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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

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

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PROCEEDINGS

before Mr. Gregory Price, Ms. Mandy Chiles, and
Ms. Megan Addison, Attorney Examiners, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 9:00 a.m. on
Wednesday, October 28, 2015.

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VOLUME XXXIV

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1 Wednesday Morning Session,
2 October 28, 2015.

3 - - -

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

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

14 My name is Gregory Price. With me are
15 Mandy Willey Chiles and Meghan Addison. We are the
16 Attorney Examiners assigned to preside over today's
17 hearing. This is our 34th day of hearing in this
18 matter.

19 Ms. Mikkelsen, I would like to remind you
20 you are still under oath.

21 THE WITNESS: Thank you.

22 EXAMINER PRICE: Mr. Sauer,
23 cross-examination?

24 MR. SAUER: Thank you, your Honor.

25 - - -

1 EILEEN M. MIKKELSEN

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

4 CROSS-EXAMINATION

5 By Mr. Sauer:

6 Q. Good morning, Ms. Mikkelsen.

7 A. Good morning.

8 Q. If you could turn to page 7 of your
9 rebuttal testimony, you are discussing mutual
10 assistance, lines 21 to 22.

11 A. I'm there.

12 Q. And you state there, "There are no
13 revenues or expenses for mutual assistance work
14 included in the Companies' base distribution rates
15 for their last rate case." Do you see that?

16 A. Yes.

17 Q. If the companies would send crews to
18 provide storm restoration assistance to another
19 utility, there could be expenses for those crews that
20 are recovered by the companies in base distribution
21 rates, correct?

22 A. Expenses incurred by the company when
23 they provide mutual assistance are recorded in
24 nonjurisdictional accounts, the accounts that are
25 included for creating base rates.

1 Q. If those crews were doing work in the
2 companies' service territory, those expenses being
3 incurred would be included in base distribution
4 rates, correct?

5 MR. KUTIK: I object, your Honor. Are we
6 talking about mutual assistance to another company in
7 the companies' service territory?

8 MR. SAUER: No. If they were not
9 providing mutual assistance. I will restate the
10 question.

11 Q. (By Mr. Sauer) If the company -- if the
12 companies had crews that were not providing mutual
13 assistance, those crews -- the expenses associated
14 with those crews would be included in base rates,
15 correct?

16 THE WITNESS: May I ask that that
17 question be reread, please.

18 EXAMINER PRICE: You may.

19 (Record read.)

20 A. If the companies had crews that were not
21 providing mutual assistance, some of the costs
22 associated with those crews would be included in the
23 companies' storm deferral baseline, and each month to
24 the extent that the company isn't providing storm
25 restoration work for its service territory, those

1 costs are credited back as a regulatory liability to
2 the customers, so you have that element.

3 And then, in addition, when we were
4 establishing base rates, not all of the dollars, the
5 labor dollars associated with the crews, were
6 assigned to O&M. A portion of those dollars were
7 assigned to capital. So not all of the dollars would
8 be included in base rates.

9 Q. But to the extent you had a crew -- the
10 companies had a crew that was doing operation or
11 maintenance type work, the expenses associated with
12 that work would be included in the base distribution
13 rates, correct?

14 A. There are operation and maintenance
15 expenses associated with workers included in our base
16 rates, yes.

17 Q. And if that -- and if that particular
18 crew was sent to another utility to do storm
19 restoration work, the mutual-assistance dollars the
20 companies received that were related to dollars that
21 otherwise would have been O&M-type work in base
22 distribution rates would represent a double recovery,
23 correct?

24 A. I don't see it that way. What I see is
25 to the extent that the companies are performing

1 mutual assistance, again, those expenses are recorded
2 outside the jurisdictional ratemaking process. To
3 the extent that there are labor dollars included in
4 our base rates, not all of those labor dollars were
5 allocated to O&M.

6 And then, as a final matter, I think you
7 have this threshold where we've established the storm
8 baseline, and in a period where we are able to send a
9 crew out to perform mutual assistance for another
10 utility, the likelihood of that occurring is very
11 dependent upon whether there is storm restoration
12 work to be done in our own service territory.

13 So to the extent we are not providing
14 storm restoration work in our own service territory,
15 it enables us to provide mutual support -- mutual
16 assistance in other service territories, but as part
17 of the storm deferral mechanism, which is symmetrical
18 for our companies, if we aren't doing storm
19 restoration work in a month in our companies, we are
20 crediting back those storm baseline dollars already
21 to the customers through the storm deferral
22 mechanism.

23 So if we were to recredit, in the second
24 matter, credit back the mutual assistance revenues,
25 you would find yourself in a circumstance where the

1 customers are receiving credit for that -- the
2 absence of the storm -- the storm work in our service
3 territory as well as a credit for the work performed
4 through mutual assistance, so I see that as a double
5 return to the customers.

6 Q. To the extent you had O&M dollars for a
7 crew that was included in base distribution rates,
8 and the company was getting recovery for those storm
9 distribution -- I'm sorry, for those O&M expenses in
10 base distribution rates, there would be a
11 misalignment of those expenses if that crew was
12 suddenly not in the service territory performing that
13 work but was sent to another utility to do the work,
14 correct?

15 A. That's not the way -- we don't establish
16 the O&M levels in our base rate case based on
17 individual crews, so it's -- I can't really accept
18 the hypothetical that there was a crew that was
19 considered O&M for base rate purposes and that crew
20 had been sent -- that's not how the ratemaking works
21 around the establishment of the labor-related O&M.

22 Q. Because you don't know -- in your
23 development of base rates, as you said, you do not
24 account for mutual assistance, correct? You assume
25 the crews are there all the time. Whether they are

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1 doing O&M or they are doing capital, they are assumed
2 to be working in the service territory all the time,
3 correct?

4 A. No. To the extent that there are
5 mutual-assistance dollars budgeted in a test year,
6 those would be budgeted below the line and would not
7 be included as a test-year expense in that period.

8 EXAMINER PRICE: Could I ask a clarifying
9 question? You said you have a monthly amount that
10 you swing off of, and if you spend more on storm
11 restoration, you get the deferral, if you spend less
12 on storm restoration, you charge it back -- you
13 offset the previous deferrals, correct?

14 THE WITNESS: Correct.

15 EXAMINER PRICE: So if all of your crews
16 for a given month were sent out on mutual assistance
17 and there was no storm restoration done in the
18 companies' service territory for that month, the full
19 credit would be applied to offset previous storm
20 restoration work; is that correct?

21 THE WITNESS: In a month if there were no
22 storm expenses incurred in the companies' service
23 territory, then 100 percent of the baseline would be
24 credited back to the customers as a regulatory
25 liability.

1 EXAMINER PRICE: And what is the monthly
2 baseline?

3 THE WITNESS: I can tell you the annual
4 amount for each company.

5 EXAMINER PRICE: What's the annual amount
6 for each company?

7 THE WITNESS: \$8 million for Ohio Edison,
8 approximately \$5 million for the Cleveland Electric
9 Illuminating Company, and \$1 million for Toledo
10 Edison.

11 EXAMINER PRICE: Thank you.

12 Thank you, Mr. Sauer.

13 MR. SAUER: Thank you, your Honor.

14 Q. (By Mr. Sauer) In your previous answer,
15 you said something about whether mutual assistance
16 had been budgeted. Do you budget for or try to
17 budget for mutual assistance work?

18 A. Yes. There are in the companies' budgets
19 that I have seen dollars budgeted for mutual
20 assistance in years past.

21 Q. But on lines 21 and 22 where you said
22 "Accordingly, there are no revenues or expenses for
23 mutual assistance work included in the Companies'
24 base distribution rates from their last rate case,"
25 would that indicate to you there was no mutual

1 assistance budgeted during the last -- for the costs
2 associated with the revenue requirement for the last
3 base distribution rate case?

4 MR. KUTIK: Well, I'll object, your
5 Honor. There's a difference between a budget and
6 something that's included as part of test-year
7 expenses.

8 EXAMINER PRICE: I suspect that's true,
9 but I think she needs to -- I think she needs to
10 testify to that fact. I understand what you are
11 saying, but I think that's a fact that the witness
12 needs to --

13 MR. KUTIK: I guess my question is the
14 question assumes that.

15 EXAMINER PRICE: Overruled.

16 THE WITNESS: May I ask that the question
17 be reread, please.

18 EXAMINER PRICE: You may.

19 (Record read.)

20 A. What this means to me is that to the
21 extent there were mutual-assistance dollars budgeted
22 during the test year of the last rate case, those
23 dollars would have been excluded from test-year
24 expense and budgeted to a nonratemaking
25 jurisdictional account. It would not have been

1 included.

2 Q. And you say "to the extent there were."

3 Do you know there were?

4 A. I know that there were actual mutual -- I
5 know that the last test year was partially forecast,
6 partially actual, and I know that there were actual
7 mutual-assistance dollars during that test-year
8 period that would have not been included in the
9 starting point for the test-year calculation.

10 Q. And if you can turn to page 11 of your
11 testimony, line 11.

12 A. I'm there.

13 Q. You are talking about modifications to
14 the nonmarket based rate tariff. Do you see that?

15 A. Yes.

16 Q. Are the modifications you are talking
17 about including costs in your transmission tariff
18 that had previously been charged to customers by CRES
19 providers?

20 A. While I don't know with certainty what
21 CRES providers include and don't include in the
22 prices to their customers, these are related to PJM
23 line items that have historically and currently been
24 charged to CRES providers or providers of our SSO
25 load as opposed to PJM line items that were assigned

1 to the utilities.

2 EXAMINER PRICE: Miss Mikkelsen, we have
3 a dispute in this case, obviously, between the
4 companies and the staff what items should be included
5 in rider NMB, and we've had testimony in this
6 proceeding about beneficial to certain mercantile
7 customers to opt out of rider NMB.

8 My question I have is did the company
9 look at eliminating rider NMB and simply going back
10 to the previous paradigm? Because it certainly seems
11 like the evidence in this case is there are problems
12 with rider NMB and maybe it's not working out the way
13 we all hoped it would when it was first implemented.
14 Or should the company be looking at returning to the
15 previous paradigm?

16 THE WITNESS: I don't think there is a
17 problem with rider NMB. I do believe that to the
18 extent the utilities can provide nonmarket-based
19 services to their customers at cost without risk
20 premiums or margin adders, that's beneficial to our
21 customers in terms of reducing their overall price.

22 I think that to the extent that large
23 customers want to test the notion that they can
24 manage their transmission peak, which is a one-hour
25 peak, that's the purpose of the NMB pilot, to see if

1 they will be able to manage that to reduce not only
2 their costs, but the overall costs of the
3 transmission system. So I think it's a separate
4 experiment that we are trying to assess and not the
5 overall reasonableness of the NMB pilot.

6 The suggestion with respect to line items
7 I think is just a reaction to the continuing
8 refinement of the companies' understanding of the
9 line-item charges and trying to find the correct
10 balance between those charges that should be treated
11 as nonmarket-based versus those that should be
12 treated as market-based.

13 EXAMINER PRICE: So your position would
14 be, to sum it up, no, the overall concept is sound.
15 There just are some issues that need to be ironed out
16 vis-a-vis both what gets included and, obviously,
17 versus whether mercantile customers can benefit from
18 opting out?

