits side is a little bit more
23 murky because you have benefits that accrue to the
24 company. You have benefits that accrue directly to
25 the customer. You have benefits such as time-of-use

1 rates that the customer can either choose whether to
2 participate in them or not, and then you have
3 benefits that advance state policy. So I think on
4 the cost side, it's a little easier to do a simple
5 qualitative analysis. On the benefit side, it's a
6 little bit harder.

7 Q. On the costs, that you are doing a
8 qualitative analysis of costs?

9 A. Quantitative. I'm sorry.

10 Q. So costs would simply be quantitative,
11 correct?

12 A. I said it would lend itself more easy to
13 a quantitative analysis. Things like reliability get
14 problematic in that respect because then you are
15 assigning value of loss load calculations to
16 reliability benefits. It's certainly easier on the
17 cost side than the benefit side.

18 Q. So there would be other considerations on
19 the cost side other than ratepayer impacts, correct?

20 A. Perhaps.

21 Q. What would those other considerations be?

22 A. I could give one example would be cost
23 allocation, so not just the total magnitude of costs
24 but an analysis of who pays versus who benefits.

25 Q. Okay. Can you think of any other

1 considerations that may go into the cost?

2 A. Again, when those costs were incurred
3 would be one. Usually the costs are front-loaded,
4 and the benefits accrue over the lifetime of the
5 investment. That would be an example. I don't have
6 an exhaustive list sitting here today.

7 Q. Okay. So given the benefits that you
8 stated and the costs that you stated, if a business
9 case does not show that the benefits outweigh those
10 costs, you would recommend that the utility not
11 expand the SmartGrid program, correct?

12 A. That's correct.

13 Q. Are you aware of any studies or analysis
14 performed by FirstEnergy or any other Ohio utility
15 where large scale, advanced metering infrastructure
16 deployment have proven to date to be cost effective?

17 A. I'm not aware of any studies that prove
18 that a deployment was cost effective.

19 Q. Are you aware of any studies or analysis
20 performed by FirstEnergy or any other Ohio utility or
21 large scale distribution automation circuit
22 reconfiguration has proven to date to be cost
23 effective?

24 A. No.

25 Q. Are you aware of any studies or analysis

1 performed by FirstEnergy or any other Ohio utility or
2 large scale Volt/VAR optimization that's proven to
3 date to be cost effective?

4 A. No.

5 Q. Are you aware of any studies or analysis
6 performed by the PUCO or large scale advanced
7 metering infrastructure deployment that have proven
8 to date to be cost effective?

9 A. No.

10 EXAMINER PRICE: What do you mean by a
11 study?

12 MR. MOORE: I guess I would approach that
13 question to the witness.

14 EXAMINER PRICE: It was your question.
15 So you should clarify what you mean by study.

16 MR. MOORE: A study would be an analysis,
17 you know, a cost/benefit analysis.

18 EXAMINER PRICE: Okay. When you say
19 study, you don't mean a hearing?

20 MR. MOORE: No.

21 EXAMINER PRICE: Any due process?

22 MR. MOORE: I don't mean a hearing, no.

23 EXAMINER PRICE: So you are not asking
24 him if the Commission has found that SmartGrid has
25 been something that should be deployed; you are

1 asking him whether some other study was performed by
2 the Commission.

3 MR. MOORE: Correct.

4 EXAMINER PRICE: Okay.

5 Q. (By Mr. Moore) In that same vein, are you
6 aware of any studies or analysis performed by the
7 Commission or large scale distribution automation
8 circuit reconfiguration has proven to date to be cost
9 effective?

10 A. No.

11 Q. And are you aware of any studies or
12 analysis performed by the Commission where large
13 scale Volt/VAR optimization has proven to date to be
14 cost effective?

15 A. No.

16 Q. Okay. Turning to page 2, lines 1 through
17 3, you recommend that the Commission approve a
18 nonbypassable rider for the companies initially set
19 at zero for the purpose of recovery of costs
20 associated with the expanded program. Do you see
21 that, Mr. Benedict?

22 A. Yes.

23 Q. The rider you are proposing would not
24 include cost studies stemming from the future
25 business case, correct?

1 A. It would not include costs associated
2 with the companies' initial application.

3 Q. But the proposed rider will include costs
4 stemming from any future expanded SmartGrid program,
5 correct?

6 A. To the extent they are approved by the
7 Commission, yes.

8 Q. And the costs from that rider would be
9 passed to customers on a nonbypassable basis,
10 correct?

11 A. That's what I am recommending.

12 Q. Is there any limit on the quantitative
13 amount of costs the customers could be obligated to
14 pay for in this nonbypassable rider?

15 A. I believe that issue would be appropriate
16 to discuss in a subsequent proceeding.

17 Q. You are not making a recommendation as to
18 that in your testimony?

19 A. No. I am only asking the Commission to
20 start that process.

21 Q. Okay. Do you have an estimate as to what
22 an expansion of the current FirstEnergy SmartGrid
23 program will cost?

24 A. The cost obviously would be a function of
25 the scope, and the scope itself would be a function

1 of what's deemed to be cost effective. So, no,
2 sitting here today, I don't know the extent to which
3 SmartGrid-type investments in FirstEnergy's service
4 territory would be cost effective.

5 Q. On page 2, lines 16 to 17, you reference
6 a Case No. 09-1820-EL-ATA, correct?

7 A. Yes.

8 Q. And through that proceeding, FirstEnergy
9 is currently studying the implementation of AMI,
10 DACR, and Volt/VAR; is that correct?

11 A. I don't know.

12 Q. Do you know if FirstEnergy customers are
13 currently paying for any ongoing studies related to
14 the implementation of AMI, DACR, and Volt/VAR
15 optimization through a rider on its bill?

16 A. I don't know.

17 Q. So you're not familiar with any studies
18 that related to those SmartGrid programs?

19 A. No.

20 Q. You refer on line -- page 2, lines 10
21 through -- 9 through 11, to a Phase I of the
22 SmartGrid studies being funded by the Department of
23 Energy, correct?

24 A. That's correct. Partially funded by the
25 Department of Energy.

1 Q. Correct. Thank you for the
2 clarification. And this funding was secured through
3 a grant with the Department of Energy related to the
4 American Recovery and Reinvestment Act of 2009,
5 correct?

6 A. That's my understanding.

7 Q. And isn't it true that the American
8 Recovery and Reinvestment Act funds for the
9 SmartGrid -- FirstEnergy SmartGrid studies are no
10 longer available to pay for these SmartGrid
11 initiatives, correct?

12 A. Yes, those initial funds have been
13 exhausted.

14 Q. And under Phase II, FirstEnergy is
15 expanding its market deployment to 44,000 customers;
16 is that correct your understanding?

17 MS. DUNN: Objection. It
18 mischaracterizes his testimony.

19 EXAMINER PRICE: Sustained.

20 Q. Excuse me. The Phase II of the SmartGrid
21 sought to expand the initial test phase to
22 approximately 44,000 customers; is that correct?

23 A. You read that correctly.

24 Q. And the costs for this Phase II
25 deployment are paid for by FirstEnergy's customers,

1 correct?

2 A. I believe there were --

3 EXAMINER PRICE: I don't think that that
4 question is properly formed. Why don't you restate
5 that question.

6 MR. MOORE: Okay, your Honor.

7 Q. Phase II of the SmartGrid program which
8 sought to expand the initial test phase to
9 approximately 44,000 customers is going to be paid
10 for by FirstEnergy's customers; is that correct?

11 MS. DUNN: I am going to object just to
12 the mischaracterization of the testimony and the
13 facts.

14 EXAMINER PRICE: Sustained.

15 MR. MOORE: I'm not stating in part his
16 testimony. I am simply asking him if that's correct
17 or not.

18 Q. Is it correct that FirstEnergy's
19 customers are --

20 EXAMINER PRICE: I think you are assuming
21 facts not in evidence.

22 MR. MOORE: I am asking whether that's
23 right or not.

24 EXAMINER PRICE: Why don't you ask him in
25 a more specific way.

1 Q. (By Mr. Moore) Do you know who will pay
2 for FirstEnergy's SmartGrid Phase II deployment?

3 MS. DUNN: Objection. Same objection.

4 EXAMINER PRICE: Mr. Moore, I think you
5 have a tense problem. I think the facts not in
6 evidence problem is the tense that you are asking
7 this question in. You keep saying -- let's go off
8 the record.

9 (Discussion off the record.)

10 EXAMINER PRICE: Let's go back on the
11 record.

12 Mr. Moore.

13 Q. (By Mr. Moore) The costs for Phase II
14 were recovered by FirstEnergy's customers; is that
15 correct?

16 A. I'm not sure whether those costs were
17 completely borne by ratepayers or whether they were
18 partially offset through stimulus funds for Phase II.

19 Q. Okay. Thank you. To your knowledge, has
20 there been any audit of the investments FirstEnergy
21 made in the SmartGrid Phase II deployment?

22 A. Yes. The funds that flow through that
23 rider are audited by staff.

24 Q. Who conducted such an audit?

25 EXAMINER PRICE: He just said staff.

1 MR. MOORE: I am asking who on staff
2 conducted the audit.

3 MS. DUNN: Objection. Relevance.

4 EXAMINER PRICE: Sustained.

5 Q. Do you know when the audit was conducted?

6 A. I know they are conducted at least
7 annually. I am not sure if they are done quarterly
8 or at a smaller interval than that. I don't know. I
9 know it's at least annually.

10 Q. Do you know what the conclusions of that
11 audit were?

12 MS. DUNN: Objection. Relevance.

13 EXAMINER PRICE: Sustained.

14 Q. In a similar vein, has there been any
15 evaluation of the benefits of FirstEnergy SmartGrid
16 Phase II deployment as far as it has been provided to
17 customers?

18 A. I do know that as part of the SmartGrid
19 modernization initiative through the DOE, there was a
20 final report, but that report really looked at the
21 different combinations of pricing options and
22 enabling technologies rather than kind of an all
23 encompassing look at the project.

24 Q. So an all encompassing look at the
25 project has not been completed?

1 A. I don't know of any study out there
2 that's conducted that analysis.

3 Q. Do you know if there is any analysis
4 that's planned to look at an all encompassing look at
5 the benefits of the Phase II deployment?

6 A. I don't know.

7 Q. Just for clarity, you are recommending
8 that no costs be allocated to customers for an
9 expanded SmartGrid program until after the business
10 case is completed, correct?

11 EXAMINER PRICE: I think your question is
12 vague. I'm -- it's not clear to me if you are asking
13 for Phase I, Phase II, or resulting from the business
14 case.

15 MR. MOORE: Okay. I will rephrase, your
16 Honor.

17 Q. (By Mr. Moore) You are not recommending
18 that any costs related to a future expansion of
19 FirstEnergy's SmartGrid initiatives will be allocated
20 to customers until after a business case is
21 completed, correct?

22 A. That is correct.

23 MR. MOORE: No further questions, your
24 Honor.

25 Thank you, Mr. Benedict.

1 EXAMINER PRICE: Ms. Dunn?

2 MS. DUNN: Thank you, your Honor.

3 - - -

4 CROSS-EXAMINATION

5 By Ms. Dunn:

6 Q. Good morning, Mr. Benedict.

7 A. It is afternoon now.

8 Q. It is afternoon, thank you. I stand
9 corrected. My name is Carrie Dunn. We have not met
10 before. I am counsel for Ohio Edison Company, the
11 Cleveland Electric Illuminating Company, and The
12 Toledo Edison Company.

13 A. Good afternoon.

14 Q. Turning to page 2 of your testimony.

15 A. I'm there.

16 Q. Question No. 5, you are describing the
17 SmartGrid modernization initiative by the companies,
18 correct?

19 A. That's correct.

20 Q. And in that question, you are discussing
21 the smart meter deployment element of that
22 initiative, correct?

23 A. I believe there was more than just smart
24 meters embedded in that -- in the SmartGrid
25 modernization initiatives. The companies also

1 pursued VVO and DACR.

2 Q. That was actually my next question,
3 whether there was other elements, thank you. And are
4 you aware that the companies recently received
5 Commission approval of ongoing data collection and
6 maintenance costs for the completion of a Volt/VAR
7 and distribution automation study for a total of five
8 years?

9 A. I was not aware of that.

10 Q. And so is it fair to say that you didn't
11 consider that in making your recommendation in your
12 testimony?

13 A. That's fair.

14 Q. Are you aware that as part of the
15 approval of ongoing data collection and maintenance
16 costs, that the Commission required the companies to
17 continue to offer a two-part residential time-of-use
18 on- and off-peak SSO rate?

19 A. I wasn't aware of the specifics of the
20 rate that the company was required to keep offering,
21 but I was aware that they were required to continue
22 offering some rate.