19 THE WITNESS: Correct.

20 EXAMINER PRICE: Okay. Thank you.

21 Q. (By Mr. Sauer) And for residential
22 customers, rider NMB would be nonbypassable?

23 A. Correct.

24 Q. And if those charges were also included
25 within a fixed-price contract that a residential

1 customer had with a CRES provider, that we would say
2 36 months that would extend beyond the period of this
3 case such that they could be charged by the companies
4 as well as the CRES provider, correct?

5 A. I think, as I say here in my testimony,
6 the companies would work with the CRES community to
7 work for a solution to resolve any issues associated
8 with the potential double recovery.

9 And when I think about that circumstance,
10 I think about, as the Attorney Examiner pointed out,
11 when we switched from all of those charges being
12 market-based to some of them being nonmarket-based
13 between ESP I and ESP II, the companies and the CRES
14 community were able to successfully work through that
15 transition, which I view as much more significant
16 than the transition that we're discussing here
17 without any disruption to the market or formal
18 complaints that I'm aware of. So I think it's very
19 possible to work through and avoid the situation that
20 you describe.

21 MS. BOJKO: Your Honor, may I have that
22 response reread, please.

23 EXAMINER PRICE: You may.

24 (Record read.)

25 Q. (By Mr. Sauer) But the companies have no

1 control of the rates the CRES providers are charging,
2 correct?

3 A. Correct.

4 Q. And the PUCO does not regulate the CRES
5 suppliers' rates, correct?

6 A. Correct.

7 Q. Could you turn to page 23, lines 3 to 6?

8 EXAMINER PRICE: Could I have that
9 reference again, Mr. Sauer?

10 MR. SAUER: Page 23, lines 3 to 6.

11 EXAMINER PRICE: Thank you.

12 A. I'm there.

13 Q. And there you are talking about a
14 business case regarding the SmartGrid, correct?

15 A. I'm addressing Mr. Benedict's
16 recommendation with respect to a business case, yes.

17 Q. Couldn't the business case be
18 beneficial -- a beneficial tool to use to evaluate
19 whether or not the SmartGrid implementation is
20 expanded beyond the pilot?

21 EXAMINER PRICE: Mr. Sauer, are you
22 adverse to the company on this, or is this friendly
23 cross? Because you seem very adverse to
24 Mr. Benedict's recommendation when he made it, and
25 now it seems like you are cross-examining the witness

1 on something you agree with.

2 MR. SAUER: Well, I think our position is
3 that there should be a business case and that the
4 business case could be a useful tool in determining
5 whether you invest additional dollars going forward.
6 Ms. Mikkelsen doesn't seem to think the business case
7 is necessary.

8 EXAMINER PRICE: I misinterpreted your
9 cross-examination of Mr. Benedict. Thank you.

10 THE WITNESS: May I ask you to restate
11 the question, sir?

12 MR. SAUER: May I have it reread, please.

13 (Record read.)

14 A. If I understand your question, it says to
15 me that you are asking if the business case would
16 show if the SmartGrid has or is expanded beyond the
17 pilot, and that would not be the purpose of a
18 business case, to see if it is or has been expanded
19 beyond the pilot.

20 Q. No. I guess -- would you view -- well,
21 what's your understanding of what a business case
22 would be?

23 A. The business case, as proposed by
24 Mr. Benedict, was to look at a broad range of
25 SmartGrid-related technologies, and it is the

1 companies' view that it is premature at this time to
2 conduct that business case because there are a number
3 of Commission-approved activities currently underway,
4 which once those are completed, would serve to inform
5 the business case; whereas conducting the business
6 case now would be premature and would preclude the
7 ability to include the results of the conservation,
8 voltage reduction, technology potential study that's
9 underway, the distribution automation Volt/VAR
10 control study that's currently underway, and the
11 conclusion of the analysis of our Phase II consumer
12 behavior study.

13 So I think the point from the companies'
14 perspective is we are looking at a number of things
15 related to SmartGrid, and it is premature to, say,
16 six months from now conduct a business case when we
17 have Commission-approved activities that are
18 extending beyond that six-month horizon.

19 Q. And how would the companies propose
20 moving from a pilot program to a more fully
21 implemented SmartGrid project?

22 A. I don't know that the companies would or
23 wouldn't. I think what the companies would do was
24 assess the results of the studies that I just
25 mentioned that are currently underway. At the time

1 those studies are complete, then they make a
2 determination, I assume collectively with the staff,
3 at that time whether at that time it makes sense to
4 move forward either with implementation or with a
5 broader business case.

6 Q. And so you agree a broader business case
7 would be a useful tool prior to moving forward with a
8 more full-blown implementation of SmartGrid?

9 A. Yes.

10 EXAMINER PRICE: Ms. Mikkelsen, isn't it
11 true those studies you are referring to are, like,
12 five-year studies?

13 THE WITNESS: One of the studies, the
14 distribution automation Volt/VAR study is a five-year
15 study. We are already into the performance period,
16 so there's probably three-and-a-half years left on
17 that study.

18 The conservation voltage reduction
19 technology potential study would report out in our
20 next EE portfolio plan filing, and the results of the
21 Phase II consumer behavior study, we are finalizing
22 that currently.

23 EXAMINER PRICE: So are you advocating we
24 wait the entire three-and-a-half-years remaining on
25 the Volt/VAR study, or would it not be necessary to

1 wait for the entire three-and-a-half years of the
2 Volt/VAR study?

3 THE WITNESS: I don't know that it would
4 be necessary to wait the whole five years. I think
5 it would be prudent to wait until we at least have
6 two or more years of performance in that period to
7 start to make judgments and comparison to the
8 predistribution automation and Volt/VAR
9 implementation.

10 EXAMINER PRICE: Thank you.

11 Q. (By Mr. Sauer) Could you turn to page 24
12 where you are talking about, on lines 1 to 3, the
13 benefits from the programs administered by the
14 Council of Smaller Enterprises.

15 A. I'm there.

16 Q. Do you know if those energy-efficiency
17 and demand-response resources were bid into the base
18 residual auction during the period those resources
19 were available?

20 A. The coincident-demand reductions
21 associated with energy efficiency are eligible for a
22 four-year period to participate in the base residual
23 auction, and our energy-efficiency team does offer
24 the coincident-demand reductions associated with
25 energy efficiency into the base residual auction and

1 the incremental auctions to the extent that they are
2 verifiable and we have ownership of those attributes.

3 Q. But do you know specifically if these
4 resources were or were not bid in?

5 A. I would expect these would have been bid
6 in along with the balance of the energy-efficiency
7 portfolio, coincident-demand reductions. These would
8 certainly not have been excluded.

9 Q. And would your answer be the same for the
10 benefits of the resources that are identified on
11 lines 7 to 9?

12 A. Yes.

13 Q. And 12 to 15?

14 A. Yes.

15 Q. Could you turn to page 5, lines 8 to 16
16 of your rebuttal testimony?

17 MS. BOJKO: Mr. Sauer's trailing off.

18 EXAMINER PRICE: If you could keep your
19 voice up when asking questions.

20 Q. Page 5, lines 8 to 16.

21 A. Yes.

22 Q. There you are talking about rider RRS as
23 a hedge. Would you agree with me that a customer
24 entering a fixed-rate contract with a CRES provider
25 has effectively elected that choice to meet their

1 energy needs?

2 A. Over the term of the contract?

3 Q. Yes.

4 A. Yes.

5 Q. And would you agree that a customer who
6 has entered -- a customer who has entered into a
7 fixed-rate contract who has accepted the risks that
8 the prices may go down is effectively protecting
9 themselves from an increase in prices?

10 A. I think a customer that enters into a
11 fixed-price contract has done just that, they've
12 agreed to pay a fixed price over a term. I believe,
13 though, that all of those customers continue to face
14 volatility in their energy budgets when the contract
15 ends and they go to reprice their contract based on
16 market conditions that exist at that time.

17 MR. SAUER: I think I would move to
18 strike everything after the word "but."

19 EXAMINER PRICE: Well, we will deny the
20 motion to strike at this time.

21 But we will caution the witness going
22 forward, please listen carefully to counsel's
23 question and answer that question and only that
24 question.

25 THE WITNESS: Thank you, your Honor.

1 MR. SAUER: May I have my question
2 reread, please?

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

5 Q. Is the answer to that question yes?

6 MR. KUTIK: Well, your Honor, she
7 answered the question.

8 EXAMINER PRICE: I denied the motion to
9 strike, but he can ask the follow-up. She can
10 respond.

11 A. The customers who enter into a
12 fixed-price contract are assured they will pay that
13 fixed-price contract over the term of their
14 agreement.

15 Q. So the answer is yes"?

16 MR. KUTIK: Objection.

17 EXAMINER PRICE: Grounds?

18 MR. KUTIK: Asked and answered.

19 EXAMINER PRICE: Sustained.

20 Q. If rider RRS is approved, customers will
21 have -- residential customers will have no choice but
22 to participate in that program because the charge is
23 nonbypassable, correct?

24 A. Yes.

25 Q. And if rider RRS is approved as proposed

1 and as market prices go down or stay low, customers
2 will have no choice but to pay the charge when
3 revenues do not exceed the costs, correct?

4 A. Yes.

5 Q. And would you agree that a hedge is an
6 instrument that typically addresses a single risk,
7 such as market prices?

8 A. I think a hedge is designed to address
9 the risk associated with adverse changes in market
10 prices, which is why I don't really think of a
11 fixed-rate contract as a hedge. A fixed-rate
12 contract is more a smoothing out of the risk
13 associated with the volatility over the term of the
14 contract built into one levelized price; where a
15 hedge as you point out, really works to reduce the
16 costs because it will move counter to the market and
17 provide a reduction in the costs rather than a
18 smoothing out, as you would see in a fixed-price
19 contract.

20 Q. But rider RRS has different components in
21 it, correct, besides just revenues?

22 A. The charges or credits included in rider
23 RRS are comprised of the net between the market
24 revenues associated with selling the output of the
25 plants into the market and the costs associated with

1 the negotiated purchase price for that contract.

2 Q. And to the extent costs exceed revenues,
3 rider RRS will always be a charge to customers,
4 correct?

5 A. To the extent that costs exceed revenues,
6 rider RRS will be a charge in the period that costs
7 exceed revenues, not necessarily always thereafter.

8 Q. And regardless which way the market is
9 going, if costs exceed revenues, customers will
10 receive a charge, correct?

11 A. If costs exceed revenues, rider RRS would
12 be a charge.

13 MR. SAUER: Okay. I have no further
14 questions, your Honor.

15 EXAMINER PRICE: Thank you.

16 Mr. Stinson?

17 MR. STINSON: No questions, your Honor.

18 EXAMINER PRICE: Mr. Olikier.

19 MR. OLIKER: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Olikier:

23 Q. Good morning, Ms. Mikkelsen.

24 A. Good morning.

25 Q. I would like to follow-up a little bit on

1 the discussion regarding the smart meter
2 installation. And am I correct the five-year period
3 you identified in your testimony lists June 1, 2019?

4 A. The five-year period is June 1st of 2014
5 through May 31st of 2019.

6 Q. Okay. And, first, would you agree that
7 smart meters enhance the products and services that
8 CRES providers can offer to customers?

9 A. They may.

10 Q. So, for example, would you agree that
11 smart meters are generally necessary in order to --
12 let me take a step back.

13 Would you agree that access to customer
14 interval-data usage is necessary to provide
15 demand-response products and services to customers?

16 A. Yes. But that information can be
17 obtained from an interval meter in addition to a
18 smart meter.

19 Q. Right. And are you familiar with the
20 smart thermostat such as Nest or Ecobee?

21 A. Yes.

22 Q. And would you agree those products could
23 allow a CRES provider to provide residential demand
24 response?

25 A. Yes.

1 Q. And would you agree those products can
2 also allow a CRES provider to improve the energy
3 usage of a residential customer during hours of peak
4 usage?

5 A. I'm not sure what you mean by "improve,"
6 sir.

7 Q. Okay. First, let's talk about would you
8 agree that without smart meters, FirstEnergy
9 utilities have to profile the capacity profile -- let
10 me ask that question again.

11 Would you agree without smart meters
12 FirstEnergy has to profile the capacity usage of a
13 residential customer?

14 A. I believe residential customers are
15 profile customers.

16 Q. And that's because the capacity in PJM is
17 measured based upon the use during the five highest
18 hours from June to September, correct?

19 A. Yes.

20 Q. And unless you have hourly interval
21 usage, you have to extrapolate a number for that
22 customer, correct, based on their total usage?

23 A. The customer's consumption is assumed to
24 occur consistent with the profile.

25 Q. Okay. So, in other words, let's -- let

1 me ask a hypothetical. Let's say we have two
2 customers, and they have houses that are identical,
3 you know, in the same development, and they have the
4 same total usage in the month, and assume it's July.
5 One customer has a smart thermostat that my company
6 installed and the other customer does not.

7 And let's assume that we have a really
8 hot day, and the customer with the smart thermostat
9 curbs their usage, and the other customer is running
10 their air conditioner full bore and have all their
11 other appliances on, and their total usage at the end
12 of the month is exactly the same. In this
13 hypothetical, would they have the same capacity
14 profile?

15 A. Yes.

16 Q. Okay. So you would agree, then, that the
17 customer that has installed, you know, a smart
18 thermostat would not be able to harness the benefit
19 of their improved energy usage on their electric
20 bill.

21 A. If by their improved energy usage you are
22 referring to their contribution to the system peak as
23 opposed to the overall number of kilowatt-hours
24 consumed in a period?

25 Q. Yes. Stated differently, you would agree

1 that that customer can't reduce their capacity
2 portion of their bill?

3 A. Correct.

4 Q. Okay. And let's talk about -- that's the
5 capacity side of the equation. Would you agree that
6 because FirstEnergy has not installed smart meters,
7 that the FirstEnergy Ohio utilities have to profile
8 exactly which hours a customer uses its electricity
9 in the residential sector?

10 A. I disagree with the premise that
11 FirstEnergy hasn't installed smart meters. We have
12 installed smart meters in a pilot area, and we are,
13 as I mentioned earlier, completing the final analysis
14 associated with that implementation and the
15 corresponding consumer behavior study.

16 Q. Okay. Thank you. Thank you for
17 identifying the whole of my question. For the
18 meters -- scratch that. For the residential
19 customers who do not have smart meters, would you
20 agree that the FirstEnergy Ohio utilities have to
21 profile the hours in which they are using their
22 electricity because they don't have interval meters?

23 A. Yes.

24 Q. Okay. So going back to the two houses
25 that we were talking about in the previous

1 hypothetical, if one house has a smart thermostat and
2 the other house does not, say we have, you know, \$300
3 megawatt-hour pricing and that lasts for 10 hours,
4 the customer that has a smart thermostat that's
5 cycling their air conditioner and has a lower amount
6 of electricity that's delivered to them, the CRES
7 provider that's serving them will not get any credit
8 for that on their PJM settlement statement, correct,
9 relative to the other customer in the house next
10 door?

11 A. Correct.

12 Q. Okay. And, now, the other part of the
13 bill -- or one of the other parts of the bill, would
14 you agree also the transmission component, which has
15 been a controversial issue with some other parties in
16 this case, correct?

17 A. I'm not sure I agree with your
18 characterization.

19 Q. Okay. Well, let's focus on a different
20 part of the transmission component. You've talked
21 about transmission is assigned from PJM on a 1CP, the
22 network service peak load contribution, correct?

23 A. Yes.

24 Q. But with a residential customer that does
25 not have a smart meter, the FirstEnergy Ohio

1 utilities would profile that usage, correct?

2 A. For transmission purposes, the
3 residential class would be allocated their share of
4 the transmission dollars based on an average of their
5 coincident peaks over the summer period.

6 Q. Okay. But if smart meters were installed
7 at every house in the FirstEnergy Ohio utilities's
8 service territory, then you could determine each
9 residential customer's contribution to the 1CP,
10 correct?

11 A. I suppose so.

12 Q. In the case of a customer who has
13 installed a smart thermostat or taken some other
14 action to reduce their load in the 1CP, which could
15 also happen to correspond with 5CP, then that
16 customer could reduce their total electric bill
17 relative to when it's being profiled, correct?

18 A. What I am not entirely sure of is that if
19 you have a smart meter on an individual home today,
20 whether the PJM settlement process would settle that
21 individual home or whether the PJM settlement process
22 would still settle to the profile.

23 Q. And that is because the question of how
24 settlements are performed in PJM is a matter of how
25 the utility reports that information to the RTO,

1 correct?

2 A. I don't know, sir.

3 MR. OLIKER: Can I have one minute, your
4 Honor?

5 EXAMINER PRICE: Can a residential
6 customer request an interval meter from the
7 companies?

8 THE WITNESS: I'm not aware of anything
9 that would prohibit a residential customer from --

10 EXAMINER PRICE: But it would be at their
11 own cost?

12 THE WITNESS: Correct.

13 EXAMINER PRICE: Or the cost of the CRES
14 provider?

15 THE WITNESS: Correct.

16 MS. BOJKO: I didn't hear you.

17 EXAMINER PRICE: Of the CRES provider.

18 And let's to follow-up with that, all the
19 questions Mr. Olier just asked you, if you
20 substituted the word "interval meters" for "smart
21 meter," would your answers have changed?

22 THE WITNESS: I don't think so, but I'm
23 still not entirely sure for the PJM settlement
24 process whether there may be a protocol in place.

25 EXAMINER PRICE: That's fair.

1 THE WITNESS: But beyond that.

2 EXAMINER PRICE: Thank you, Mr. Oliker.

3 MR. OLIKER: Thank you, your Honor.

4 Q. (By Mr. Oliker) And just to follow up,
5 assuming that the Commission were to wait until 2019
6 to consider installing smart meters, would you agree
7 that it would take probably another three, maybe four
8 years to install smart meters in the FirstEnergy Ohio
9 service territory?

10 A. I don't have an estimate of how long that
11 would take. I would think that would be something
12 that would be part of the business case.

13 MR. OLIKER: Thank you.

14 I have no more questions, your Honor.

15 Thank you, Ms. Mikkelsen.

16 THE WITNESS: Thank you, sir.

17 EXAMINER PRICE: Ms. Fleisher?

18 MS. FLEISHER: I have a few questions,
19 your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Ms. Fleisher:

23 Q. Ms. Mikkelsen, with respect to the
24 economic buy-through provision of rider ELR, it's
25 correct that the stipulation provides for elimination

1 of that provision, correct?

2 A. Yes.

3 MS. FLEISHER: And may I approach, your
4 Honor?

5 EXAMINER PRICE: You may.

6 MS. FLEISHER: I think we are up to ELPC
7 Exhibit 23.

8 EXAMINER PRICE: 23.

9 MS. FLEISHER: And this is the companies'
10 application in Case No. 09-1820-EL-ETA.

11 EXAMINER PRICE: It will be marked as
12 ELPC 23.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MS. FLEISHER: I will just note for the
15 record this does not include attachments.

16 MR. KUTIK: Your Honor, I believe this
17 was administratively noticed during the examination
18 of Mr. Hecker.

19 EXAMINER PRICE: That was my
20 recollection, too. I was just marking it because
21 that's the way she wanted to refer to it rather than
22 drag out the previous document.

23 MR. KUTIK: Right. I just want you to be
24 aware of that.

25 MS. FLEISHER: Great. Thank you,

1 Mr. Kutik.

2 Q. (By Ms. Fleisher) Okay. Can you turn to
3 page 7 of this document, Ms. Mikkelsen?

4 A. I'm there.

5 Q. Okay. And do you see about halfway down
6 there's a sentence reading, "Specifically, the
7 companies believe that the Volt/VAR controls and
8 demand response/AMI has the potential to lower peak
9 demand up to 40 MW, resulting in deferred capital
10 investments for new generation and transmission and
11 lower electricity costs for customers. These
12 technologies also have the potential to lower
13 distribution losses creating up to 2000 MWh of energy
14 saved per year."

15 Would a business case help determine
16 whether these demand -- peak demand reductions and
17 energy savings could be accomplished cost
18 effectively?

19 A. The five-year performance period that we
20 referred to a few moments ago related to distribution
21 automation and Volt/VAR control, our capturing
22 metrics associated with these in order to make that
23 determination in a broader sense across the system.
24 So I would say the place to capture these metrics is
25 in the pilot program that's currently being performed

1 and make judgments then about on the actual data that
2 we collect, how that can be extrapolated across our
3 entire system in a -- in a more broad-based business
4 case.

5 Q. I'm not sure that answered my question.
6 Are you agreeing with me that a business case could
7 help determine whether these energy savings and
8 demand reductions could be accomplished cost
9 effectively?

10 A. No. I think what I am saying is the
11 pilot program will help us better understand what
12 demand reductions and energy savings can be
13 accomplished in a pilot area, and then I would take
14 the pilot results and insert those into a business
15 case to extrapolate them across the service
16 territory.

17 But absent the initial pilot information,
18 I don't see a business case in and of itself would
19 have the necessary underlying database on our system
20 in order to provide the same degree of certainty as
21 extrapolating from our pilot.

22 Q. Okay. So your testimony is that the
23 pilot will provide a greater degree of certainty
24 about the benefits of implementing these SmartGrid
25 metrics?

1 A. It will provide us a quantification of
2 the benefits on circuits that exist on our system in
3 our weather environment and operational environment
4 so, again, it would provide very specific results to
5 our company as opposed to, perhaps, broader metrics
6 that may be available.

7 EXAMINER PRICE: Ms. Mikkelsen, you are
8 an employee of the FirstEnergy Service Company; is
9 that correct?

10 THE WITNESS: Yes.

11 EXAMINER PRICE: And are you responsible
12 for the Pennsylvania utilities as part of your job
13 duties?

14 THE WITNESS: No, sir.

15 EXAMINER PRICE: Are you aware of whether
16 the companies are deploying smart meters in
17 Pennsylvania? The companies -- let me rephrase that.
18 Whether the companies' utility affiliates in
19 Pennsylvania are deploying SmartGrid meters today?