23 Q. And are you aware if the companies
24 complied with that directive by recently filing rider
25 RCP?

1 A. I believe they have.

2 Q. And would you agree that rider RCP
3 applies in the summer months?

4 A. I'm not intimately familiar with that
5 rider.

6 Q. You are aware that the companies have an
7 energy efficiency and peak demand reduction plan,
8 correct?

9 A. Yes.

10 Q. Are you aware that as part of that energy
11 efficiency and peak demand reduction plan that the
12 companies received approval for a conservation
13 voltage reduction study in order to determine if
14 opportunities for voltage reduction on the companies'
15 system exist?

16 A. I was not aware of that.

17 Q. Is it fair to say that you did not
18 consider that study in making your recommendation?

19 A. That's fair.

20 Q. And turning to page 3 of your testimony,
21 lines 7 to 9, you recommend that the companies file a
22 business case within six months after a finding and
23 order has been issued in this proceeding, correct?

24 A. That's correct.

25 Q. And are you aware that sometimes after a

1 finding and order is issued, parties may seek
2 rehearing of that finding and order?

3 A. I am.

4 Q. And are you then recommending that the
5 business case be filed six months after the final
6 order in this case or after the initial finding and
7 order?

8 A. I suppose it would be six months after
9 the finding and order that resolves this issue.

10 Q. And in order to develop a business case
11 inclusive of distribution automation and Volt/VAR
12 technologies, as you have mentioned in your
13 testimony, you would agree that the companies should
14 review what specific circumstances are amenable to
15 distribution automation and Volt/VAR technologies?

16 A. Correct.

17 Q. And the companies should also review what
18 the costs would be to build out any distribution
19 automated -- automation technology?

20 A. Correct.

21 Q. And the companies should also review if
22 any equipment changes or improvements would need to
23 be made in order for distribution automation to be
24 installed, correct?

25 A. Of course.

1 Q. And I note in response to Mr. Moore's
2 questions you discussed that certain benefits -- the
3 benefits are harder to quantify than costs; is that a
4 fair characterization?

5 A. That's a fair characterization, yes.

6 Q. And sometimes those benefits can accrue
7 over a longer period of time, correct?

8 A. That's generally what we've seen, yes.

9 Q. And one of the benefits that the
10 companies should review for a business case would be
11 any operational efficiencies that may or may not
12 occur as a result of SmartGrid technology, correct?

13 A. Yes.

14 Q. And I believe you alluded to this earlier
15 in response to one of Mr. Moore's questions, are you
16 aware that the companies' sister utilities in
17 Pennsylvania are required under Pennsylvania law to
18 deploy smart meters?

19 A. I'm vaguely familiar with the idea that
20 Pennsylvania has ordered all its distribution
21 utilities to install smart meters, yes.

22 Q. Do you know if the companies have what I
23 will call sister utilities in Pennsylvania?

24 A. I am aware that they do.

25 Q. And do you know the status of the

1 companies' sister utilities in Pennsylvania, the
2 status of their smart meter deployment?

3 A. No. I haven't reviewed those dockets.

4 Q. You would agree that in developing a
5 business case for at least advanced metering
6 infrastructure, it would be useful for the companies
7 to utilize the progress and results learned from
8 their sister utilities' deployment in Pennsylvania?

9 A. Yes, although I wouldn't necessarily ask
10 the Commission to wait on a cost effective SmartGrid
11 investment simply because of what's happening in
12 Pennsylvania.

13 Q. You would agree that another reason to
14 utilize the progress and results learned from other
15 jurisdictions or utilities in a business case is so
16 the companies can make sure the business case is
17 based on proven, secure technologies; is that fair?

18 A. Not necessarily. I don't think that it
19 was our intention to use Pennsylvania as the proving
20 grounds as to whether investments are proven. I
21 think the idea behind the Pennsylvania recommendation
22 is that if the companies have any economies of scale
23 in terms of purchasing from vendors or back office
24 systems that they will be using in more than one
25 jurisdiction, that those costs be shared.

1 Q. And you would agree that for the costs
2 associated with developing the business case, so I am
3 just speaking about those narrow costs, not anything
4 about future deployment, would you agree that the
5 companies should recover those costs in rider AMI
6 that exist today?

7 A. I honestly haven't contemplated that.

8 Q. Your testimony, though, isn't suggesting
9 that the companies not receive any cost recovery for
10 the business case; you just haven't thought about the
11 mechanism or manner in which it would. I'll
12 rephrase. Let me rephrase.

13 You are not taking a position as to the
14 cost recovery for the companies in -- that any costs
15 that it would accrue in developing the business case
16 in your testimony, correct?

17 A. That's correct.

18 MS. DUNN: Could I have just one minute
19 to check my notes, your Honor?

20 EXAMINER PRICE: You may.

21 MS. DUNN: Your Honor, I have no further
22 questions.

23 EXAMINER PRICE: Thank you.

24 Mr. Lindgren, redirect?

25 MR. LINDGREN: Your Honor, may we have a

1 few minutes to confer?

2 EXAMINER PRICE: You may. Go off the
3 record for 5 minutes.

4 (Recess taken.)

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

7 Mr. Lindgren, redirect?

8 MR. LINDGREN: Yes, thank you, your
9 Honor.

10 - - -

11 REDIRECT EXAMINATION

12 By Mr. Lindgren:

13 Q. Mr. Benedict, to your knowledge, have the
14 FirstEnergy distribution companies submitted a
15 business case to support further SmartGrid
16 investments as of this date?

17 A. No, they have not.

18 Q. Then why do you think the Commission
19 should order them to file such a business case?

20 MS. DUNN: Objection, outside the scope
21 of cross.

22 EXAMINER PRICE: Overruled.

23 A. Sitting here today, I know that certain
24 SmartGrid type of investments are likely to be cost
25 effective. What I don't know is the extent to which

1 those investments will be cost effective. Things
2 like VVO and DACR will be effective to a certain
3 degree, but certainly not every circuit.

4 The companies certainly know their system
5 better than I do, and I think that by creating a
6 business case, we shift the burden to them to
7 demonstrate the extent to which these investments are
8 cost effective because that's what's sitting here
9 today. I don't know or otherwise I would be asking
10 the Commission to tell them to go forward with a full
11 deployment or I would be sitting here saying here is
12 the proper scope, go forward and do it.

13 MR. LINDGREN: Thank you.

14 Thank you. I have no further questions.

15 EXAMINER PRICE: Ms. Fleisher?

16 MS. FLEISHER: No questions, your Honors.

17 EXAMINER PRICE: Mr. Oliker?

18 MR. OLIKER: No, thank you, your Honor.

19 EXAMINER PRICE: Ms. Cohn?

20 MS. COHN: No questions.

21 EXAMINER PRICE: Mr. Moore?

22 MR. MOORE: No questions, your Honor.

23 Thank you.

24 EXAMINER PRICE: Ms. Dunn?

25 MS. DUNN: No further questions, your

1 Honor.

2 EXAMINER PRICE: I just have a couple.
3 Ms. Addison? Ms. Chiles? I just have a couple for
4 Mr. Benedict. Number one, you were talking about
5 benefits. You listed reliability. What you didn't
6 talk about is whether there are benefits to improve
7 in the competitive market. Do you believe the
8 deployed SmartGrid will allow competitive suppliers,
9 such as Mr. Oliker's clients, to offer different and
10 varying products to customers than the standard
11 service offer?

12 THE WITNESS: I believe to the extent
13 that CRES providers have access to the customer
14 energy usage data that's facilitated by AMI
15 investments, that that would be an accurate
16 statement, that these investments would beneficially
17 affect the development of competitive markets and the
18 offering of innovative products and services in Ohio.

19 EXAMINER PRICE: Mr. Moore asked you
20 several questions about studies on Volt/VAR and DACR.
21 With respect to Volt/VAR, isn't it generally the case
22 that Volt/VAR deployment will result in energy
23 efficiency -- reduced line losses resulting in more
24 efficient distribution of power?

25 THE WITNESS: I believe line loss is an

1 incorrect term.

2 EXAMINER PRICE: Well, I am a lawyer, not
3 an engineer, so tell me the correct term.

4 THE WITNESS: I am not an engineer
5 either, but by reducing voltage to the lower range of
6 the acceptable level, customers are able to use
7 approximately 2 to 3 percent less energy than they
8 would have otherwise to do the same effective work
9 and, you know, that's a SmartGrid investment that
10 produces customer benefits without them actively
11 having to do anything as is often the case with AMI
12 and Smart -- or time-of-use rates that require the
13 customer to actively be involved.

14 EXAMINER PRICE: And it creates energy
15 savings that potentially could be used to meet the
16 companies' renewable -- or energy efficiency
17 benchmarks, too; isn't that correct?

18 THE WITNESS: I believe they could.

19 EXAMINER PRICE: Okay. Finally, you
20 recommended that the companies -- the Commission
21 create a new nonbypassable rider set at zero rather
22 than the existing rider AMI. Can I ask why you
23 suggested the new expenses go into this new rider
24 rather than just rolling them into rider AMI?

25 THE WITNESS: Staff did have some

1 concerns. I believe they were articulated in the
2 testimony of Staff Witness Jeff Hecker around the
3 Commission order that created the initial rider AMI.
4 One of those concerns was that the Commission said
5 that all labor would be declared incremental. And I
6 believe that Staff Witness Hecker wanted to turn that
7 around and not have the standing assumption that all
8 labor would be incremental. That would be one
9 example why we would prefer to have a separate rider
10 be created.

11 EXAMINER PRICE: So there's just a number
12 of issues you would like the Commission to revisit in
13 establishing this new rider; is that a fair way to
14 say?

15 THE WITNESS: Yeah. I think it's just
16 easier for everybody if we just start from a blank
17 slate.

18 EXAMINER PRICE: Fair enough. You're
19 excused.

20 MR. LINDGREN: Your Honor, I move for the
21 admission of Staff Exhibit 8.

22 EXAMINER PRICE: Any objection?

23 MS. DUNN: No, your Honor.

24 EXAMINER PRICE: It will be admitted.

25 (EXHIBIT ADMITTED INTO EVIDENCE.)

6010

1 EXAMINER PRICE: At this time, we will
2 break for lunch until 1:40. We are off the record.

3 (Recess taken.)

4 (Thereupon, at 12:31 p.m., a lunch recess
5 was taken until 1:40 p.m.)

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6011

Thursday Afternoon Session,
October 15, 2015.

- - -

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

Mr. Lindgren.

MR. LINDGREN: Thank you, your Honors.
The staff calls Mark C. Bellamy as its next witness.

(Witness sworn.)

EXAMINER CHILES: Thank you. You may be
seated.

Mr. Lindgren, you may proceed.

MR. LINDGREN: Thank you. Your Honors, I
would like to mark as Staff Exhibit 9 the prefiled
testimony of Mark C. Bellamy that was filed in this
docket on September 8, 2015.

EXAMINER CHILES: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

- - -

MARK C. BELLAMY

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

DIRECT EXAMINATION

By Mr. Lindgren:

Q. Good afternoon, Mr. Bellamy. Could you

1 please state your full name for the record.

2 A. Yes. My name is Mark C. Bellamy.

3 Q. And where are you employed?

4 A. Public Utilities Commission of Ohio.

5 Q. Do you have in front of you a copy of
6 your direct testimony that has been marked as Staff
7 Exhibit 9?

8 A. Yes.

9 Q. And was this testimony prepared by you?

10 A. It was.

11 Q. Thank you. Do you have any corrections
12 to make to this testimony?

13 A. No.

14 Q. Thank you. If I were to ask you the same
15 questions that are in this prefiled testimony today,
16 would your answers be the same?

17 A. Yes.

18 Q. And are the answers to the questions
19 asked in this exhibit true and accurate, to the best
20 of your knowledge?

21 A. Yes.

22 MR. LINDGREN: Thank you. Your Honors,
23 at this time, subject to cross-examination, I would
24 move for the admission of Staff Exhibit 9 into the
25 record, and the witness now is available for

1 cross-examination.

2 EXAMINER CHILES: Thank you,
3 Mr. Lindgren. We will defer admission on Staff
4 Exhibit 9 and proceed with cross-examination.

5 Ms. Mooney?

6 MS. MOONEY: No questions, your Honor.

7 EXAMINER CHILES: Ms. Fleisher?

8 MS. FLEISHER: No questions, your Honor.

9 EXAMINER CHILES: Mr. Oliker?

10 MR. OLIKER: No.

11 EXAMINER CHILES: Mr. Borchers?

12 MR. BORCHERS: No questions, your Honors.

13 EXAMINER CHILES: Ms. Cohn?

14 MS. COHN: No questions, your Honor.

15 EXAMINER CHILES: Mr. Sauer?

16 MR. SAUER: Maybe just a few, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Sauer:

20 Q. Good afternoon, Mr. Bellamy.

21 A. Good afternoon.

22 Q. My name is Larry Sauer. I am an attorney
23 with the Office of Consumers' Counsel. If you could
24 turn to page 3 of your testimony, question and answer
25 10.