20 THE WITNESS: I am aware that there is a
21 statutory mandate in Pennsylvania to deploy smart
22 meters.

23 EXAMINER PRICE: Wouldn't it be possible
24 to take the data from the Pennsylvania deployment,
25 which probably has fairly similar weather and other

1 factors, and apply it to developing the Ohio business
2 case?

3 THE WITNESS: The technologies that we're
4 talking about here are distribution automation and
5 Volt/VAR control. My understanding in Pennsylvania
6 it is smart meter deployment, not the technologies
7 associated with distribution automation and Volt/VAR
8 control.

9 EXAMINER PRICE: Really?

10 THE WITNESS: That's my understanding,
11 sir.

12 EXAMINER PRICE: Okay. Thank you. Fair
13 enough.

14 Q. (By Ms. Fleisher) And on page 22 of your
15 testimony you discuss the study period lasting, I
16 think we've established, five years, correct?

17 A. Just one moment, please. I'm sorry.
18 Where are you on page 22, ma'am?

19 Q. Certainly. Page 22, starting at line 20.

20 MR. KUTIK: Line 20? I'm sorry, did you
21 say line 20?

22 MS. FLEISHER: Yes, line 20. Sorry.

23 A. I am at page 22, line 20.

24 Q. Okay. And here you discuss the ongoing
25 distribution automation and Volt/VAR study period as

1 lasting five years, correct?

2 A. Yes.

3 Q. And you describe the objective of this
4 study as to identify CAIDI and SAIFI improvements,
5 correct?

6 A. Yes.

7 Q. And CAIDI and SAIFI improvements are
8 separate from potential improvements in energy usage
9 and demand reduction, correct?

10 A. Yes. The metrics that we're capturing
11 related to the distribution automation go to CAIDI
12 and SAIFI. The metrics that we're capturing from a
13 conservation voltage reduction, Volt/VAR control
14 perspective, goes to reduction in usage on the
15 system, reduction in demand without violating any of
16 our voltage parameters, as well as improvements in
17 the distribution power factors.

18 So while I don't specifically enumerate
19 those here, those are the metrics that we've
20 committed to capture and report to the Public
21 Utilities Commission on as part of this distribution
22 pilot.

23 Q. Okay. So implementing market
24 technologies could result in cost-effective energy
25 savings or demand reduction without necessarily

1 improving CAIDI and SAIFI metrics, correct?

2 A. I don't know the answer to the question.
3 I mean, I don't know how to answer the question. I
4 guess I'd be better informed when I see the results
5 of the pilot. But I would expect that you are going
6 to have some bleed-over between the two, but that
7 distribution automation would be probably more likely
8 to contribute to improving enhanced reliability
9 metrics where the Volt/VAR controls would contribute
10 more to the energy or demand reductions and improved
11 power factor.

12 Q. And to the extent SmartGrid technologies
13 achieve cost-effective energy savings, that would
14 tend to reduce the load in the area, correct?

15 A. May I ask what you mean by "load," ma'am?

16 Q. I guess it's pretty straightforward. Do
17 you agree that reducing customer energy usage reduces
18 overall load, energy demand?

19 A. So I am trying to sort out whether your
20 question goes to demand or energy, so if your
21 question is does energy efficiency reduce the amount
22 of energy consumed on the system, I would agree with
23 that.

24 Q. Okay. And could that tend to lower
25 locational marginal prices for energy in that area?

1 A. Possibly.

2 Q. You agree that there is a relationship
3 between supply and demand in terms of setting
4 locational marginal prices?

5 A. Yes.

6 Q. All right. And could we turn to pages 23
7 and 24 of your testimony. No specific line reference
8 here, but here you describe historical energy savings
9 produced by programs administered by COSE, AICUO, and
10 the City of Akron, correct?

11 A. If by historical you mean savings that
12 have occurred in a prior year that will continue in
13 future -- current years and future years, then yes.

14 Q. Yes. Thanks for clarifying. Is there
15 anything in the stipulation or supplemental
16 stipulations that provides for any specific --
17 specific level of energy savings in the future?

18 A. I'm not sure I understand your question,
19 ma'am.

20 Q. I guess to put it another way is does the
21 stipulation provide that the programs in the
22 stipulation, if approved, will achieve similar levels
23 of energy savings to what you have described here?

24 A. I think that there are two types of
25 payments enumerated for COSE and for AICUO in the

7050

1 stipulation. One is a fixed administrator payment,
2 \$200,000 over the term or \$240,000 over the term.
3 The other payment, the million-dollar payment
4 referenced in the stipulation, very much the payment
5 of those dollars is tied very specifically to COSE or
6 the AICUO bringing programs to the company that the
7 companies can process through our EM&V process, and
8 upon our satisfaction that they meet the requirements
9 to be included, will be scored towards our portfolio
10 benchmarks.

11 So in answer to your question, the
12 large -- by far, the majority of the dollars outlined
13 in the stipulations do require the production of a
14 program that demonstrates savings that we can count.

15 Q. And does the stipulation provide -- and
16 is there a particular energy savings level that the
17 stipulation programs must provide in the future in
18 order for the companies to get cost recovery of the
19 stipulation costs related to these programs?

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

22 EXAMINER PRICE: You may.

23 (Record read.)

24 A. As it relates to the million dollars for
25 COSE or the million dollars for the AICUO, that --

1 those dollars are "up to" dollar amounts, and they
2 would be paid out dollar for dollar upon those
3 administrators being -- bringing programs to the
4 companies.

5 With respect to the fixed payments, no.

6 Q. And we turn back to page 5 of your
7 testimony, starting on line 21 and going on to page
8 6, line 3, and here you describe a customer's choices
9 at the end of a fixed-price contract, correct?

10 A. Yes.

11 Q. Okay. And you state that the customer
12 could select a new contract with a CRES provider or
13 return to default service. But in either case, a
14 customer would be subject to the full impact of
15 market prices and conditions at the time of their
16 contract expiration, correct?

17 A. Yes.

18 Q. Would you agree with me that at the end
19 of fixed-price contract, a customer could choose to
20 implement energy efficiency measures to reduce their
21 energy usage?

22 A. I don't think a customer's ability to
23 implement energy efficiency is at all dictated by the
24 term of their CRES contract. I think that a customer
25 could implement energy efficiency measures, and do,

1 at any time.

2 Q. Okay. And one of those circumstances in
3 which they could choose that is if at the conclusion
4 of the fixed-price CRES contract energy prices were
5 high, correct?

6 A. Yes, a customer can implement energy
7 efficiency at any time.

8 Q. And on page 5, lines 12 to 14, you state,
9 "A fixed-price contract would likely take into
10 account projected changes in the market and convert
11 those projections, likely with a risk adder, into a
12 flat price." Did I read that correctly?

13 A. Yes.

14 Q. Okay. And there are projected changes in
15 the market that could vary across who is doing the
16 projecting, correct?

17 A. If your question is could one CRES
18 provider have a view of future price volatility that
19 differs from another CRES provider, is that your
20 question, ma'am?

21 Q. That is. Thank you for phrasing it more
22 eloquently.

23 A. Yes.

24 Q. And a CRES provider's view of potential
25 future volatility could differ from the companies',

1 correct, as presented in this case?

2 A. I don't know that CRES providers today
3 would be assessing 15-year market volatility. I
4 think the volatility I am referring to here would
5 relate to the term of the fixed-price contract which
6 are going to be predominantly 12-month contracts, so
7 they would look at what their expectation is for that
8 volatility.

9 I mean, the risk doesn't go away. It's
10 just a matter of who bears the risk and what you pay
11 associated for that transfer of the risk from the
12 customer who takes the firm-price contract to the
13 supplier who accepts the risk, and so a risk premium
14 would be built in associated with that strictly
15 associated with the term of the contract.

16 MS. FLEISHER: I am not sure you answered
17 my question.

18 Could we have the question reread,
19 please?

20 EXAMINER PRICE: Please.

21 (Record read.)

22 MR. KUTIK: Well, your Honor, I believe
23 she has answered the question. She said essentially
24 CRES providers don't look out 15 years. They look
25 out one year, and she explained how she thought that

1 CRES providers would assess that risk over the year.

2 EXAMINER PRICE: Well, I think she
3 answered a fair interpretation of the question, but I
4 am not sure she answered the question that
5 Ms. Fleisher intended to ask so we'll give
6 Ms. Fleisher an opportunity to rephrase to narrow the
7 question somewhat.

8 MS. FLEISHER: Okay.

9 Q. (By Ms. Fleisher) Could CRES providers
10 have, to the extent they are looking at price
11 volatility in setting fixed-price contract prices,
12 have a different view of volatility from that of the
13 companies?

14 A. Yes. Different could be more volatility
15 or less.

16 MS. FLEISHER: That's all I have. Thank
17 you.

18 EXAMINER PRICE: Thank you.

19 Ms. Bojko.

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

21 - - -

22 CROSS-EXAMINATION

23 By Ms. Bojko:

24 Q. Good morning, Ms. Mikkelsen.

25 A. Good morning.

1 Q. A few follow-up questions to what you
2 have been asked through the last couple of days. If
3 you could turn to page 3 of your rebuttal testimony,
4 please, on page 3, lines 7 through 9, you talk about
5 customers with variable-priced contracts. Do you see
6 that?

7 A. Yes.

8 Q. Prior to writing your rebuttal testimony,
9 did you review any customer variable-priced
10 contracts?

11 A. I have reviewed variable-priced contracts
12 in the past, yes.

13 Q. But prior to writing your rebuttal
14 testimony, I think you said you started drafting it
15 in late September, since that time have you reviewed
16 any variable-priced contracts?

17 MR. KUTIK: Well, I object, your Honor.
18 I am not sure what the question is. Is it before
19 she --

20 MS. BOJKO: Oh, my apologies. I'll
21 rephrase.

22 Q. Prior to drafting your rebuttal
23 testimony, immediately prior to drafting your
24 rebuttal testimony, have you reviewed variable-priced
25 contracts?

1 MR. KUTIK: I'm sorry, your Honor. Is
2 the question in preparation for her testimony did she
3 review?

4 MS. BOJKO: Yes, thank you.

5 Q. I'll try one more time. In preparation
6 of drafting your rebuttal testimony, I know there has
7 been a lot of testimony in this case, but in
8 preparation of drafting your rebuttal testimony, did
9 you review variable-priced contracts between CRES
10 providers and customers?

11 A. No. In my current capacity I would not
12 have access to contracts between customers and CRES
13 providers.

14 Q. So your statement then would be true with
15 regard to any piece of testimony that you prepared in
16 this case, prior to drafting or in preparation of
17 drafting testimony in this proceeding, you would not
18 have reviewed variable-priced contracts with
19 customers and CRES providers; is that correct?

20 THE WITNESS: Can I have that question be
21 reread, sir.

22 EXAMINER PRICE: You may.

23 (Record read.)

24 MR. KUTIK: Your Honor, I don't know if
25 the question is seeking to ask about something in

1 other testimony that she's filed, and, of course, she
2 has filed a lot, that somehow deals with prices? Or
3 it is a question designed just to seek a time frame
4 in terms of the witness's potential review or
5 nonreview of variable contracts.