1 A. Yes.

2 Q. You are noting that the companies made a
3 change in their application regarding rider AER.

4 A. Yes.

5 Q. What's your understanding of that change?

6 A. What change are you referring to?

7 Q. That through rider AER, amounts collected
8 in previous years -- previous to the audit year shall
9 not be subject to refund.

10 A. I'm sorry. Can you repeat your question?

11 Q. Yes.

12 MR. SAUER: Can I have the question
13 reread, please?

14 EXAMINER CHILES: You may.

15 (Record read.)

16 A. I just would like to note that there has
17 been a change, new language has been introduced that
18 was not in previous electric security plans, and we
19 just wanted to present that -- the fact that the
20 language had changed to the Commission's attention.

21 Q. Are you understanding the change to
22 provide circumstances where as a result of a previous
23 audit, if information comes to light subsequent to
24 that audit, that costs collected through rider AER
25 should not necessarily have been recovered through

1 rider AER, then there is no recourse?

2 A. I don't have an opinion on the meaning of
3 the language. I just wanted to present the language
4 to the Commission so the Commission is aware of it,
5 but I don't have an opinion on it.

6 MR. SAUER: I have no further questions.
7 Your Honor.

8 EXAMINER CHILES: Thank you, Mr. Sauer.
9 Ms. Bojko?

10 MS. BOJKO: Thank you, your Honor.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Bojko:

14 Q. Good afternoon.

15 A. Hi.

16 Q. I would like to follow up on that last
17 discussion that you just had with Mr. Sauer, and so
18 I'm on -- starting on the bottom of page 3 with
19 question 10. Take a step back and look at the
20 process a little bit. So is it your understanding
21 that auditors review previous years to ensure that a
22 company has implemented previous recommendations?

23 A. I'm sorry, can you repeat your question?

24 Q. Sure. If we are in an audit year, is it
25 your understanding that the auditor would look at the

1 prior year and look at that prior year and see if
2 recommendations were implemented that they may
3 have -- or another auditor had recommended even the
4 prior year before that?

5 A. Yeah. I don't have an opinion on the
6 interpretation of what audit year means in this
7 context. I just wanted to bring this language to the
8 Commission's attention, but I don't have an opinion
9 on what it means.

10 Q. And I understand that. I'm not asking
11 your opinion on what this language means. I am
12 trying to ask you the normal audit process. So if
13 there's an audit, the auditor is reviewing a prior
14 year; is that your understanding?

15 A. Yes, because you can't audit things in
16 the future.

17 Q. Right. So in that prior year that they
18 are reviewing, aren't there instances where audit
19 would look at the audit findings from even a prior
20 year and look to see if those recommendations or
21 directives by the Commission had, in fact, been
22 implemented in the audit?

23 A. That would be possible, but I don't know
24 the -- the Commission can make a decision on the
25 scope of audits, and perhaps they have in the past.

1 But I don't have an opinion on what the scope of this
2 audit, you know, or the audits going forward should
3 be. And I'm not very familiar with the scopes of
4 audits in the past, whether they have been limited
5 to, you know, a previous calendar year or the
6 previous audit period or, you know, whatever.

7 Q. Okay. Do you know whether audits often
8 review disallowances and/or true-ups that were
9 requested in prior audits?

10 A. You are asking whether audits look at
11 true-ups?

12 Q. Right, if they look -- if there was a
13 change, do you know whether they look at whether that
14 disallowance or the revision that causes a true-up,
15 do they look to see if that was implemented
16 correctly?

17 A. I'm not aware of that, but I imagine an
18 auditor could look at that, but I can't cite an
19 instance in which that has happened.

20 Q. Okay. So are you aware of the audit
21 process in general that an audit occurs and they look
22 at the prior year AER filing and they look to see
23 whether the company properly trued up the projections
24 versus actual costs?

25 A. Yes.

1 Q. Okay. And are you aware that if the
2 auditor in that audit decides that it wasn't done
3 correctly, that auditor can then request that the
4 calculation be redone or there be further true-ups or
5 based on the information that wasn't done correctly?

6 A. Yes.

7 MR. BURK: Objection, your Honor. Just
8 for clarification, are we talking about an audit of
9 rider AER or just audits generally?

10 MS. BOJKO: Well, that question I
11 specifically said the AER audit -- the AER rider
12 audit. I was trying to get a basis of his knowledge
13 on audits in general, but for that one, I was talking
14 about the AEI -- AER rider. I think he already
15 answered.

16 EXAMINER CHILES: I believe he did
17 answer. Are you objecting to the question with that
18 clarification?

19 MR. BURK: No. That was the
20 clarification I was seeking.

21 EXAMINER CHILES: Okay. Thank you.

22 Q. (By Ms. Bojko) If the -- if an auditor
23 does an audit of the AER rider and they believe that
24 there was a cost passed on to customers that was in
25 error and there should be a disallowance, does the

1 auditor make that recommendation in that audit?

2 A. Yes.

3 Q. Okay. And then the Commission would
4 either adopt and accept that recommendation or not
5 accept that recommendation; is that correct?

6 A. Yes.

7 Q. Okay. And then in the next -- and then
8 the company would either have to make the
9 recommendation if the Commission accepted it or not
10 make the recommendation if the Commission denied it;
11 is that correct?

12 A. What do you mean "make the
13 recommendation"?

14 Q. They would have to -- they would have to
15 implement the recommendation. If it was a
16 disallowance, then the companies would have to go and
17 do a disallowance and refund that amount of money
18 back to the rider; is that correct?

19 A. That's -- well, there is more than one
20 option than just implementing the Commission's order.
21 I mean, they can -- they can appeal the order, but if
22 they choose not to appeal, then, yes, they should
23 follow the Commission's order.

24 Q. Okay. And then in the next audit that
25 occurs, doesn't the auditor look to make sure that

1 that recommendation was implemented and done
2 correctly?

3 A. I don't have an opinion on the scope of
4 audits.

5 Q. Well, isn't that how the current AER
6 rider works?

7 A. The current AER rider recovers costs, and
8 then those costs are audited. So I don't understand
9 your question.

10 Q. And if during the audit the auditor
11 recommends a disallowance for inappropriate costs and
12 the Commission accepts that, then the company would
13 have to implement that disallowance; is that correct?

14 MR. BURK: Object. That mischaracterizes
15 his previous testimony.

16 EXAMINER CHILES: Could I have the
17 question read back, please.

18 MS. BOJKO: I didn't hear his objection,
19 sorry.

20 MR. BURK: It mischaracterizes his
21 previous testimony.

22 (Record read.)

23 EXAMINER CHILES: I am going to overrule
24 the objection.

25 A. Again, the company has to either

1 implement the order or appeal the order.

2 Q. Okay. So if they've implemented the
3 order or even if their appeal rights have been
4 exhausted, they come back and they have been ordered
5 to make that disallowance, then -- then they would
6 make the disallowance when that order comes out, and
7 then the next audit would review whether that
8 disallowance was implemented and whether it was
9 implemented correctly; isn't that true?

10 MR. LINDGREN: Objection. He has already
11 testified he doesn't have an opinion on the scope of
12 an audit.

13 MR. BURK: And I will add it's been asked
14 and answered, your Honor.

15 MS. BOJKO: I don't think he's answered
16 it, your Honor.

17 MR. LINDGREN: He said he can't answer
18 it.

19 MS. BOJKO: And, secondly, I think there
20 is a misunderstanding. I said how the current AER
21 rider operators. There should be no opinion. It's
22 how the current AER rider operates.

23 EXAMINER CHILES: Could I have the
24 question read back again, Karen? Thank you.

25 (Record read.)

1 EXAMINER CHILES: The objection is
2 sustained.

3 MS. BOJKO: I'm sorry, which objection on
4 which grounds so I know how to move forward?

5 EXAMINER CHILES: Asked and answered.

6 MS. BOJKO: Okay. I think he answered --

7 Q. I am just going to ask you, sir, how the
8 current -- you are familiar with the current AER
9 rider; is that correct?

10 A. Yes.

11 Q. And you are familiar with the AER audit
12 process.

13 A. Yes.

14 Q. So under the current AER audit process,
15 if there is an audit performed and a disallowance is
16 recommended and then that disallowance is accepted by
17 the Commission, in the current process, wouldn't the
18 next auditor look at whether that disallowance was
19 properly implemented and done correctly?

20 MR. BURK: Objection. Asked and
21 answered, your Honor.

22 EXAMINER CHILES: Sustained.

23 MS. BOJKO: This time, your Honor, I put
24 it in the context of the current audit. I didn't
25 think that's how the witness understood the last

1 question.

2 EXAMINER CHILES: I believe when I read
3 back the record here, that is the question the
4 witness was answering.

5 MS. BOJKO: Can you read back his answer
6 then, please?

7 EXAMINER CHILES: Could we have the
8 answer read back. I can't find it here. Let's allow
9 the question one more time, and the witness can
10 answer again.

11 THE WITNESS: Can you repeat the
12 question?

13 (Record read.)

14 A. That is something for the Commission to
15 decide. There is no previous audit in the current --
16 there has only been one audit done. So there is
17 no -- you know, the first audit can't go back and
18 look at the previous audit because there has only
19 been one done so far and it is up to the Commission
20 to decide the scope of the next audit as far as how
21 far they can go back and what years can be involved,
22 and so I don't have an opinion on the scope of the
23 audit. That's for the Commission to decide.

24 Q. And in the last audit that was performed,
25 there was a disallowance recommended by the auditor

1 and there was an acceptance of that recommendation by
2 the Commission; is that correct?

3 MR. BURK: Objection. Beyond the scope
4 of his testimony.

5 EXAMINER CHILES: Ms. Bojko, do you have
6 a response?

7 MS. BOJKO: Your Honor, he is talking
8 about the AER rider. I think through the several
9 witnesses this morning, we've been allowing
10 discussions from prior cases and prior years that
11 reference and discuss the current testimony which is
12 the AER rider.

13 EXAMINER CHILES: Overruled.

14 THE WITNESS: I'm sorry, can you repeat
15 the question?

16 (Record read.)

17 A. Yes.

18 Q. And you don't know whether the next audit
19 performed will review whether that recommendation was
20 implemented properly; is that your testimony?

21 A. Yes. I don't know the scope of the next
22 audit.

23 Q. Okay. And you don't have an opinion on
24 whether the language proposed by FirstEnergy would
25 affect whether that disallowance is going to be

1 reviewed by the next auditor and whether there would
2 be any refunds associated with that if that was
3 appropriately recommended by the auditor?

4 A. I don't have an opinion on the language
5 presented by the company, but I wanted to present the
6 language to the Commission for its consideration.

7 MS. BOJKO: Okay. Thank you. I have no
8 further questions.

9 EXAMINER CHILES: Thank you.

10 Mr. Burk?

11 MR. BURK: No questions, your Honor.

12 EXAMINER CHILES: Thank you.

13 Mr. Lindgren, redirect?

14 MR. LINDGREN: No, thank you, your Honor.

15 EXAMINER CHILES: No questions.

16 Thank you, Mr. Bellamy. You are excused.

17 Mr. Lindgren, you previously moved for
18 the admission of Staff Exhibit 9. Is there any
19 objection to the admission of Staff Exhibit 9?

20 Hearing none, it will be admitted. Thank
21 you.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 EXAMINER CHILES: Ms. Mooney.

24 MS. MOONEY: Yes, your Honor. OP&E would
25 call to the stand its witness, David C. Rinebolt.

1 EXAMINER CHILES: Thank you.

2 (Witness sworn.)

3 EXAMINER CHILES: Thank you.

4 Ms. Mooney, you may proceed.

5 - - -

6 DAVID C. RINEBOLT

7 being first duly sworn, as prescribed by law, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 By Ms. Mooney:

11 Q. Mr. Rinebolt, do you have before you
12 direct testimony that has been prefiled in this case?

13 A. I do.

14 MS. MOONEY: And, your Honor, we would
15 ask to have the direct testimony of David C. Rinebolt
16 on behalf of Ohio Partners for Affordable Energy
17 marked as OP&E Exhibit 1.

18 EXAMINER CHILES: So marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. (By Ms. Mooney) Mr. Rinebolt, would you
21 state your name and business address for the record.

22 A. My name is David C. Rinebolt. My
23 business address is 231 West Lima Street, Findlay,
24 Ohio.

25 Q. And do you have before you what we have

1 marked as OP&AE Exhibit 1?