6 EXAMINER PRICE: I understood the
7 question to be whether in preparation for any piece
8 of testimony in this proceeding whether she had
9 reviewed these types of contracts.

10 Is that correct?

11 MS. BOJKO: That is, in light of her
12 prior response in her current capacity she is not
13 able to.

14 MR. KUTIK: Well, again, your Honor, to
15 the extent that question is directed towards other
16 testimony, it's beyond the scope.

17 EXAMINER PRICE: We'll allow it. It's
18 harmless enough.

19 A. I did not review any customer contracts
20 with their CRES provider in preparation of my
21 rebuttal testimony. I did review a number of
22 supplier websites and assured myself that there was a
23 very active offering market for variable-priced
24 products that existed currently in the companies'
25 service territory.

1 MS. BOJKO: Your Honor, I move to strike
2 everything starting with "I did" as nonresponsive to
3 my question. I asked about reviewing actual
4 contracts between CRES providers and customers.

5 EXAMINER PRICE: We are going to give the
6 witness a little bit of leeway on this answer.

7 Q. In your current capacity -- I still don't
8 think you fully answered my question because you
9 qualified it in preparation of your rebuttal
10 testimony. But in your current capacity with
11 FirstEnergy Service Corp. -- well, excuse me. Strike
12 that.

13 In your current capacity as director of
14 rates and regulatory affairs for FirstEnergy Corp.
15 Ohio utilities, you have not or are not able to
16 review actual contracts between customers and CRES
17 providers; is that accurate?

18 A. I guess what I meant was it's not part of
19 my day-to-day activities. I would have no reason.
20 There is nothing that would preclude me if a customer
21 brought me a variable-priced contract, nothing would
22 prevent me from looking at it, but I have no need to
23 review those contracts in the day-to-day discharge of
24 my responsibilities.

25 Q. Okay. And in response to Mr. Fisk

1 yesterday with regard to page 3, the rider ELR EBT
2 discussion starting on line 10, you responded that
3 customers that participate in the ELR program
4 outlined here receive \$5 per kW per month, per unit
5 of curtailable load credit. Do you recall that?

6 A. Yes.

7 Q. And just so we're clear, the EBT ELR
8 rider that you are describing on page 3 of your
9 rebuttal testimony is the current ELR program; is
10 that correct?

11 A. Yes.

12 Q. And isn't it true that ELR customers
13 under the current ELR program also receive a \$5 per
14 kW per month credit through the EDR(b) rider?

15 A. Yes.

16 Q. And the economic buy-through option that
17 you are discussing on page 3 was an optional
18 provision of the ELR tariff; is that correct?

19 A. No.

20 Q. A customer could choose to buy through.
21 They didn't have to buy through; isn't that correct?

22 A. Every customer who participates in rider
23 ELR is subject to the economic buy-through provision.
24 It is the individual customer's decision whether or
25 not they will buy through at that day-ahead price or

1 whether they will curtail to their firm-service
2 level. But all customers are subject to that
3 provision.

4 Q. Okay. But a customer has the option of
5 either maintaining service -- excuse me. The
6 customer has the option of maintaining service even
7 though they receive a credit to curtail; isn't that
8 correct?

9 A. I am not sure that is correct because
10 there's two separate curtailment situations. There
11 are emergency curtailment situations, in which case
12 the customer has absolutely no option with respect to
13 participation. They are obligated to curtail to
14 their firm-service level, and sometimes as little as
15 30 minutes, and if they fail to curtail to that
16 firm-service level in a timely fashion, they are
17 subject to penalties which are enumerated in the
18 tariff. So that's your emergency event.

19 And then as a separate matter, these ELR
20 customers are subject to these economic
21 buy-through -- the economic buy-through provision,
22 which is triggered purely as a function of day-ahead
23 market prices as compared on an hourly basis as
24 compared to the auction clearing price. And those --
25 in those circumstances the customer has the option to

1 buy through at the day-ahead rate or curtail their
2 operations to their firm-service level.

3 Q. And under the latter situation that you
4 just discussed, if the customer chooses to maintain
5 service and buy through, they still receive the \$10
6 per kW per month per unit of curtailable load credit;
7 isn't that correct?

8 A. They continue to receive the credit, but
9 they pay the day-ahead prices, which if you look
10 further up Exhibit 3 to the table, for example, would
11 include rates at \$904 on an hourly basis, you know,
12 for example. So they are paying sometimes very
13 significantly higher hourly prices for that
14 electricity if they elect to buy through.

15 MS. BOJKO: Your Honor, I move to strike
16 everything including the word "but" and everything
17 after "but."

18 MR. KUTIK: May I have the question and
19 answer read, your Honor.

20 EXAMINER PRICE: You may.

21 (Record read.)

22 MR. KUTIK: Your Honor, I believe the
23 answer is fully responsive to the question given that
24 the premise of the question was misleading.

25 MS. BOJKO: Your Honor, I disagree. I

1 asked if they still pay the credit. It's a "yes" or
2 "no" answer. Counsel can get out what they do or
3 don't do on redirect.

4 EXAMINER PRICE: I'm not saying I am not
5 going to agree her question is misleading, but I am
6 going to agree that the -- you could draw an
7 unfortunate inference from her question and that the
8 answer was fully responsive, in order to avoid
9 anybody drawing that unfortunate inference.

10 MR. KUTIK: Fair enough, your Honor.

11 Q. (By Ms. Bojko) And the chart you referred
12 to is just illustrative, is that correct? Of the
13 pricing?

14 A. No. The values included in the table on
15 page 3 are actual values so --

16 Q. Right. But --

17 MR. KUTIK: Excuse me. Let her finish
18 her answer, please.

19 A. So, for example, the day-ahead highest
20 LMP rate noted for the period June of '13 through May
21 of '15 \$904.65 cents a megawatt-hour would have been
22 an actual hourly LMP rate that occurred in January of
23 2014.

24 Q. And a customer would have that
25 information available, and then they would make the

1 decision at that time whether to buy through at those
2 prices with the offsetting credit that they receive
3 or whether to just curtail; isn't that correct?

4 A. I'm not entirely sure about the reference
5 to the offsetting credit, but I do agree that
6 customers receive a day-ahead price signal and they
7 make the decision based on that day-ahead price
8 signal whether they are going to curtail their
9 operations to their firm-service level or buy through
10 at the day-ahead price signal they received.

11 Q. Well, the decision is going to be on the
12 net costs, so if a customer is receiving a credit of
13 \$10 per kW per month per unit of curtailable load,
14 they would take that into consideration in their
15 decision when it was economically feasible or
16 beneficial for them to buy through during any given
17 period; isn't that true?

18 A. I think that that's probably a question
19 that's better addressed to the customers making the
20 individual decisions. I can tell you from my
21 experience when we call these buy-through hours, I
22 have never, ever had an ELR customer say to me
23 anything about, well, the buy-through rate tomorrow
24 is X, but given the credit, I'll buy through.

25 The conversations I have had have always

1 been focused strictly on the day-ahead price signal
2 as it relates to the economic buy-through provision.

3 Q. And it's their business decision whether
4 to choose to buy through at X price or to choose to
5 curtail; is that correct?

6 A. Yes.

7 Q. And the situation with the -- on line 7
8 to 9, the customers with the variable-priced
9 contracts indexed, that situation would be true with
10 or without rider RRS; isn't that correct?

11 A. Rider RRS will not change the volatility
12 that occurs in the market. What it will do is
13 provide a hedge that moves counter to increasing
14 market prices, thereby providing price mitigation in
15 periods of increasing prices or more volatile prices.

16 Q. It will be revised on an annual basis,
17 isn't that correct, rider RRS will be adjusted on an
18 annual basis?

19 A. As proposed, rider RRS will be set
20 annually.

21 Q. And on the top of page 4 you talk about a
22 weather event. If a weather event causes an increase
23 in the SSO prices, as you claim, this would be true
24 with or without rider RRS; isn't that correct?

25 A. The point I was making here was if you

1 look at the auction that occurred in October of 2013
2 and looked at, for example, the 12-month product and
3 what the clearing price was in October of '13, and
4 then you looked at the same 12-month product for the
5 auction that occurred in January of '14 immediately
6 after the polar vortex, we saw a 10 percent increase,
7 a significant increase in that very short period of
8 time associated with that auction clearing price.

9 So that higher auction clearing price, if
10 I assume it had cleared at the same rate as the
11 October rate, the overall SSO rate that went into
12 effect June 1st of 2014 would have been 3 --
13 approximately 3.7 percent lower than it was.

14 Correspondingly, if the rider RRS had
15 been in effect during that period, the forecast for
16 rider RRS would not have assumed the actual day-ahead
17 or real-time hourly prices that occurred in that same
18 January time frame.

19 So when I would go to reconcile my rider
20 RRS rate, again effective June 1, the value of the
21 higher revenue that was collected during that weather
22 period would also be included and would provide that
23 market price mitigation mechanism that we've
24 discussed to the SSO prices.

25 Q. So if a weather event does, in fact,

1 cause the SSO price to increase, as you claim, that
2 would happen with or without the approval or
3 existence of rider RRS; isn't that true?

4 A. Yes. I think the point I was trying to
5 make was that then rider RRS would capture the value
6 of those higher market prices and those could be used
7 to mitigate the higher prices in the SSO process.

8 MS. BOJKO: Your Honor, I am going to
9 move to strike. I didn't move the first time to
10 strike. Now I am going to move the second time. I
11 think it was "but," "but what I am trying to" or "my
12 point" or something.

13 EXAMINER PRICE: Everything after "yes."

14 MS. BOJKO: Okay, thank you.

15 EXAMINER PRICE: We will grant the motion
16 to strike everything after "yes."

17 Q. (By Ms. Bojko) And rider RRS will not
18 modify what CRES providers offer for the generation
19 price; isn't that true?

20 A. While I don't know what influences CRES
21 offers, I would not expect that to influence it.

22 Q. Right. Because these situations are
23 talking about generation prices, and rider RRS is
24 separate and distinction from a generation price or
25 offer if it's a price via the SSO auction or an offer

1 via the CRES providers; isn't that true?

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

4 EXAMINER PRICE: You may.

5 MS. BOJKO: Strike that. I'll try again.

6 Q. What a customer pays for generation is
7 not contingent upon rider RRS; isn't that true?

8 A. Rider RRS is a generation-related charge.
9 That would --

10 Q. I'm sorry.

11 A. Depending on whether it's a charge or a
12 credit would offset the price paid for generation.

13 Q. But that's separate and distinct than
14 what a customer has to either get a generation --
15 they have to procure their generation either from the
16 SSO auctions or they have to procure their generation
17 from a CRES provider; isn't this correct? Companies
18 are not providing generation service, correct?

19 MR. KUTIK: Objection, compound.

20 Q. The companies aren't providing generation
21 service, correct?

22 A. The companies do not own generation. The
23 companies provide generation service to their
24 nonshopping customers that is acquired through a
25 competitive bid process.

1 Q. Through the SSO. So a customer has to
2 either get their generation from the SSO or from a
3 competitive procurement from a CRES provider,
4 correct?

5 EXAMINER PRICE: Are you asking just the
6 physical generation?

7 MS. BOJKO: Generation is competitive, so
8 they have to get their generation from either a CRES
9 offer, a CRES provider, or from the standard service
10 offer.