2 A. I do.

3 Q. And do you have any additions or
4 corrections to make to OP&AE Exhibit 1 at this time?

5 A. I do not.

6 MS. MOONEY: Your Honor, Mr. Rinebolt is
7 available for cross-examination.

8 EXAMINER CHILES: Thank you.

9 Ms. Bojko?

10 MS. BOJKO: I have no questions. Thank
11 you.

12 EXAMINER CHILES: Ms. Fleisher?

13 MS. FLEISHER: No questions, thank you.

14 EXAMINER CHILES: Mr. Olikier?

15 MR. OLIKER: No questions.

16 EXAMINER CHILES: Mr. Borchers?

17 MR. BORCHERS: No questions, your Honor.

18 EXAMINER CHILES: Ms. Cohn?

19 MS. COHN: No questions, your Honor.

20 EXAMINER CHILES: Mr. Sauer?

21 MR. SAUER: No questions.

22 EXAMINER CHILES: Mr. Burk?

23 MR. BURK: Thank you, your Honor.

24 - - -
25

CROSS-EXAMINATION

By Mr. Burk:

Q. Good afternoon, Mr. Rinebolt.

A. Good afternoon.

Q. It is correct you are the executive director of Ohio Partners for Affordable Energy?

A. That is collect.

Q. And if I referred to the Ohio Partners for Affordable Energy as OPAE, will you understand what I mean?

A. Yes, I will.

Q. And you have been executive director of OPAE since 1996?

A. I have.

Q. In fact, you are the only executive director that OPAE has ever had, correct?

A. Unfortunately for them, yes.

Q. And the purpose of OPAE, generally speaking, is to advocate on behalf of -- on behalf of low and moderate income Ohioans?

A. Yes, for affordable energy policies.

Q. And the funding for OPAE comes primarily from three sources, membership dues, grants from various sources, and administrative fees associated with managing weatherization programs; is that

1 correct?

2 A. That is correct.

3 Q. And OPAE manages weatherization programs
4 for public utilities in Ohio, correct?

5 A. That is correct.

6 Q. And generally speaking, the funding
7 sources break down about 10 percent comes from
8 membership dues, 30 percent from grants, and
9 60 percent from managing weatherization programs of
10 public utilities?

11 A. That is, I believe, the correct number.

12 Q. And OPAE uses corporate funds for fuel
13 fund -- for the expenses they incur in managing the
14 fuel funds?

15 A. We do. We use revenues that are not
16 restricted in the parlance of nonprofits. So
17 unrestricted revenues are used to compensate the time
18 we spend on managing -- or overseeing these fuel
19 funds.

20 Q. And un -- and your use of unrestricted or
21 corporate funds are funds that OPAE receives for the
22 management of utility weatherization programs?

23 A. Utility weatherization programs and
24 member dues.

25 Q. Okay. And you have testified in PUCO

1 cases in the past, correct?

2 A. I have.

3 Q. For example, you've testified in the Duke
4 Energy case, 11-3549-EL-SSO?

5 A. Yes, I did.

6 Q. And you also testified in the Dayton
7 Power and Light ESP case, 12-426-EL-SSO, correct?

8 A. I did.

9 Q. And in both of those cases, the nature of
10 your testimony was on the need for continued fuel
11 fund -- fuel fund funding to help ameliorate the
12 impacts of the SSO on low income customers, correct?

13 A. That is correct.

14 Q. And that in the Duke ESP, OP&E signed the
15 stipulation, correct?

16 A. We did ultimately sign the stipulation.

17 Q. And in that stipulation, it provided for
18 \$350,000 in 2012 for a fuel fund?

19 A. Yes, it did.

20 Q. And in the DP&L ESP 12-426, the
21 Commission did not accept your request for a \$750,000
22 per year funding for a fuel fund, correct?

23 A. Our recommendation was not accepted. The
24 president of Dayton Power and Light indicated that
25 they would continue the fund of their own volition.

1 MR. BURK: Your Honor, I would move to
2 strike everything in the answer starting with "the
3 president."

4 EXAMINER CHILES: I am going to deny the
5 motion to strike. As has been our tradition during
6 this hearing, we are going to allow the witness one
7 mulligan, but I will direct the witness to please
8 only answer the question in the future, and if you
9 feel elaboration is needed, Ms. Mooney can take care
10 of that on redirect.

11 THE WITNESS: Very well.

12 MR. BURK: Thank you, your Honor.

13 Q. (By Mr. Burk) Mr. Rinebolt, you agree
14 that the companies proposed in their application in
15 this case to continue the Community Connections
16 program that they have had in place for a number of
17 years, correct?

18 A. Correct.

19 Q. And the proposed funding for that program
20 is \$5 million per year or a total of \$15 million over
21 the life of the proposed ESP IV?

22 A. That is correct.

23 Q. And it's correct that you did not file
24 testimony in this case in response to the companies'
25 application but only filed in response to the

1 stipulation that was filed in December of 2014,
2 correct?

3 A. That is correct.

4 Q. And you filed in response to the
5 stipulation because the stipulation provided funding
6 for a fuel fund in the CEI service territory but did
7 not have funding available to support fuel fund
8 activities in the Ohio Edison or Toledo Edison
9 service territory, correct?

10 A. That is correct.

11 Q. And you would agree that it's fair to say
12 that your testimony in this proceeding is limited to
13 recommending that the companies be ordered to
14 implement a fuel fund for the ESP IV period in the
15 total amount of \$6 million annually for all three
16 companies combined for the -- combined over the full
17 ESP IV three-year period, correct?

18 A. That \$6 million per year over the
19 three-year period of the SSO, that's correct.

20 Q. So a total of \$18 million over the
21 period.

22 A. Yes, sir.

23 Q. And you are offering no opinions relating
24 to any other aspects of the companies' proposed ESP
25 IV case including all stipulations other than what is

1 contained in your written testimony, correct?

2 A. That is correct, within my testimony.

3 Q. And it's fair to say that you are
4 familiar with the PIPP Plus program in Ohio?

5 A. I am.

6 Q. Very fair to say.

7 A. I was just at the oversight board
8 meeting, yes.

9 Q. And you view the PIPP Plus program as an
10 affordable rate program with affordable rate program
11 being defined -- or affordable rate being defined as
12 a percentage of a customer's income, correct?

13 A. Correct.

14 Q. And then the customer makes a monthly
15 payment for electricity based on that percentage,
16 correct?

17 A. That is correct.

18 Q. And if the customer makes their PIPP Plus
19 monthly payment, the difference between the actual
20 bill and the payment amount is forgiven, correct?

21 A. The delta revenue is indeed forgiven.

22 Q. And for a customer to qualify for the
23 PIPP Plus program, their income must be at or below
24 150 percent of the federal poverty level?

25 A. That is the regulation, yes.

1 Q. And you would agree that the PIPP Plus
2 program is beneficial to the customers that
3 participate in the program because they no longer owe
4 the difference between the actual bill and their PIPP
5 payment, correct?

6 A. It is advantageous to customers because
7 it puts in place a rate that is relatively affordable
8 for them to pay. So it is our hope that because the
9 rate is more affordable, they won't get into
10 situations where they trigger a disconnection.

11 Q. And that's a benefit to customers who
12 participate in the program.

13 A. Absolutely, yes.

14 Q. And not being obligated to pay the
15 difference between the actual bill and their PIPP
16 payment is also a benefit to the customers in the
17 program.

18 A. Yes, if they had -- since they are paying
19 an amount that's lower than the tariffed rate, it is
20 beneficial.

21 Q. And it's fair to say that the PIPP Plus
22 program has helped customers avoid disconnections?

23 A. Yes, that is an accurate statement.

24 Q. And the difference that is not paid by
25 the PIPP Plus customer is paid by other customers

1 through the USF rider, correct?

2 A. Yes, it is.

3 Q. And the funding level for the USF rider
4 is based upon a filing by the Ohio Development
5 Services Agency and then approved by this Commission,
6 correct?

7 A. Correct.

8 Q. And you would agree the funding amount
9 for the PIPP Plus program for 2015 is approximately
10 \$383 million?

11 A. Yes.

12 Q. And you would also agree that the FE
13 companies' portion of that \$383 million is
14 approximately \$136 million?

15 A. Subject to check, yes, but I believe
16 that's accurate.

17 MR. BURK: Your Honor, may I approach the
18 witness?

19 EXAMINER CHILES: You may.

20 Q. Mr. Rinebolt, I am going to show you a
21 copy of the opinion and order of Case No.
22 14-1002-EL-USF.

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

25 (Discussion off the record.)

1 EXAMINER CHILES: Go back on the record.
2 Sorry for the interruption.

3 Q. (By Mr. Burk) And I will refer you to
4 page 4 of that order. Well, we are trying to specify
5 the amounts for the FE companies, and you would agree
6 the amount for CEI is about \$51 million?

7 A. Yes.

8 Q. And the amount for Ohio Edison is about
9 \$61 million?

10 A. Correct.

11 Q. And the amount for Toledo Edison is about
12 \$24 million?

13 A. That is correct.

14 Q. Thank you.

15 And you are also familiar with the Home
16 Energy Assistance Program in Ohio, correct?

17 A. Yes, I am.

18 Q. And one element of the -- what I will
19 refer to -- if I refer to that as the HEAP program,
20 will you understand what I mean?

21 A. I will.

22 Q. And one element of the HEAP program works
23 in concert with the Commission's winter reconnect
24 order and provides funding for customers to avoid
25 disconnection or to be reconnected, correct?

1 A. Correct. It's known as the Winter Crisis
2 program.

3 Q. You anticipated my next question. And
4 the benefit to customers is a payment in the amount
5 of \$175, correct, for that Winter Crisis program?

6 A. That is the Winter Crisis payment up to
7 \$175.

8 Q. And regarding the second element of the
9 HEAP program, which you refer to as the regular HEAP
10 program, any -- anyone with an income under
11 175 percent of the federal poverty level may apply
12 for that benefit, correct?

13 A. That is correct.

14 Q. And it's fair to say that in terms of
15 dollars, the HEAP program provides about \$152 million
16 in funding to customers in Ohio in 2014; does that
17 sound about right?

18 A. That's about right, yeah.

19 Q. And the Winter Crisis program element of
20 the HEAP program benefited about 16,000 customers in
21 2014; does that sound correct?

22 A. That is correct.

23 Q. And the regular HEAP program benefited
24 about 300,000 customers in 2014; is that correct?

25 A. That is correct.

1 Q. Now, we talked a little bit earlier about
2 the Community Connections program. And would you
3 agree that that program is generally focused on
4 providing lighting, refrigerators, and freezers and
5 other baseload energy uses, correct?

6 A. That is correct. We focus on efficiency
7 and baseload consumption.

8 Q. And the Community Connections program is
9 available to customers with an income of less than
10 200 percent of the federal poverty level, correct?

11 A. That is correct.

12 Q. And you would agree that the Community
13 Connections program benefits the customers that
14 participate in the program?

15 A. Absolutely. The evaluations indicate
16 that it saves customers between 8 and 12 percent.

17 Q. Thank you. And then you're also familiar
18 with a program called the Home Weatherization
19 Assistance program, also referred to as the HWAP
20 program, correct?

21 A. I am, yes.

22 Q. And you would agree that the Ohio HWAP
23 program focuses on reducing heating and cooling costs
24 for customers by, for example, installing wall
25 insulation, attic insulation, air sealing, duct

1 sealing, and those types of things, correct?

2 A. Correct.

3 Q. And the annual allocation from the
4 Department of Energy for the Ohio HWAP program is
5 roughly \$12 million, correct?

6 A. That is correct.

7 Q. And the state of Ohio has traditionally
8 transferred an amount from the HEAP program to the
9 HWAP program for -- totals out to an amount --
10 combined amount of about \$28 million annually for the
11 Ohio HWAP program, correct?

12 A. That is correct.

13 Q. And then you are also aware that Dominion
14 in Ohio also has a Community Connections program,
15 correct?

16 A. They call their program Housewarming
17 but...

18 Q. Oh, okay. And you would agree with me
19 that the Dominion Housewarming program provides about
20 \$6.5 million annually, correct?

21 A. That is correct.

22 Q. Now, referring to your testimony at page
23 4, line 6, are you there?

24 A. I am.

25 Q. There is a phrase in that line that

1 references an estimated 340,000 households are poor.

2 Do you see that?

3 A. Yes.

4 Q. And you would agree that the reference to
5 quote-unquote poor means below the federal poverty
6 level for the period under review, correct?

7 A. That is correct.

8 Q. Now, let me refer you to your testimony
9 at page 9, line 13. Do you have that?

10 A. Yes, I do.

11 Q. Okay. And that in that line you refer to
12 a quote-unquote statutory requirement. Do you see
13 that?

14 A. I do.

15 Q. And the statutory requirement as you have
16 used it there means Revised Code Section 4928.02(L),
17 correct?

18 A. Correct.

19 Q. And that is the only statute that the
20 phrase is referring to, correct?

21 A. Yes.

22 Q. And you believe that Revised Code
23 4928.02(L) requires that some level of assistance,
24 that something be provided to low income and
25 vulnerable customers to ensure that energy is

1 affordable for them, correct?

2 A. I view the thrust of the statutory
3 provision as requiring that in the context of
4 standard service offer cases, that steps should be
5 taken to ameliorate the impact of rate increases on
6 customers.

7 Q. And do you recall having your deposition
8 taken in this proceeding?

9 A. I do.

10 Q. And that was taken on August 12, 2015?

11 A. Yes.

12 Q. And there was a court reporter there and
13 took down all of your answers under oath; is that
14 correct?

15 A. That is correct.

16 Q. Would you -- could you turn to page 53.
17 Specifically line 14, the question was "And do you
18 believe that Revised Code 4928.02(L) imposes a
19 mandate upon the PUCO to approve your" -- that's the
20 wrong cite.

21 MR. BURK: Just one moment, your Honor.
22 Okay. That was the correct cite. My apologies, your
23 Honor.

24 Q. So starting on page 53, line 14, the
25 question posed is, "And do you believe that Revised

1 Code 4928.02(L) imposes a mandate upon the PUCO to
2 approve your proposal in this ESP proceeding?" And
3 the answer, which is a bit long but I will read it
4 all, the answer is "I believe that that section of
5 the statute requires that some level of assistance,
6 something be provided to low income and vulnerable
7 customers to ensure that energy is affordable for
8 them. That type of assistance can take a wide
9 variety of forms."

10 Then the answer goes on "Given the past
11 history, the fact that in previous standard service
12 offer cases, a fuel fund was included and, in fact,
13 that in this case a fuel fund is included, we felt
14 that this was the nature of the assistance that the
15 company was comfortable with providing and it was the
16 approach to take given the track record -- given that
17 these funds have been operating for some time. We
18 could certainly devise a different appropriate to
19 ameliorating the impact of rate increases or new
20 riders on customers. There are a large number of
21 examples for how to provide reduced rates to
22 industrial customers, and I would suspect that some
23 of those could be adapted to assist this customer
24 base." Did I read that correctly?

25 A. Yes, you did.

1 Q. And you believe that the type of
2 assistance can take a wide variety of forms, correct?

3 A. I do.

4 Q. But you would agree that it is not a
5 violation of Revised Code 4928.02(L) if the
6 Commission does not adopt your recommendation in this
7 proceeding because there are other approaches that
8 could be used to address this policy provision as we
9 just discussed, correct?

10 A. Correct.

11 Q. And, Mr. Rinebolt, we talked about the
12 Dominion Housewarming program.

13 A. Yes.

14 Q. That's similar to the companies'
15 Community Connections program, correct?

16 A. Not particularly. They are both -- one
17 is more of an energy efficiency program. That would
18 be Community Connections. And when I say energy
19 efficiency, I mean it focuses on electric efficiency
20 measures; whereas, the Housewarming program is --
21 focuses on natural gas customers. And to have the
22 largest impact, you focus on air sealing and shell
23 measures, as we call them, insulation, because that
24 provides the biggest impact for the dollars expended,
25 but the two programs are complimentary.

1 Q. Okay. And you view both programs as
2 beneficial to low income customers, correct?

3 A. Yes, I do.

4 Q. And just to make sure I ask you this
5 question, the Community Connection program is funded
6 at a level of \$5 million per year across the three
7 FirstEnergy companies, correct?

8 A. Yes, it is.

9 Q. Okay. And so that would be a total of
10 \$15 million over the ESP IV period, correct?

11 A. That is correct.

12 MR. BURK: I think that's all I have.
13 Thank you very much, Mr. Rinebolt.

14 EXAMINER CHILES: Thank you, Mr. Burk.
15 Mr. McNamee?

16 MR. MCNAMEE: No, I have no questions.
17 Thank you.

18 EXAMINER CHILES: Thank you.

19 Ms. Mooney, redirect? Do you need a few
20 minutes?

21 MS. MOONEY: Yeah.

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

24 (Discussion off the record.)

25 EXAMINER CHILES: Let's go back on the

1 record.

2 Ms. Mooney?

3 MS. MOONEY: Yes, we would have one
4 recross.

5 MR. BURK: Ms. Mooney, can you use the
6 microphone.

7 MS. MOONEY: Oh, all right.

8 - - -

9 REDIRECT EXAMINATION

10 By Ms. Mooney:

11 Q. Mr. Rinebolt, can you tell me if a
12 weatherization program or the PIPP program provides
13 the same benefits to customers as a fuel fund would
14 provide?

15 A. They are all different approaches to
16 assisting low income customers afford their energy
17 bills and remain connected for energy service.
18 Unlike a weatherization program or the PIPP program,
19 a fuel fund is used in emergency situations when a
20 customer is subject to disconnection or has been
21 disconnected, and it is a -- a pool of funds that we
22 use at the agency level.

23 We work with the utility. We determine
24 how much money is necessary for a customer to remain
25 connected to service, and then the money comes from

1 the fuel fund. It is utilized after a client has
2 received HEAP and has received -- and if they were
3 eligible, funding under the winter crisis program.
4 So it is supplemental, and it is used in emergency
5 situations where a customer is in danger of
6 disconnection.

7 MS. MOONEY: That's all, your Honor.
8 Thank you.

9 EXAMINER CHILES: Thank you, Ms. Mooney.
10 Any recross, Ms. Bojko?

11 MS. BOJKO: No, nothing.

12 EXAMINER CHILES: Ms. Fleisher?

13 MS. FLEISHER: No, your Honor.

14 EXAMINER CHILES: Mr. Olikier?

15 MR. OLIKER: No, your Honor.

16 EXAMINER CHILES: Mr. Borchers?

17 MR. BORCHERS: No, your Honor.

18 EXAMINER CHILES: Ms. Cohn?

19 MS. COHN: No questions.

20 EXAMINER CHILES: Mr. Sauer?

21 MR. SAUER: No, thank you.

22 EXAMINER CHILES: Mr. Burk?

23 MR. BURK: No questions.

24 EXAMINER CHILES: Mr. McNamee?

25 MR. MCNAMEE: No questions. Thank you.

1 EXAMINER CHILES: No questions,
2 Mr. Rinebolt, so you are excused.

3 MS. MOONEY: Your Honor, OP&E would move
4 for the admission of OP&E Exhibit 1.

5 EXAMINER CHILES: Are there any
6 objections to the admission of OP&E Exhibit 1?

7 Hearing none, OP&E Exhibit 1 will be
8 admitted.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 EXAMINER CHILES: At this time, we will
11 take a brief recess. Let's go off the record.

12 (Recess taken.)

13 EXAMINER ADDISON: Let's go ahead and go
14 back on the record.

15 Mr. McNamee.

16 MR. McNAMEE: Thank you, your Honor. At
17 this time staff would call Tammy Turkenton.

18 (Witness sworn.)

19 EXAMINER ADDISON: Thank you.

20 - - -
21
22
23
24
25

1 TAMARA S. TURKENTON

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

4 DIRECT EXAMINATION

5 By Mr. McNamee:

6 Q. Ms. Turkenton, would you state and spell
7 your name for the record, please.

8 A. Tamara Turkenton, T-U-R-K-E-N-T-O-N.

9 Q. By whom are you employed and in what
10 capacity?

11 A. Public Utilities Commission, and I am the
12 chief of regulatory services.

13 Q. What is your business address?

14 A. 180 East Broad, Columbus, Ohio 43215.

15 MR. McNAMEE: Your Honor, at this time, I
16 would ask to have marked for identification as Staff
17 Exhibit 10 a multi-page document filed in this case
18 on September 18, 2015, denominated prefled testimony
19 of Tamara S. Turkenton.

20 EXAMINER ADDISON: So marked.

21 (EXHIBIT MARKED FOR IDENTIFICATION.)

22 MR. McNAMEE: Thank you, your Honor.

23 Q. (By Mr. McNamee) Ms. Turkenton, do you
24 have before you what has been marked as Staff Exhibit
25 10?

1 A. I do.

2 Q. What is it?

3 A. It's my prefiled testimony in this case.

4 Q. It was prepared by you or under your
5 direction?

6 A. It was.

7 Q. Do you have any corrections to make to
8 that document?

9 A. I do not.

10 Q. Okay. If I were to ask you the questions
11 that are presented therein again here this afternoon,
12 would your answers be the same as they appear in
13 what's been marked for identification as Staff
14 Exhibit 10?

15 A. They would.

16 Q. Are the contents of what has been marked
17 as Staff Exhibit 10 true, to the best of your
18 knowledge and belief?

19 A. They are.

20 Q. Okay. And do you adopt what's been
21 marked for identification as Staff Exhibit 10 as your
22 direct testimony in this case?

23 A. I do.

24 MR. McNAMEE: With that, your Honor, the
25 witness is available for cross-examination.

1 EXAMINER ADDISION: Thank you.

2 Ms. Mooney, do you have any questions?

3 MS. MOONEY: No questions, your Honor.

4 EXAMINER ADDISON: Thank you.

5 Ms. Bojko?

6 MS. BOJKO: Yes, please.

7 - - -

8 CROSS-EXAMINATION

9 By Ms. Bojko:

10 Q. Good afternoon, Ms. Turkenton.

11 A. Good afternoon.

12 Q. Could you turn to page 3 of your
13 testimony, please. Looking at page 3, lines 6
14 through 7.

15 A. I'm there.

16 Q. In this section, are you suggesting that
17 you believe the ESP is more favorable in the
18 aggregate than the MRO only if staff's
19 recommendations are adopted?

20 A. That's correct.

21 Q. And that's all of staff's
22 recommendations; is that correct?

23 A. That's correct.

24 Q. So that would be -- are there eight other
25 witnesses plus yourself?

1 A. There's several staff witnesses. I don't
2 know if there's eight but...

3 Q. Okay. And would one of those
4 recommendations be the denial of the purchase power
5 arrangement?

6 MR. RANDAZZO: I object. This is
7 friendly cross.

8 MR. KUTIK: I join.

9 MS. BOJKO: Your Honor, I am trying to
10 get clarification from the two sentences in the
11 document. She doesn't say it specifically, so I am
12 trying to decide what it includes and what it doesn't
13 include.

14 EXAMINER ADDISON: Mr. Randazzo, do you
15 have a response?

16 MR. RANDAZZO: Your Honor, it may be that
17 that's what she is after, but it's friendly cross.

18 MR. KUTIK: There's no point of adversity
19 on this issue between Ms. Bojko's client and the
20 staff's position.

21 MS. BOJKO: I can't be certain what she
22 is going to say, your Honor.

23 EXAMINER ADDISON: We are going to
24 sustain the objection.

25 Q. (By Ms. Bojko) Would this include --

1 strike that.

2 MS. BOJKO: That's all I have, your
3 Honor. Thank you.

4 EXAMINER ADDISON: Thank you, Ms. Bojko.
5 Ms. Fleisher?

6 MS. FLEISHER: Yes, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Ms. Fleisher:

10 Q. Hello, Ms. Turkenton. My name is
11 Madeline Fleisher. I represent the Environmental Law
12 & Policy Center. I have just a couple of questions
13 for you. In preparing your testimony, you reviewed
14 the various stipulation documents filed in this case,
15 correct?

16 A. I did.

17 Q. Okay. So that includes the second
18 stipulation filed in December, 2014 the supplemental
19 stipulation; and the second supplemental stipulation,
20 correct?

21 A. That's correct.

22 Q. And are you aware that those include
23 FirstEnergy's commitment to -- to provide certain
24 energy efficiency fundings for the parties City of
25 Akron, COSE, and AICUO?

1 MR. RANDAZZO: I object.

2 EXAMINER ADDISON: Grounds?

3 MR. RANDAZZO: Friendly cross.

4 MS. FLEISHER: Your Honors, I actually
5 think there is a point of adversity on this issue in
6 that my questions are -- go to the completeness of
7 Ms. Turkenton's consideration of the ESP versus MRO
8 test and whether it did include all of the relevant
9 issues.

10 EXAMINER ADDISON: Mr. Randazzo, do you
11 have a response?

12 MR. RANDAZZO: Well, as I understand this
13 witness's testimony, she indicated she only holds the
14 ESP is better than the MRO if all the staff
15 recommendations are adopted. That was made clear in
16 the cross-examination of Ms. Bojko. Other than that,
17 this witness's testimony stands as being not adverse
18 to the positions that are being expressed by the
19 Sierra Club.

20 MS. FLEISHER: There's certainly -- her
21 testimony certainly leaves open a world in which all
22 staff's recommendations are adopted which would
23 include certain provisions of the -- would allow
24 certain provisions of the stipulation to still go
25 into effect that I am asking about here. Her --

1 EXAMINER ADDISON: I am going to allow
2 this question.

3 MS. FLEISHER: Thank you, your Honor.

4 THE WITNESS: I need the question reread,
5 please.

6 EXAMINER ADDISON: Please.

7 (Record read.)

8 A. Yes, I am aware of those provisions.

9 Q. Okay. And your testimony does not
10 address those provisions, correct?

11 A. I -- they don't specifically address -- I
12 don't specifically address those provisions in my
13 testimony, but I did use them in my analysis.