11 EXAMINER PRICE: While I don't agree
12 with your premise that generation is competitive, but
13 that being said, I am still asking, are you talking
14 about the physical generation or are you talking
15 about the bill impact? Because I'm confused.

16 MS. BOJKO: I'm talking about the
17 physical generation. They have to procure it from a
18 source other than the companies. They have to
19 procure it from an SSO offer or they have to procure
20 it from a CRES provider.

21 EXAMINER PRICE: That's what I was asking
22 you. You are referring to the physical generation?

23 MS. BOJKO: Yes.

24 EXAMINER PRICE: Okay.

25 A. I would add a third option to that, which

1 is, of course, the option a customer may choose to
2 generate some or all of its generation.

3 Q. Thank you. Yes, of course. So those are
4 the options you see, either self-supply, obtain it
5 from the SSO, or obtain it from a CRES provider.

6 A. Yes.

7 Q. And that situation, as the current world
8 stands today under our current law that exists, with
9 or without rider RRS being assessed to customers
10 bills; isn't that correct?

11 MR. KUTIK: Well, I object. There is no
12 rider RRS today.

13 MS. BOJKO: I said with or without
14 approval of and being charged.

15 MR. KUTIK: You said -- I think the
16 question was as the situation exists today.

17 EXAMINER PRICE: She did say with or
18 without RRS, just to be clear. But let's have the
19 question back again, and then the witness can answer.
20 The objection is overruled.

21 (Record read.)

22 THE WITNESS: I'm sorry, may I have the
23 preceding question? I'm not sure what is correct. I
24 apologize.

25 (Record read.)

1 A. Yes.

2 Q. And could you turn to page 5 of your
3 rebuttal, please, the bottom line 21 going over to
4 the top of 22, you talk about fixed-price contracts,
5 at the conclusion of that, a customer is faced with
6 two choices. Do you see that?

7 A. Yes.

8 Q. And those choices that a customer is
9 faced with, those choices exist with or without rider
10 RRS; is that correct?

11 A. Yes.

12 Q. And the scenario of a customer needing to
13 do something after conclusion of a fixed-price
14 contract exists with or without rider RRS, correct?

15 A. I'm a little troubled by the comment
16 "needing to do something," insomuch as, I mean, the
17 companies have an obligation to serve their
18 customers. So if they don't elect to take a
19 competitive product, you know, offer from a CRES
20 provider, they will receive service from the utility
21 without needing to do something.

22 Q. Well, that's -- you're needing to do
23 something, excuse me, was referencing the two choices
24 of the customer, and one of the choices is returning
25 to default service.

1 So my question was at the end of a
2 fixed-price contract, the scenario of a customer
3 needing to either enter into a new contract, return
4 to default service, or, I guess, self-supply, as you
5 mentioned earlier today, that scenario will exist
6 with or without rider RRS; is that correct?

7 A. The customer at the end of a contract is
8 typically faced with two choices, right, as I say in
9 my testimony, either enter into a new contract or
10 return to default service.

11 Q. Let's turn to page 11 now. Let's talk a
12 little bit about the discussion you had this morning
13 with regard to the change in rider NMB. You
14 mentioned to Mr. Sauer that you believe that the
15 companies would work with the CRES community on this
16 change to ensure those customers are not double
17 charged; is that correct? Do you recall that
18 discussion?

19 A. I recall that discussion.

20 Q. And do you envision the process to be the
21 same process as that outlined by the Commission in
22 the AEP ESP III order?

23 A. I don't know, as I sit here today, I
24 can't recall what process was laid out in the AEP ESP
25 III order.

1 Q. Fair enough.

2 MS. BOJKO: Your Honor, I can't imagine
3 that this was not marked previously, but I could not
4 find it in my notes, if somebody could help, with the
5 Opinion and Order in 13-2385.

6 EXAMINER PRICE: I am sure we took --
7 well, we don't need to take administrative notice.
8 It's an opinion and order, but if you want to mark
9 it, it's fine.

10 MS. BOJKO: If I may mark this as OMAEG
11 17, please.

12 EXAMINER PRICE: It will be so marked.
13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MS. BOJKO: Does the Bench need a copy?

15 EXAMINER PRICE: No.

16 Q. (By Ms. Bojko) First of all, does this
17 appear to be the Commission's opinion and order
18 issued --

19 EXAMINER PRICE: Let's go off the record
20 real fast.

21 (Discussion off the record.)

22 EXAMINER PRICE: Let's go back on the
23 record. At this time we are going to make a minor
24 correction. The last exhibit will be marked as OMAEG
25 23.

1 MS. BOJKO: Thank you, your Honor.

2 Q. (By Ms. Bojko) Ms. Mikkelsen, does this
3 appear to be the opinion and order issued in the AEP
4 ESP III Case No. 13-2385-EL-SSO, issued on February
5 25, 2015?

6 A. Yes.

7 Q. And you are familiar with the AEP ESP III
8 order; is that correct?

9 A. I have read it at one point or another.

10 Q. This is the same order that included
11 the -- what's been termed AEP ESP factors or PPA
12 factors that you actually filed a piece of testimony
13 on; is that correct?

14 A. Yes.

15 Q. Could you turn to page 68 of the order,
16 please.

17 A. I'm there.

18 Q. And the paragraph at the top, if you look
19 at the last two sentences of that top paragraph
20 starting with "In any event." Do you see where I am?

21 A. I do.

22 Q. If you could take a moment to read that,
23 please. In this provision the Commission requires
24 that AEP Ohio and CRES providers work together with
25 staff in order to ensure customers do not pay twice

1 for transmission-related expenses; is that correct?

2 A. Yes.

3 Q. And it also talks about double-billing
4 issues, and that if those arise, the Commission
5 states that there are existing means for impact to
6 customers to seek assistance, such as informal
7 discussions with staff or through formal complaints
8 at the Commission; is that correct?

9 A. Yes.

10 Q. Is that the same process you mentioned to
11 Mr. Sauer you envision occurring with regard to the
12 companies' rider NMB changes?

13 A. A process like this is exactly what I
14 envision.

15 Q. And despite the process outlined by the
16 Commission in this AEP ESP III case, are you aware
17 that there have been -- there has been a disruption
18 to the market recently with regard to the transition
19 in NMB riders and related costs, transmission costs?

20 MR. KUTIK: Objection.

21 EXAMINER PRICE: Grounds?

22 MR. KUTIK: Assumes facts.

23 MS. BOJKO: I asked her if she was aware.

24 EXAMINER PRICE: Well, you still -- the
25 premise still was that there is one. Maybe you could

1 just ask her if she is aware of whether there are --
2 have been any disruptions. That might overcome the
3 objection.

4 MS. BOJKO: Thank you.

5 Q. (By Ms. Bojko) Ms. Mikkelsen, are you
6 aware there have been disruptions in the marketplace
7 and concerns raised by customers regarding
8 double-billing issues related to the transition in
9 AEP from one transmission rate to a new transmission
10 rate?

11 EXAMINER PRICE: No. That didn't -- that
12 didn't fix my problem. Let me try.

13 Ms. Mikkelsen, are you aware of whether
14 there have been any disruptions or complaints
15 resulting from the transition from by AEP to rider
16 NMB?

17 THE WITNESS: I am not aware of any, sir.

18 Q. (By Ms. Bojko) So you also would not be
19 aware of any informal complaints that have been
20 raised by customers to staff at the Commission; is
21 that correct?

22 MR. KUTIK: Same objection, your Honor.
23 And I also would object on the grounds of relevance.
24 What's happening with AEP's situation is different.
25 She can testify about the companies' experience. She

1 has testified about the companies' experience with
2 respect to the transition from ESP I and ESP II.

3 EXAMINER PRICE: I am going to overrule
4 the relevance objection, but I will grant the motion
5 to the extent that Ms. Bojko -- I am not sure whether
6 she phrased it properly.

7 But let's say are you aware of whether
8 there are any complaints to staff regarding AEP's
9 transmission?

10 THE WITNESS: I am not aware of any
11 complaints.

12 EXAMINER PRICE: But I have a follow-up.
13 Even if there were a disruption caused by AEP or by
14 this, isn't that simply a risk of the market? If you
15 choose a CRES provider and you think the CRES
16 provider doesn't fairly offset the change, shouldn't
17 you simply go out and pick a different CRES provider?
18 I mean, isn't that life in a choice program, without
19 prejudging any particular cases that might come
20 before us?

21 THE WITNESS: Yes, yes.

22 EXAMINER PRICE: You agree that's simply
23 a risk customers take on in a market situation?

24 THE WITNESS: Yeah. I think the market
25 contains a number of nonprice-related risks as they

1 relate to rules, laws. All of those factors are
2 risks of the market.

3 EXAMINER PRICE: And customers may not
4 always be happy with their choice of CRES providers
5 down the line.

6 THE WITNESS: That is certainly true.

7 EXAMINER PRICE: Thank you.

8 Q. (By Ms. Bojko) Ms. Mikkelsen, isn't it
9 true if a change occurs when a customer is under a
10 fixed-price contract, they do not have the same
11 ability to just go out and choose another supplier if
12 they are unhappy with that supplier?

13 A. It is difficult for me to say without
14 seeing the terms and conditions associated with the
15 contract. In any event, a customer would be able to
16 make that choice at the end of their contract term.

17 Q. At the end. But during the contract they
18 may be subject to penalties if they have any kind --
19 or early termination fees if they elect to leave a
20 fixed-price contract or a CRES provider when such a
21 change is made; is that correct?

22 A. That really goes to my earlier point.
23 Without seeing the specific terms and conditions,
24 it's difficult to say.

25 Q. But you have seen those provisions in the

1 prior contracts that you referenced you reviewed in
2 your consultant days; isn't that correct?

3 A. If you are asking me if I had seen
4 contract terms that include a termination --

5 Q. Yes.

6 A. -- fee? The answer to that is yes.

7 Q. And, Ms. Mikkelsen, did you review the
8 applications for rehearing or the appeal that's been
9 filed at the Supreme Court regarding AEP's ESP,
10 specifically how it relates to rider BTCR, which is
11 AEP's transmission rider?

12 MR. KUTIK: Objection.

13 EXAMINER PRICE: Grounds?

14 MR. KUTIK: Relevance.

15 EXAMINER PRICE: Sustained.

16 Q. And, Ms. Mikkelsen, sitting here today
17 you cannot confirm that a CRES provider would, in
18 fact, remove charges if those charges are also
19 collected by the companies through the revised NMB
20 rider; is that correct?

21 A. The process I envisioned was a
22 collaborative process with the companies, as you
23 point out aptly, including the staff and the CRES
24 community to work through this issue.

25 As I sit here today, it's hard for me to

1 imagine in that forum a CRES provider not making the
2 changes that are being discussed, the companies and
3 the staff. It strikes me as if they want to continue
4 to participate in the Ohio market, they would,
5 through this collaborative process, make those
6 changes.

7 EXAMINER PRICE: But how can we ever know
8 if you are comparing a regulated rate that's been
9 built up piece by piece by piece versus a number that
10 the CRES provider puts on the Apples chart and says,
11 "We'll serve you at this price"? How do we ever know
12 whether they did or didn't include such costs in
13 their offer? Maybe just as a loss leader, they were
14 going to eat those costs.