14 Q. So are you saying that your entire
15 analysis isn't -- isn't represented in your
16 testimony?

17 A. No. What I believe is that these costs
18 that are recovered through DSE, they are costs, but I
19 do believe there's benefits that based on energy
20 efficiency, if the total resource cost test is met, I
21 believe that the benefits could outweigh the costs.
22 So I did not factor them into the quantitative
23 analysis of my MRO versus ESP test, but I did
24 consider them.

25 Q. Okay. And you don't discuss any of those

1 benefits that you are describing now in your
2 testimony, correct?

3 A. As I indicated, I don't specifically
4 address them in my testimony, but they were in my
5 analysis.

6 Q. Okay. And considering those benefits,
7 did you consider the existence of other energy
8 efficiency programs being implemented by FirstEnergy
9 in connection with Case No. 12-2190-EL-POR?

10 A. I did not do a review of all energy
11 efficiencies that are in rider DSE, but I did look at
12 the supplemental stip of December 22 for the payments
13 that you are not -- they are not actually payments
14 but for the items that are going to be recovered
15 through DSE and factored those into my analysis of
16 the test.

17 Q. So you are unable to speak to what
18 other -- what energy efficiency programs FirstEnergy
19 might implement in the absence of the programs
20 described in the stipulation, correct?

21 A. No. I think there are other staff
22 witnesses that could speak to DSE.

23 Q. And your testimony also does not address
24 the portions of the stipulation documents regarding
25 the interruptible program proposed, correct?

1 A. No. Again, they would not be in my
2 testimony. They were not factored into the test
3 because staff is not recommending either -- either of
4 the ELR provisions to be approved, so they would not
5 be factored into the MRO versus ESP test.

6 MS. FLEISHER: Okay. That's all I have,
7 your Honors. Thank you.

8 EXAMINER ADDISON: Thank you.

9 Mr. Oliker?

10 MR. OLIKER: No, thank you, your Honor.

11 EXAMINER ADDISON: Mr. Borchers?

12 MR. BORCHERS: Yes, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Borchers:

16 Q. Good afternoon.

17 A. Good afternoon.

18 Q. I am Dylan Borchers on behalf of NOPEC.
19 Just a few questions. On page 3 and 4 of your
20 testimony, you note that the stipulation filed by
21 various parties on December 22, 2014, assuming that
22 the terms of that stipulation are approved by the
23 Commission, provided a total of \$7.2 million in
24 quantitative benefits, correct?

25 A. Yeah, in addition to the 3 million that

1 was already included in the original application.

2 Q. And this \$7.2 million represents funded
3 commitments to provide three identified benefits, the
4 first being to assist at-risk populations, the second
5 to promote energy efficiency, and the third to
6 promote retail competitive markets, correct?

7 A. I would indicate that the 7.2 was for CEI
8 low income-type programs and for energy efficiency
9 items from the Citizens Coalition. I can't agree
10 with your verbiage regarding the retail competitive
11 market.

12 Q. I'm looking at page 4 of your testimony
13 on line 2 where you reference "promote the retail
14 competitive markets."

15 A. Yes. I see what you are saying. I
16 believe that. I thought you were indicating that
17 that was what the supplemental stip indicated that
18 those items were.

19 Q. I am just trying to clarify what you
20 meant in your testimony.

21 A. Yes.

22 Q. Thank you. During your time with the
23 Commission, have you been involved in distribution
24 rate cases?

25 A. On a very limited basis.

1 Q. Okay. But based on your experience, are
2 you aware if stipulations have been used to resolve
3 issues in distribution rate cases?

4 A. Stipulations have been used to resolve
5 rate cases, yes.

6 Q. And a stipulation in a distribution rate
7 case could also include those identified benefits of
8 the stipulation in it as well, correct?

9 A. Can I have that question reread, please.

10 EXAMINER ADDISON: You may.

11 (Record read.)

12 A. I believe as the parties and the
13 Commission deem that those are benefits of the
14 stipulation, yes, they could be relevant.

15 Q. On page 4 of your testimony beginning on
16 line 20, you identify "a supplier web portal and
17 retail enhancements as additional qualitative
18 benefits of the ESP," correct?

19 A. That's correct.

20 Q. And similar to my previous question,
21 these benefits could also be provided for in a
22 stipulation in a distribution rate case context,
23 correct?

24 A. They could, but -- they could but in an
25 ESP construct which I'm supporting. I believe the

1 supplier web portal, there's more flexibility. We
2 could implement the web portal faster than we could
3 under an MRO scenario or even a distribution rate
4 case scenario. So that's why I deem it as a
5 qualitative benefit.

6 Q. And as you answered to a question from
7 Ms. Bojko, to clarify, your conclusion that this ESP
8 is in its aggregate more beneficial than the MRO is
9 based on an ESP as modified by staff recommendations,
10 correct?

11 A. Yes. As modified by staff, correct.

12 Q. Did you do any analysis of the costs that
13 customers would incur under rider RRS?

14 A. I did not.

15 Q. Going to page 4, line 12 of your
16 testimony, you state "The structure of the DCR rider
17 provides an economical and efficient process which
18 enables the companies to make investments in their
19 distribution system." Do you see that line?

20 A. I do.

21 Q. Can you tell me what you mean by "an
22 economical and efficient process"?

23 A. Well, I will start with efficient. I
24 believe if something is efficient, it's probably
25 economical, and I would direct you that this is a

6060

1 qualitative benefit, not a quantitative benefit. But
2 to answer your question in terms of efficient, I
3 believe the DCR, there's sort of three prongs to it.
4 Staff has the ability to look at quarterly and annual
5 reviews on a more timely basis so that we can deem
6 whether the costs are prudent. So I believe that's
7 more efficient.

8 It also allows the companies to make
9 proactive investments in their distribution system,
10 which from a staff prospective, I would hope would be
11 more reliable and safe -- and safer. And then it
12 also -- and for the companies will reduce regulatory
13 lag.

14 So I believe those are the reasons why
15 it's more efficient. And as I stated, efficiency
16 leads to economics, in my mind. But this is really
17 not economics in terms of the dollar impact. It's
18 from a qualitative standpoint.

19 Q. So on that issue of regulatory lag, so
20 I'm clear, the company gets to collect its money
21 sooner under rider DCR than it would under another
22 construct.

23 A. Yes.

24 Q. And but you didn't attempt to quantify
25 these costs.

1 A. I did not because I used it as a
2 qualitative benefit.

3 MR. BORCHERS: I have no more questions,
4 your Honor.

5 EXAMINER ADDISON: Thank you.

6 Ms. Willis?

7 MS. WILLIS: Thank you, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Ms. Willis:

11 Q. Good afternoon, Ms. Turkenton.

12 A. Good afternoon.

13 Q. I am going to direct your attention to
14 your testimony where you indicate that "the ESP as
15 modified by the staff would be more favorable than an
16 MRO," and I think Ms. Bojko asked you some questions,
17 but I'm going to try to ask you those questions. I
18 want to understand what "as modified by the staff"
19 means. Does that mean that there is no pilot program
20 to allow an opt out for rider NMB?

21 A. That is correct.

22 Q. Does that mean that rider DCR is based on
23 a \$15 million cap per year with a mandatory rate
24 case?

25 A. Yes, based on Ms. McCarter's testimony.

1 Q. Does that mean that there will be no
2 governmental directives rider?

3 A. Yes, based on Ms. McCarter's testimony.

4 Q. And does that also mean that there will
5 be a filed business case for SmartGrid with the
6 nonbypassable rider set at zero?

7 A. Yes, based on Mr. Benedict's testimony.

8 Q. Now, when you have a rider set at zero in
9 an ESP case and it later becomes populated with cost,
10 how do you determine the effect of those later costs
11 on the ESP versus MRO test?

12 A. That would be an analysis, if the
13 Commission were to direct me or another staff member
14 to make that analysis, we would have to determine
15 whether those costs would play into the MRO versus
16 ESP test. But, right now, it's a zero-based rider,
17 so it was not factored into the test.

18 Q. So are you envisioning a process post-ESP
19 that when the costs are identified, that the ESP
20 versus MRO test is redone at that point in time?

21 A. No. Maybe I misspoke. I'm not
22 envisioning that I would necessarily do another MRO
23 versus ESP test. I am just saying the Commission
24 could consider that in their opinion and order in
25 this case, but at that time, they are probably not

1 going to know the cost of the business case. So as I
2 stated, I did not factor it into the test because the
3 costs are just unknown.

4 Q. Should the Commission consider -- if the
5 costs later become known, should the Commission
6 consider those costs in a new ESP versus MRO
7 calculation, in your opinion?

8 A. I believe that's up to the Commission.

9 Q. Now, the "as modified by the staff" would
10 include the staff's position on storm deferral
11 modifications, correct?

12 A. Yes, as -- as discussed by Staff Witness
13 Hecker.

14 Q. And the "as modified staff position"
15 would include rider NMB exclusions, correct?

16 MR. RANDAZZO: Asked and answered.
17 Object.

18 EXAMINER ADDISON: I am going to allow
19 the question.

20 A. Yes, as discussed by Staff Witness
21 Hecker.

22 Q. And the "staff as modified position"
23 would include the staff's recommendation on carrying
24 charge rates for the numerous riders within the ESP
25 application.

1 A. Yes, as discussed in Staff Witness
2 Hecker's testimony.

3 Q. And the "staff's as modified position"
4 would include the denial of the incremental tax
5 provision, correct?

6 A. Yes. I don't remember which staff
7 witness, if that was Ms. McCarter or Mr. Hecker, but
8 yes, as modified by staff.

9 Q. And the "as modified staff position"
10 would also include a denial of the ELR modifications
11 that are proposed in the stipulation, correct?

12 A. Yeah, as discussed by Mr. Scheck, Staff
13 Witness Scheck.

14 Q. And the "as modified staff position"
15 would include a phase out and not a phase down of
16 rider EDR, correct?

17 A. Yes, as discussed in Staff Witness
18 Scheck's testimony.

19 Q. And the "as modified position of the
20 staff" would include a continuation of time-of-use
21 rates, correct?

22 A. Again, as discussed in Staff Witness
23 Scheck's testimony.

24 Q. And the "as modified staff position"
25 would include shareholder funding of monetary

1 payments in the stipulation made to the various
2 parties, correct?

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

5 EXAMINER ADDISON: You may.

6 (Record read.)

7 A. Correct, as discussed by Staff Witness
8 Scheck in his testimony.

9 Q. And the staff -- the "as modified staff
10 position" would include staff's position against the
11 restrictiveness of the commercial high load factor
12 experimental time-of-use rate proposal, correct?

13 A. Again, yes, as discussed in Staff Witness
14 Scheck's testimony.

15 Q. And finally the "as modified staff
16 position" would include the position that there
17 should be no rider RRS, correct?

18 A. Yes, as discussed in Dr. Choueiki's
19 testimony.

20 Q. Now, is it your understanding that
21 Dr. Choueiki also presented an alternative to the no
22 RRS rider?

23 A. Yes, I'm aware.

24 Q. And is that alternative, if you know, a
25 three-year rider RRS?

1 A. That's my understanding.

2 Q. And if a three-year rider RRS is adopted
3 by the Commission, you have not presented the effect
4 of that in an ESP versus MRO test calculation; is
5 that correct?

6 A. That is correct.

7 Q. Do you believe, Ms. Turkenton, that a
8 financial hedge is permissible under the MRO statute?

9 MR. McNAMEE: Object.

10 EXAMINER ADDISON: Grounds?

11 MR. McNAMEE: Clearly asking for a legal
12 opinion from this witness and outside the scope of
13 her testimony, I believe.

14 MR. KUTIK: I would join, your Honor.

15 MS. WILLIS: Your Honor, may I respond?

16 EXAMINER ADDISON: You may.

17 MS. WILLIS: Your Honor, I believe this
18 witness is the witness who has conducted the MRO
19 versus ESP test that does involve questions that
20 could include law. She has made opinions on whether,
21 for instance, adjustments could be made under the MRO
22 versus an ESP, and it's well within the scope of her
23 testimony.

24 MR. KUTIK: Your Honor, her testimony is
25 that she is judging the ESP versus MRO test without

1 rider RRS being included.

2 EXAMINER ADDISON: Ms. Turkenton, you are
3 not an attorney, are you?

4 THE WITNESS: I am not.

5 EXAMINER ADDISON: With that
6 understanding, we are going to allow the question to
7 the extent she has an opinion.

8 MS. WILLIS: Thank you, your Honor.

9 THE WITNESS: Could I have the question
10 reread, please?

11 EXAMINER ADDISON: Yes, please. Thank
12 you, Karen.

13 (Record read.)

14 A. I have no opinion.

15 Q. Do you believe that the rider RRS as
16 structured by the company is a cost -- or is
17 permissible under an MRO?

18 MR. McNAMEE: Objection.

19 EXAMINER ADDISON: Grounds?

20 MR. McNAMEE: Again, we are asking this
21 nonlawyer witness for a legal opinion about something
22 that she's not recommending.

23 EXAMINER ADDISON: Ms. Willis, do you
24 have a response?

25 MS. WILLIS: Yes, your Honor, it's

1 staff's alternative recommendation, that's what
2 Ms. Turkenton testified to. And, again, the MRO
3 versus ESP test is what she is testifying to. And
4 when you calculate the MRO versus ESP test, you have
5 to make a determination as to what elements fit on
6 which side of the equation, so it's clearly a
7 question of mixed fact and law that you have to apply
8 the law to the facts so it is permissible.

9 EXAMINER ADDISON: Mr. McNamee, last
10 word?

11 MR. McNAMEE: My machine has stopped
12 working here, I am afraid.

13 MS. WILLIS: That's unfortunate.

14 MR. McNAMEE: She doesn't sound too
15 unhappy about that, does she? I have nothing
16 further. Get a different device.

17 EXAMINER ADDISON: At this point, I am
18 going to sustain the objection.

19 Q. (By Ms. Willis) Do you recall testifying
20 to an opinion in the AEP PPA -- or the AEP ESP as to
21 whether or not a -- the AEP's proposed PPA rider is a
22 permissible provision under an MRO stat -- under the
23 MRO in the calculation of the ESP versus MRO
24 analysis?

25 MR. McNAMEE: Objection.

1 EXAMINER ADDISON: Grounds?

2 MR. McNAMEE: Relevance. We are not
3 talking about AEP's proposal, whatever that may be.
4 We are talking about FirstEnergy's proposal. It's
5 not relevant to this proceeding.

6 MS. WILLIS: Clearly, your Honor, the AEP
7 proposal is one of -- is through which -- the AEP
8 proposal is how we got to all the AEP factors, and
9 there's been quite a bit of testimony in this case,
10 in fact, the Attorney Examiner ordered parties to
11 address the AEP factors, so I find it a little bit
12 difficult to believe that AEP -- the AEP hearing and
13 the proposal are not highly relevant to this
14 proceeding.

15 EXAMINER ADDISON: I'll allow the
16 question. If she knows, she can answer.

17 THE WITNESS: Can I have the question
18 reread, please?

19 EXAMINER ADDISON: Yes, please.

20 (Record read.)

21 A. I do not recall that line of questioning,
22 Ms. Willis.

23 MS. WILLIS: May I have a moment, your
24 Honor?

25 EXAMINER ADDISON: You may.

1 Q. Is it your understanding, Ms. Turkenton,
2 that the MRO statute distinguishes between generation
3 that is owned and generation that is not owned in
4 defining purchase power costs that are allowable
5 under an MRO?

6 A. Yes. I believe that in Section 142 there
7 is a discussion of purchased power versus
8 distinguishing it from other generation.

9 Q. And if the purchased power -- is it your
10 understanding that if the purchased power is owned by
11 the utility, then it may be permissible under an --
12 under an MRO; is that correct?

13 A. I think that's up for Commission
14 determination as to whether it's permissible under
15 M -- under an MRO, but, yes, there is a reference in
16 Section 142, the MRO statute, regarding purchased
17 power.

18 Q. Do you understand that FirstEnergy does
19 not own both Sammis and Davis-Besse units, that is
20 not generation owned by FirstEnergy?

21 A. Yes, I understand that.

22 Q. Okay. Now, in your testimony you did not
23 present specific costs or benefits to be weighed in
24 the ESP versus MRO analysis either quantitatively or
25 qualitatively with respect to the staff modifications

1 that we've discussed; is that correct?

2 A. Can I have that question reread, please?

3 EXAMINER ADDISON: Yes, please.

4 (Record read.)

5 A. No, that's not correct. I did include
6 them in my analysis. As we discussed at length, the
7 staff modifications -- the staff is not recommending
8 that the Commission approve, there was no need to
9 include them in my test because we weren't approving
10 them, so I -- even though they are not enumerated in
11 my testimony, I did include them in my analysis as a
12 cost.

13 Q. Then you included -- let me strike that.
14 You have not done an analysis,
15 Ms. Turkenton, that the ESP as filed would be more
16 favorable than a market rate offer; is that correct?

17 A. That is correct.

18 Q. And you have not done an analysis that
19 the ESP as modified by the stipulation would be more
20 favorable in the aggregate than an MRO, correct?

21 THE WITNESS: Can I have that question
22 reread, please.

23 EXAMINER ADDISON: You may.

24 (Record read.)

25 A. That is not correct. I did do an

1 analysis of the December 22 stipulation and the other
2 supplemental stipulations, and as I stated before,
3 those were not costs that would be either included on
4 both sides or not included on both sides, so I did do
5 an analysis. They just weren't relevant to the
6 quantitative aspects of the MRO versus ESP test.

7 Q. Do you believe that the costs of the
8 retail stability rider are -- or RRS is a
9 quantitative cost of the ESP?

10 A. Yes. I -- I stand corrected. I see
11 what -- the stipulation of December 22, some parties
12 did sign on to the RRS. I misspoke.

13 Q. Okay. And do you understand that for the
14 three-year term of the RRS that the companies'
15 projections of the costs to customers is
16 \$420 million?

17 A. I have heard that number during testimony
18 in this case, yes.

19 Q. And that \$420 million was not taken into
20 account in your ESP versus MRO analysis, correct?

21 A. No, because as we just discussed, I did
22 not do an analysis on the as filed stipulation,
23 although I did look at benefits in terms of including
24 them on either side of the test and would have
25 weighed those in if they were applicable.

1 Q. Are there any other costs that you did
2 not include in your analysis in considering whether
3 this stipulation, the December stipulation, was more
4 favorable in the aggregate than an MRO?

5 A. The only other one that I can think of is
6 the automaker credit, I believe there is a cost to
7 that, but I believe there was also economic
8 development benefits to that. And so I believed
9 either -- the benefits would outweigh the costs, so I
10 did not factor them into my test.

11 Q. Did you identify any benefits
12 associated -- let me strike that.

13 Now, on page 4 of your testimony, you are
14 describing what you believe are qualitative benefits
15 to the ESP application as modified by the staff,
16 correct? And I am referring to lines 7 through 17.

17 A. That's correct.

18 Q. And you mentioned that the proposed ESP
19 commits to continue rider DCR, correct?

20 A. That's correct.

21 Q. Would you agree with me that an
22 alternative method of recovering investment and
23 distribution is for the utility to file a base rate
24 case?

25 A. It's an alternative, yes.

1 Q. And do you have any basis to believe that
2 a base rate case to recover distribution investment
3 will not permit the company to collect its
4 distribution investment?

5 A. I have no basis to believe it would not
6 allow them to collect their investment.

7 Q. And would you agree with me,
8 Ms. Turkenton, that a rate case provides an
9 opportunity to comprehensibly investigate the
10 utility's cost of service and its earnings to ensure
11 the existing rates are reasonable?

12 A. Yeah. I think that's the purpose of a
13 rate case, yes.

14 Q. And is it your understanding,
15 Ms. Turkenton, that FirstEnergy is seeking authority
16 to increase customer's rates over the term of the ESP
17 for up to \$180 million associated with rider DCR and
18 that \$180 million more than what is -- it is
19 currently authorized to collect?

20 MR. KUTIK: Objection. Mischaracterizes
21 the companies' proposal.

22 EXAMINER ADDISON: Miss Willis, would you
23 mind rephrasing that question?

24 MS. WILLIS: Yes.

25 EXAMINER ADDISON: Thank you.

1 MS. WILLIS: Or I would not mind, and I
2 will rephrase.

3 Q. (By Ms. Willis) Do you -- Ms. Turkenton,
4 do you have an understanding of the incremental
5 revenue requirement increase associated with the
6 companies' rider DCR proposal?

7 A. I have a general understanding, yes.

8 Q. Okay. And do you have an understanding
9 with respect to how much the caps would increase the
10 potential revenue the company could collect under
11 that rider over the term of the ESP?

12 A. I believe it's 30 million per year.

13 Q. And that 30 million per year is
14 incremental to the existing DCR rates, correct?

15 A. That's my understanding.

16 MS. GRADY: Thank you, Ms. Turkenton.

17 Thank you, your Honors.

18 EXAMINER ADDISON: Thank you.

19 Ms. Cohn, any questions?

20 MS. COHN: No, your Honor. Thank you.

21 EXAMINER ADDISON: Thank you.

22 Mr. Randazzo?

23 MR. RANDAZZO: Thank you very much.

24 - - -

1 CROSS-EXAMINATION

2 By Mr. Randazzo:

3 Q. Good afternoon.

4 A. Good afternoon.

5 Q. Now, counsel before me have raised the
6 subject of the supplier web portal. And in your
7 testimony on the bottom of page 4, top of page 5, you
8 talk about supplier tariffs. I take it you're
9 familiar with the fact that the FirstEnergy electric
10 distribution utilities have supplier tariffs; is that
11 correct?

12 A. Yes, for CRES supplier behavior and
13 tariff provision, yes.

14 Q. Right. And I was just getting to that.
15 The supplier tariffs deal with the relationship
16 between the distribution utilities and competitive
17 retail electric service providers; is that correct?

18 A. That's correct.

19 Q. And that relationship exists because
20 competitive retail electric service providers provide
21 services to ultimate customers or what we call retail
22 customers, correct?

23 A. That's correct.

24 Q. Now, with regard to the MRO versus the
25 ESP test, is it your understanding that that test is

1 done in the aggregate?

2 A. It is.

3 Q. And whether we had an MRO -- by the way,
4 has the staff ever recommended the Commission approve
5 an MRO?

6 A. I do not know.

7 Q. Are you aware of any?

8 A. I am not aware.

9 Q. All right. Now, with regard to an MRO or
10 an ESP, would you agree with me that in both cases
11 the cost of transmission service is dictated by the
12 open access transmission tariff approved by the
13 Federal Energy Regulatory Commission?

14 A. I agree, yes.

15 Q. And that in both an MRO and an ESP, you
16 would still need to have transmission service to
17 provide service to the ultimate customers, right?

18 A. Yes.

19 Q. Now, do you know how many experimental
20 rate schedules the FirstEnergy electric distribution
21 utilities have?

22 A. I do not.

23 Q. We talked about one earlier today in your
24 cross-examination, the experimental time-of-use rate
25 schedule, so you are aware of at least one, correct?

1 A. That's proposed in this case based on
2 a -- I think the second supplemental stipulation.

3 Q. Right.

4 A. I am generally aware of the provision.
5 Staff Witness Scheck is supporting that.

6 Q. And if I would mention to you an
7 experimental critical peak pricing tariff, would that
8 sound familiar?

9 A. It sounds familiar, yes.

10 Q. How about an experimental real-time
11 pricing tariff?

12 A. Sounds familiar.

13 Q. How about an experimental company-owned
14 LED lighting tariff?

15 A. Does not sound familiar.

16 Q. Would it be your expectation that with
17 regard to experimental tariffs, that there are
18 limitations in those tariffs on the customers that
19 are eligible to take service under those tariffs?

20 A. Yes. There are limitations.

21 Q. And in some cases, there are tariffs that
22 are grandfathered, in other words, restricted to
23 customers that have historically took service under
24 those tariffs, right?

25 A. That's my general understanding, yes.

1 Q. Now, with regard to the -- your portion
2 of your testimony that deals with the pilot program,
3 opt out of rider NMB, you indicate that you have some
4 concerns about impacts on ratepayers. If you know,
5 did the Public Utilities Commission of Ohio intervene
6 in the latest rate case of American Transmission
7 Systems, Inc.?

8 A. I do not know.

9 Q. If one had concerns about -- for
10 ratepayers about transmission-related costs, would it
11 seem reasonable for the Public Utilities Commission
12 to participate in the FERC rate cases dealing with
13 the subject?

14 MR. McNAMEE: Objection.

15 EXAMINER ADDISON: Grounds?

16 MR. RANDAZZO: I will withdraw the
17 question.

18 EXAMINER ADDISON: Thank you.

19 Q. Now, with regard to the supplier tariff
20 that we talked about earlier, supplier tariff was
21 part of the application in this case, correct? Would
22 you accept that, subject to check?

23 A. Yes.

24 Q. Now, are you aware of the extent to which
25 the supplier tariff, current and as proposed, deal

1 with the subject of how transmission service is to be
2 procured by a competitive retail electric service
3 provider?

4 A. Generally.

5 Q. Do you agree that in that supplier
6 tariff, current and proposed, the transmission
7 provider is PJM?

8 A. That's correct.

9 Q. Do you agree that the current and
10 proposed supplier tariff states that competitive
11 retail electric service providers shall secure
12 transmission service from PJM's open access
13 transmission tariff?

14 A. Is this under the current?

15 Q. Current and proposed.

16 A. Under the current, yes. But there is a
17 distinction between market-based transmission and
18 nonmarket-based transmission.

19 Q. We will get to that in a minute. And
20 would you agree that under the current and proposed
21 supplier tariff, that the competitive retail electric
22 service provider is responsible for arranging,
23 procuring, and taking transmission-related services
24 from PJM?