15 This gets back to my issue, isn't this
16 just life -- I am asking now three questions, so why
17 don't you go ahead and answer how can we ever know
18 first, and then we will go back to my philosophic
19 question

20 MR. KUTIK: Could you put the question to
21 her again, your Honor?

22 EXAMINER PRICE: Sure. How can we ever
23 know if you're comparing an unregulated price to a
24 regulated price that's been built up piece by piece
25 by your companies' tariffs, whether the costs were or

1 were not included in the price that the CRES provider
2 happened to offer on any given day on the Apples
3 chart or to any customer fortunate enough to call
4 them that day?

5 THE WITNESS: I guess we would not ever
6 really know. I'm hard-pressed to imagine someone in
7 a business not including known costs in their price
8 quotes, but they may not.

9 EXAMINER PRICE: Well, they surely
10 include known costs, but they also have risk adders
11 and, you know, maybe they -- again, maybe it was just
12 not a big enough component or maybe it was subsumed
13 by the risk adder.

14 I mean, isn't that, though, the beauty of
15 the market? If you are dissatisfied with your choice
16 of CRES provider and they don't make it right, you
17 should go and seek out another CRES provider because
18 it's a market, and just whether it's CRES or it's
19 hamburgers or it's school buses.

20 MR. KUTIK: So, your Honor, I am not sure
21 what the question is?

22 EXAMINER PRICE: My question is, isn't
23 this just a risk of the market, the customers may end
24 up paying twice because they've chosen a market rate?

25 THE WITNESS: Yes.

1 MR. PETRICOFF: Your Honor, if I may, is
2 this an issue we can take up in brief? Because there
3 are -- this witness -- and, obviously, we are not --
4 we, being the suppliers, are not on the stand at the
5 moment, but there are answers to your questions, at
6 least from the supplier community. May we put this
7 in our brief?

8 EXAMINER PRICE: Well, I certainly think
9 it's going to -- hopefully it will assuage
10 Ms. Bojko's concerns if you can explain how we can
11 know and how we can -- how we can improve the
12 process. So if there is a way to improve the process
13 as we do this transition, I think that certainly the
14 Commission would want to improve the process as we --
15 if there is any transition at all, I think the
16 Commission would want to know ways to improve the
17 process.

18 MR. PETRICOFF: Thank you, your Honor.
19 We will take that up.

20 MR. KUTIK: I guess our position is that
21 certainly what's in the briefs should be tethered to
22 the record.

23 EXAMINER PRICE: I'm confident
24 Mr. Petricoff will find a way to tether it to the
25 record.

1 MR. PETRICOFF: That's the reason for my
2 point here, because I am going to respond to this
3 question from the record. There will be a footnote
4 there that says this question was raised and we will
5 launch into it, and I think, surprisingly, I will be
6 on the same side as Mr. Kutik on this issue.

7 MR. KUTIK: Well, I guess, my point, your
8 Honor, any issues -- and we appreciate
9 Mr. Petricoff's help to the extent we can get it.
10 But any issue, your Honor, needs to be based upon the
11 record evidence, and that's our position.

12 EXAMINER PRICE: And I am confident
13 Mr. Petricoff's solutions will be. Or we'll sort it
14 out when the briefs come in and people make motions.

15 MR. KUTIK: Fair enough. Thank you.

16 EXAMINER PRICE: Thank you, Ms. Bojko.

17 MS. BOJKO: Thank you, your Honor.

18 Q. (By Ms. Bojko) Ms. Mikkelsen, just so the
19 record is clear, you do understand in answering the
20 questions from the attorney examiner that customers
21 may be constricted by contract law with regard to
22 their choices when a change is made midstream of a
23 contract, correct?

24 MR. KUTIK: May I have the question read,
25 please.

1 EXAMINER PRICE: You may have the
2 question read, but I will just add the caveat it's
3 abundantly clear she is not an attorney and she will
4 be not -- is not being solicited for her legal
5 opinion.

6 Can I have the question back.

7 (Record read.)

8 A. Yes.

9 Q. And, Ms. Mikkelsen, you mentioned a
10 couple of times you would be surprised or you
11 couldn't imagine that a CRES provider and the
12 companies couldn't work through a solution with
13 staff; is that correct?

14 A. Yes.

15 Q. So you would be surprised if double
16 billing was actually occurring because a CRES
17 provider and the company and the staff could not work
18 through the issue; is that correct?

19 A. I believe the CRES community, the staff,
20 and the companies can work to a solution that is
21 mutually satisfactory to the parties that affects a
22 transparent and seamless move of those NMB line-item
23 charges.

24 MR. KUTIK: Are you finished?

25 THE WITNESS: I am finished. Thank you.

1 Q. Sorry. And it would definitely be the
2 companies' intent to not double-bill or double-charge
3 customers during a transition such that you are
4 proposing; is that correct?

5 A. The companies' intent would be to bill
6 all of its customers for the NMB line items that have
7 moved from the supplier community to the company
8 effective with the start of the ESP IV period.

9 Q. Fair point. So it would be the
10 companies' hope then that CRES providers would make
11 corresponding modifications to their charges in order
12 that customers not be double billed; is that correct?

13 A. It goes beyond our hope. As I've said
14 before, the companies would take an active role in
15 working with the CRES community and the staff to lay
16 out a process for that to occur.

17 EXAMINER PRICE: Just to wrap up this
18 piece, the magnitude of the changes we are talking
19 about in this case are dramatically less than the
20 magnitude of changes when we first instituted rider
21 NMB; isn't that correct?

22 THE WITNESS: Absolutely.

23 EXAMINER PRICE: Thank you.

24 Q. (By Ms. Bojko) Ms. Mikkelsen, let's
25 change topics.

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1 MS. BOJKO: Are you finished, your Honor?
2 May I change? Let's change topics.

3 MR. KUTIK: Your Honor, may I inquire how
4 much longer Ms. Mikkelsen has, whether it's long --
5 Ms. Bojko has, and if it's long whether it's an
6 appropriate time for a break.

7 EXAMINER PRICE: It's been two hours. I
8 think it's an appropriate time, irrespective of
9 Ms. Bojko's remaining cross. Let's take a 10-minute
10 break. 11:15.

11 (Recess taken.)

12 EXAMINER PRICE: Let's go back on the
13 record.

14 Please proceed, Ms. Bojko.

15 MS. BOJKO: Thank you.

16 Q. (By Ms. Bojko) Ms. Mikkelsen, I am going
17 to turn your attention to rider DCR. You start
18 discussing it at the bottom of page 13 onto 14, and
19 you discuss Ms. McCarter's recommendation regarding
20 excluding of general and intangible plant. Do you
21 see that?

22 A. Yes.

23 Q. Do you know whether Ms. McCarter made a
24 similar recommendation in the recent AEP ESP case?

25 A. Yes.

1 Q. And isn't it true in the Commission order
2 in that ESP, as well as the entry on rehearing, that
3 the Commission agreed with Ms. McCarter and excluded
4 such costs from AEP's distribution rider?

5 MR. KUTIK: Well, I'll object, your
6 Honor, on two grounds. One, relevance; two, there's
7 no foundation laid other than Ms. Mikkelsen's
8 familiar with the order on that particular issue.
9 There is no foundation laid that she's familiar with
10 the similarities between -- or dissimilarities
11 between the two riders and the actions taken by the
12 staff or the recommendations taken by the staff and
13 the Commission in that case.

14 EXAMINER PRICE: I am going to overrule
15 the objection. She has expressed a familiarity with
16 that section of the staff's recommendation, and if
17 you feel there are factual differences that need to
18 be elicited, you can take care of that on redirect.

19 THE WITNESS: Can I have the question
20 again?

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

23 (Record read.)

24 A. Yes.

25 Q. And you still have OMAEG Exhibit 23 in

1 front of you? Do you have that exhibit in front of
2 you?

3 A. Yes.

4 Q. If you turn to page 46 of the
5 Commission's opinion and order, isn't it true that
6 the Commission specifically denied the request to
7 include general plant investment for radio
8 communication systems that support front-line
9 employees?

10 A. Excuse me. I'm sorry, may I ask you to
11 be more specific where you are looking on page 46,
12 ma'am?

13 Q. The Commission's decision -- I wasn't
14 reading from 46. The Commission's -- I was just
15 giving a page reference of the decision. The
16 Commission's decision is on page 46 and, yes, to be
17 more specific the discussion on page 43 of the
18 general plant, and staff's recommendation is on page
19 43 at the top, first full sentence. And also moving
20 to the second paragraph first full sentence.

21 A. I think there are a couple of points of
22 distinction in the AEP proceeding. AEP was seeking
23 to expand their rider DIR to include general plant.
24 That's different from the circumstance that the
25 companies are in, where the companies currently

1 include general plant in our rider DCR.

2 And I'm not entirely certain -- I see
3 your reference here where they talk about service
4 centers and radio equipment. I think I have a number
5 of examples in my testimony of the types of general
6 and intangible plant expenditures that the companies
7 have included in their rider DCR and would expect to
8 continue to recover in rider DCR, and the examples
9 that I've included in my testimony on page 14 provide
10 very valuable contributions to the overall
11 reliability of our distribution system and,
12 therefore, we believe are appropriate for inclusion
13 in rider DCR.

14 Q. And you do agree with me that the
15 Commission order on page 46 states that "We must deny
16 AEP's request to significantly increase the amount to
17 be recovered via the DIR and to incorporate general
18 plant into the DIR mechanism"? Is that correct?

19 A. May I ask you to be more specific on 46
20 where you are looking? I am reading about Commission
21 and ORC budgets, so I'm not likely reading what you
22 are.

23 Q. Sure. It's in the first full paragraph,
24 and it starts with "Accordingly," which is almost --

25 A. Okay.

1 Q. -- in the middle of the paragraph. Right
2 after the reference to the transcript.

3 A. I'm sorry. I have the reference. May I
4 have the question.

5 Q. I just asked if the Commission stated --
6 if they stated, "We must deny AEP's request to
7 significantly increase the amount to be recovered via
8 the DIR and to incorporate general plant into the DIR
9 mechanism." I read that correctly, didn't I?

10 A. Yes.

11 Q. And in this same section of the
12 Commission's order, isn't it true that the Commission
13 determined that increases in the distribution rider
14 are better considered and evaluated in the context of
15 a distribution rate case?

16 A. Again, it may be helpful to me if you
17 would -- this is a big order.

18 Q. At the two sentences after what we just
19 read, it says "AEP Ohio's DIR investments, at the
20 level requested in these proceedings, would be better
21 considered and reviewed in the context of a
22 distribution rate case where the costs can be
23 evaluated in the context of the Company's total
24 distribution revenues and expenses, and the Company's
25 opportunity to recover a return on and of its

1 investment can be balanced depends customers' right
2 to reasonably priced service."