25 A. That's generally correct, yes.

1 Q. And that the competitive retail electric
2 service provider is responsible for scheduling all
3 services through PJM?

4 A. That's my understanding.

5 Q. And if you recall -- and I can refresh
6 your recollection if you do not, if you recall, does
7 the current supplier tariff, as well as the proposed
8 supplier tariff, state that to the extent that there
9 are any conflicts between the supplier tariff and the
10 open access transmission tariff, that the open access
11 transmission tariff controls?

12 A. It seems logical, but I don't know that
13 to be a fact.

14 Q. Now, Ms. Turkenton, you have been at the
15 Commission for a while, as I have been in this
16 capacity for a longer period of time. So the subject
17 of how customers, ultimate customers or CRES
18 providers, go about procuring and paying for
19 transmission service you would agree is not new to
20 this case, right?

21 A. It is not.

22 Q. And the staff's position is not new to
23 this case; is that correct?

24 A. I'm not sure what staff position you are
25 referencing.

1 Q. The position suggesting that customers or
2 competitive electric retail suppliers shouldn't have
3 access to the FERC tariff for purposes of procuring
4 transmission service. That's not unique to this
5 case, right?

6 A. No, that is not unique to this case.

7 Q. In fact, customers have asked, ultimate
8 customers, large manufacturers, have asked for the
9 opportunity to procure transmission service from the
10 applicable open access transmission tariff in the
11 course of applications for reasonable arrangements as
12 a strategy to reduce delta revenue; is that correct?

13 A. That has happened in the past, yes.

14 Q. And the staff has said no; is that
15 correct?

16 A. You have to point me to a specific case.
17 I do know that it has happened, yes.

18 Q. Are you aware of any cases in which the
19 staff has responded favorably to that rate request?

20 A. I just don't recollect.

21 Q. Now, with regard to the -- what you call
22 the rider NMB opt out, is -- would you agree that the
23 customers that are identified as being eligible for
24 the opt out are more sophisticated and would have
25 more sophisticated metering?

1 A. Yes. Based on staff data requests sent
2 to the company, I would say, yeah, they are more
3 sophisticated-type customers.

4 Q. Now, if you know, do large natural gas
5 customers have the right to direct connect to
6 interstate pipelines and take service under
7 FERC-approved tariffs?

8 A. I do not know.

9 Q. If you know, do large communication
10 customers have the right to direct connect to lines
11 and facilities regulated by the FCC, Federal
12 Communications Commission --

13 A. I do not know.

14 Q. -- to take service under tariffs
15 authorized by that authority?

16 A. I do not know.

17 MR. RANDAZZO: That's all I have, your
18 Honors.

19 Thank you very much, Ms. Turkenton.

20 EXAMINER ADDISON: Thank you.

21 Mr. Kutik.

22 MR. KUTIK: Thank you, your Honor.

23 - - -

24 CROSS-EXAMINATION

25 By Mr. Kutik:

1 Q. Good afternoon.

2 A. Good afternoon.

3 Q. You have answered a few questions this
4 afternoon about the ESP versus MRO test being a test
5 in the aggregate. And that includes qualitative
6 factors and quantitative factors, correct?

7 A. That is correct.

8 Q. You in two separate answers discuss
9 quantitative factors that you took into consideration
10 and then qualitative factors, correct?

11 A. Probably more than a couple of answers,
12 but, yes, I've discussed both qualitative and
13 quantitative aspects.

14 Q. I was unclear in your written testimony,
15 you have a question that deals with quantitative and
16 another question that deals with qualitative; fair to
17 say?

18 A. Yes, it looks like there are, one
19 question each.

20 Q. And the staff is not recommending that
21 the Community Connections program as proposed by the
22 company not go forward, correct? There might some
23 modifications but the Community Connections program
24 should go forward.

25 A. I believe that's correct, yes.

1 Q. And would a program that assists low --
2 low income customers or at-risk customers be a
3 program that would contribute a qualitative benefit
4 to the ESP?

5 A. It could.

6 Q. You were also asked some questions about
7 Dr. Choueiki's alternate proposal with respect to
8 rider RRS. Do you remember that?

9 A. I do.

10 Q. And would it be fair to say if one were
11 going to include the quantitative aspects of that
12 proposal, one would include the qualitative aspects
13 of that proposal, correct?

14 A. Sounds reasonable.

15 Q. If a program provided rate stability,
16 would that be a program that would have a qualitative
17 benefit under an ESP versus MRO test?

18 A. I think that would be up for the
19 Commission to decide.

20 Q. What is your view on that? In doing an
21 analysis, would you consider rate stability to be a
22 qualitative benefit of an ESP?

23 A. I would have to look at all the
24 parameters around what you mean by rate stability,
25 but, yeah, I would think rate stability would be more

1 of a qualitative versus a quantitative-type benefit.

2 Q. And if there was a proposal to extend
3 rider RRS beyond three years, would it be consistent
4 with Commission precedent, as far as you understand
5 it, to include all the costs and all the benefits of
6 the entire term of rider RRS?

7 THE WITNESS: Can I have that question
8 reread, please?

9 Q. Let me rephrase it. Will you agree that
10 it would be consistent with Commission precedent that
11 if rider RRS were going to be established for a
12 period of greater than three years but a set period,
13 nonetheless, that we would -- or the Commission
14 should consider all the costs and all the benefits
15 for the entire term of rider RRS as they consider the
16 ESP versus MRO test?

17 A. I can't speak for whether the Commission
18 would look at just only the ESP term or would look at
19 the RRS and the full-term, whether they would
20 consider that in their analysis.

21 Q. I asked you whether it's your opinion
22 that it's consistent with Commission precedent for
23 the Commission to look at the entire term of the
24 rider.

25 A. It's consistent, yes, but again, the

1 terms of the riders have been -- have mirrored the
2 term of the ESP. And that's not the case in this
3 application.

4 Q. Sure. But, again, if it was -- to the
5 extent it would be consistent with Commission
6 precedent to look at the extended benefits, correct?

7 MR. McNAMEE: Objection.

8 EXAMINER ADDISON: Grounds?

9 MR. McNAMEE: The witness has just
10 testified that that's not what the Commission has
11 done.

12 MR. KUTIK: I don't think she testified
13 to that at all, and that's why I'm trying to clarify
14 what the -- what her answer is on the record.

15 MR. McNAMEE: Let me be clear. I think
16 she's testified that there is no Commission precedent
17 for a plan that -- for a plan that -- for considering
18 costs beyond the term of the plan.

19 MR. KUTIK: Well, that's not true either.

20 MR. McNAMEE: Okay.

21 EXAMINER ADDISON: I'll allow the
22 question for a more clear answer to be on the record.

23 THE WITNESS: Can I have the question
24 reread, please?

25 EXAMINER ADDISON: You may.

1 (Record read.)

2 A. I'm not aware of any rider that has --
3 went past an ESP term where we have looked at the
4 qualitative or quantitative benefits past the ESP
5 term because there's been no rider that has -- that
6 has been beyond that term.

7 Q. Are you aware of a term of the companies'
8 ESP II with respect to forgiving certain costs from
9 PJM and MISO?

10 A. I'm generally aware of that provision.

11 Q. All right. And isn't it true that the
12 Commission determined that although that benefit
13 extended beyond the ESP period, it would be counted
14 for only that ESP and no subsequent ESP, correct?

15 THE WITNESS: Can I have that question
16 reread, please?

17 EXAMINER ADDISON: You may.

18 (Record read.)

19 A. I don't agree with that. I think if you
20 are referencing the 360 million of RTEP and MTEP
21 costs, you get that full credit, so it would perhaps
22 go beyond ESP II.

23 Q. Correct. And it was not counted as a
24 benefit of ESP III, correct?

25 A. Correct.

1 Q. And the Commission said you couldn't
2 count it for ESP III, correct?

3 A. Yes.

4 Q. That could only be counted for ESP II
5 because it was a condition of ESP II.

6 A. Yes.

7 Q. Let me switch gears and talk to you about
8 the NMB pilot program. Were you in the room when
9 Mr. Rubin was on the stand?

10 A. I can't specifically recollect his
11 testimony, but I did go in and out, and I do think I
12 was here for portions -- I do think I was here for
13 portions of Mr. Rubin's testimony.

14 Q. He and I had a few questions. We talked
15 about in terms of experimental rates and pilot
16 programs. Did you hear that testimony?

17 A. I don't recollect.

18 Q. All right. Well, in response to some
19 questions from Mr. Randazzo, he was talking to you
20 about experimental rates and experimental rate
21 programs, correct, and you're aware that FirstEnergy
22 has some of those?

23 A. I am aware, yes.

24 Q. And as the name implies, if we are
25 talking about experimental rates, are they -- can

1 they be looked at in some ways as an experiment?

2 A. That's exactly what an experiment or a
3 pilot is, yes.

4 Q. To test a certain aspect of a program?

5 A. That's correct.

6 Q. To test its costs, to test its benefits,
7 to test its effectiveness?

8 A. That's correct.

9 Q. And that's what pilot programs are
10 designed to do sometimes?

11 A. Yes.

12 Q. Now, would it be fair to say that in
13 terms of understanding the potential impact of the
14 NMB pilot program as proposed, one would have to
15 understand the usage characteristics of those
16 particular customers that would participate?

17 A. Yes. And that's the crux of my issue
18 with the NMB pilot, is I do not know the impacts to
19 nonparticipating customers.

20 Q. Well, my question is first with respect
21 to you would have to know the usage characteristics
22 of those customers that would participate, correct?

23 A. That would participate, yes.

24 Q. All right. And would it be fair to say
25 that you don't dispute who participates in the

1 program right now is un -- is unknown or who would
2 participate in the program is unknown, correct?

3 A. Yes. I believe based on staff
4 interrogatories, we just have a list of potential
5 participants, yes.

6 Q. Okay. Would it be fair to say that only
7 those customers that have interval meters could
8 participate in the NMB pilot program?

9 A. That's fair.

10 Q. And would it be fair to say that the
11 number of customers who have interval meters is small
12 relative to the total number of customers that the
13 companies have?

14 A. That's fair.

15 Q. And would it also be fair to say with
16 respect to the NMB program as proposed, the costs
17 relating to those customers would go with those
18 customers to a CRES provider?

19 A. Yes. The revenue requirement in the NMB
20 would actually go down, yes.

21 Q. And so no other customer remaining paying
22 rider NMB would pay those other customers -- those
23 participating customers' costs, correct, as you
24 understand it?

25 A. I would disagree with that.

1 Q. Okay. Well, you understand that -- I'll
2 back up.

3 With respect to rider NMB costs, you
4 understand how those are allocated to LSEs, correct?

5 A. Correct.

6 Q. And you understand that there -- some of
7 those costs are allocated on the basis of NSPL?

8 A. Yes.

9 Q. And some of those are calculated on a
10 PLC?

11 A. Yes.

12 Q. And for -- and certain customers -- and
13 customers have what we will call an assigned or
14 allocated PLC or NSBL related to them?

15 A. Correct.

16 Q. And so with respect to the costs that are
17 allocated on those two bases, if they go with the
18 customers, those allocated costs are going with the
19 customers; is that correct?

20 A. The allocated costs are going with the
21 customers, but the remaining revenue requirement may
22 have a different rate impact upon the remaining
23 participants in the NMB pilot.

24 Q. But the costs are going with the
25 customers, correct?

1 A. Those particular costs are going with the
2 customers, yes.

3 MR. KUTIK: May I have a second, your
4 Honor?

5 EXAMINER ADDISON: You may.

6 MR. KUTIK: That's all I have. Thank
7 you, your Honor.

8 Thank you, Ms. Turkenton.

9 EXAMINER ADDISON: Thank you, Mr. Kutik.
10 Mr. McNamee?

11 MR. McNAMEE: Your Honor, if we could
12 have just a few minutes, I would like to chat with
13 the witness.

14 EXAMINER ADDISON: Of course. Let's go
15 off the record.

16 (Recess taken.)

17 EXAMINER ADDISON: Let's go ahead and go
18 back on the record.

19 Mr. McNamee, do you have any redirect?

20 MR. McNAMEE: Your Honor, staff has no
21 redirect and would move for the admission of Staff
22 Exhibit 10.

23 EXAMINER ADDISON: Any objections?

24 Staff Exhibit 10 will be admitted

25 (EXHIBIT ADMITTED INTO EVIDENCE.)

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EXAMINER ADDISON: Thank you.

Thank you, Ms. Turkenton.

THE WITNESS: Thank you.

EXAMINER ADDISON: At this time, we will
adjourn for the day and begin at 9 a.m. tomorrow
morning. Thank you, all.

Let's go off the record.

(Thereupon, at 3:48 p.m., the hearing was
adjourned.)

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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Thursday, October 15,
2015, and carefully compared with my original
stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-6103)

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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 10/15/15 - Volume XXIX electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.