3 MR. KUTIK: Objection, your Honor.

4 EXAMINER PRICE: Grounds?

5 MR. KUTIK: The order is what it is. The
6 order -- in terms of its -- what it says or doesn't
7 say can be appropriately subject to brief. Having
8 this witness recite and read from an order serves no
9 point. The witness has already testified as to what
10 she thinks is applicable with respect -- at least to
11 the Commission's decision in the AEP case and what is
12 not applicable with respect to the decision with
13 respect to the facts of this case.

14 If counsel wants to talk about the issue
15 raised in the AEP case, let's talk about the issues
16 rather than having them read to her and then moving
17 on to another portion.

18 And so I object as it -- as irrelevant
19 and talking about legal issues at this point if we
20 are going to read the Commission's decision.

21 EXAMINER PRICE: Is this a foundational
22 question that you are going to follow up?

23 MS. BOJKO: Yes, it is. Your Honor,
24 we've had companies' counsel read many things into
25 the record from various Commission proceedings,

1 various Commission dockets, various Commission Apples
2 to Apples' report. I think that tying the Commission
3 order to the testimony is very relevant in this case
4 and what the Commission's precedent --

5 EXAMINER PRICE: I don't disagree.
6 That's not what I am asking you. If you are going to
7 ask her a follow-up question --

8 MS. BOJKO: Yes.

9 EXAMINER PRICE: -- about the
10 similarities or differences, that's fine. But I
11 agree with Mr. Kutik, simply asking her whether she
12 thinks you read something well is not of any
13 probative value in this proceeding. If this is just
14 foundational, I am going to allow the question.

15 MS. BOJKO: Yes, thank you.

16 EXAMINER PRICE: Okay. It is
17 foundational?

18 MS. BOJKO: Yes.

19 EXAMINER PRICE: Overruled.

20 Did she read that correctly?

21 THE WITNESS: Yes.

22 Q. (By Ms. Bojko) Ms. Mikkelsen, on page 16
23 of your testimony you discuss Ms. McCarter's
24 recommendation that the distribution investment rider
25 not be contingent upon filing a base distribution

1 rate case. And isn't it true that Ms. McCarter also
2 made that recommendation in the AEP ESP proceeding
3 that we've been discussing?

4 A. I don't recall.

5 Q. You would agree with me that the
6 Commission's order does, in fact, discuss the
7 appropriateness of reviewing certain items regarding
8 a distribution investment rider in the context of a
9 distribution rate case; is that correct?

10 MR. KUTIK: Objection.

11 EXAMINER PRICE: Grounds?

12 MR. KUTIK: Same grounds as before, your
13 Honor.

14 EXAMINER PRICE: Counsel, you are not
15 representing that the Commission made AEP's DIR
16 contingent on the filing of a base rate case, are
17 you?

18 MS. BOJKO: No, I did not. I did not
19 mean to allude to that, if that's what you believe.

20 EXAMINER PRICE: Well, it was confusing.

21 MS. BOJKO: I'll try again.

22 EXAMINER PRICE: Okay. You made
23 reference to Ms. McCarter's recommendation, and then
24 you jumped on to something else, as if the Commission
25 had followed that recommendation, and that was not my

1 recollection.

2 MS. BOJKO: Well, she said she wasn't
3 familiar with the recommendation so I couldn't
4 further explore the recommendation and the
5 similarities between the two.

6 EXAMINER PRICE: And the fact that the
7 Commission didn't follow it.

8 MS. BOJKO: No. Ms. Mikkelsen said that
9 she -- Ms. Mikkelsen stated that she did not remember
10 Ms. McCarter making that recommendation in the AEP
11 case.

12 EXAMINER PRICE: Okay.

13 MS. BOJKO: So I asked a separate
14 question of whether the Commission did discuss in the
15 context of an AEP case considering distribution
16 investment riders and components of them or costs
17 related to distribution investment, whether some of
18 those costs would be better considered in the context
19 of a distribution rate case where all of the
20 distribution revenues and expenses could be
21 considered together and balanced against customers'
22 interests.

23 EXAMINER PRICE: Fair enough.

24 You can go ahead and answer the question.
25 You want it back?

1 THE WITNESS: Please, sir.

2 EXAMINER PRICE: Let's have the question
3 back again.

4 (Record read.)

5 A. I haven't had an opportunity, as I sit
6 here, to review this order in its entirety, but you
7 did point me to and read a section of the order in
8 isolation which addresses those issues.

9 Q. Thank you. Let's turn to page 17 of your
10 testimony. Page 17, line 8, you say, "Specifically,
11 the rate is targeted to high load factor customers -
12 these customers have already demonstrated an
13 ability..." Do you see that?

14 A. Yes.

15 Q. When you say "these customers," are you
16 referring to the high-load-factor customers that meet
17 the qualifications or requirements of the HLF TOU
18 rate proposed by the companies in the stipulation in
19 this case, supplemental stipulation? Actually,
20 strike that. In the second supplemental stipulation.

21 A. The reference here is to high-load-factor
22 customers in order to be able to participate in the
23 pilot there are additional applicable criteria beyond the
24 load factor criteria.

25 Q. So when you are referring to these

1 customers, you were referring to those that meet that
2 applicability requirement that are set forth in the
3 second supplemental stipulation; is that correct?

4 A. Yes.

5 Q. And isn't it true that an HLL -- an HLF
6 TOU customer can go on and off of the TOU rate
7 schedule?

8 A. If by "on and off the TOU "-- pardon me,
9 the "HLF TOU rate schedule" you mean there are no
10 minimum stay provisions, the answer is yes.

11 Q. And there are, similarly, no minimum
12 stay-out provisions, correct?

13 A. Correct. The rate was designed to send a
14 constant capacity price signal over summer peak
15 periods, and one of the underlying premises of the
16 rate was that consistent price signal would enable a
17 high-load-factor customer to invest in technology
18 which would allow them to improve their on-peak load
19 shape.

20 And I think if an investment like that
21 was made, in effect, it works from a customer
22 perspective as causing the customer to say, well, I'm
23 not going to jump on and off this rate.

24 MS. BOJKO: Your Honor, I move to strike
25 everything after "correct." I just asked if there

1 were minimum stay-out provisions.

2 EXAMINER PRICE: I think she is trying to
3 explain the answer. Denied.

4 Q. So, Ms. Mikkelsen, when the rate is lower
5 than the standard service offer, a customer can
6 choose to participate in the program; is that
7 correct?

8 A. Yes.

9 Q. And then so when the HLF TOU rate
10 increases and is greater than the standard service
11 offer, a customer can choose to leave the HLF rate
12 and would take service from the standard service
13 offer rate; is that correct?

14 A. Yes, although that wasn't the intent of
15 the rate design.

16 Q. And the rate for BS and GP customers
17 subject to the HLF TOU in the summer is significantly
18 higher for June, July, August, 12 to 6 p.m. hours; is
19 that correct?

20 A. The rate is designed to recover the
21 annual capacity charges in that finite period of
22 time, yes.

23 Q. And those -- which would be higher; is
24 that correct? Higher than all other hours?

25 A. Yes.

1 Q. Could we turn to page 18 of your
2 testimony, please.

3 EXAMINER PRICE: Before we leave this
4 topic, I'm struggling with the problem that this
5 tariff is designed to solve. If these are already
6 high-load-factor customers, that means that they
7 already have a better-than-average shape; is that
8 true?

9 THE WITNESS: Yes.

10 EXAMINER PRICE: So what is the public
11 interest in this particular tariff if these customers
12 are already high-load factor, they already have good
13 load curves, why would we direct resources to fix
14 this issue and not other issues out there?

15 A. Our -- this rate design is intended to
16 test customer receptivity to capacity-price signals
17 on peak. Our existing time-differentiated rates
18 really test customers' receptivity to responding to
19 changes in energy-price signals depending on the
20 time.

21 So we're trying to test a different
22 notion, and the thinking was to the extent that you
23 have high-load-factor customers, to the extent that
24 they are able to further improve or, said
25 differently, reduce their demand in on-peak periods

1 because of this capacity-price signal, again, it will
2 increase -- further improve their shape, reduce key
3 charges overall. I guess that's what we are trying
4 to test the receptivity to, that capacity-price
5 signal.

6 EXAMINER PRICE: Thank you. Thank you,
7 Ms. Bojko.

8 Q. (By Ms. Bojko) So since you refer to
9 these customers as high-load-factor customers, since
10 the last time you were on the stand, have you been
11 notified of a customer's intent to take service
12 pursuant to HLF TOU rate schedule?

13 A. No.

14 Q. Have you further researched or explored
15 the number of customers that would be -- would be
16 eligible to take service pursuant to the HLF TOU rate
17 schedule given the applicability requirements that
18 you previously mentioned?

19 A. No.

20 Q. Turning to page 18 of your testimony,
21 starting at the line 20, you state that "The Rider
22 ELR and EDR provision (b) credits have been important
23 to customers." Do you see that?

24 A. Yes.

25 Q. And in this sentence you are referring to

1 existing rider ELR customers; is that correct?

2 A. Yes.

3 Q. And the two credits that you mention on
4 line 20, those are the two credits that we discussed
5 earlier that equal \$10 per kW per month per unit of
6 curtailable load, correct?

7 A. Yes.

8 Q. And isn't it true that the GS and the
9 GP rate schedules are the only two rate schedules
10 that pay for the entire \$10 per kW per unit of
11 curtailable-load credits?

12 EXAMINER PRICE: Counsel, isn't this
13 already in the record in this case? I recall this
14 same line of questioning the last time Ms. Mikkelsen
15 was on the stand.

16 MS. BOJKO: Your Honor, not in the
17 context of her rebuttal testimony that's giving the
18 implication otherwise.

19 EXAMINER PRICE: She's giving an
20 implication otherwise?

21 MS. BOJKO: She's implying there are
22 different benefits to customers, and it's not clear
23 from her testimony that she's -- I think it's
24 implying that all customers benefit, and the record
25 needs to be made clear what the cost of these credits

1 that she references on line 20 is going to be to
2 other customers.

3 EXAMINER PRICE: Isn't it already in the
4 record?

5 MS. BOJKO: I don't think in this
6 context, not in her rebuttal-testimony context.

7 MR. KUTIK: In any context, it is still
8 in the record.

9 MS. BOJKO: I don't think I actually
10 asked it this way previously.

11 MR. KUTIK: It doesn't matter whether you
12 asked it or counsel asked it.

13 EXAMINER PRICE: I'll allow it, but I
14 think we're just going over things that are already
15 in the record.

16 A. No.

17 Q. Rider GS and GP customers pay for the
18 full \$10 ELR credit as well as through DSE-1 and the
19 EDR provision through EDR(e); isn't that correct?

20 MR. KUTIK: Objection, asked and
21 answered. All this is in the record, your Honor.

22 EXAMINER PRICE: Go ahead and answer.

23 A. Perhaps this will help. All customers
24 across all rate classes, with the exception of
25 interruptible customers on rider ELR, pay for the

1 rider ELR credit. GS and GP customers pay for the
2 EDR credit.

3 Q. So, again, the GS and GP customers are
4 the only two classes of customers that pay for the
5 entire two credits that totals \$10 per kW per month
6 per unit of curtailable load?

7 A. If by "entire" you mean they pay \$5 for
8 ELR and \$5 for EDR, I would agree with you. They do
9 not pay for the entire credit.

10 Q. Thank you for your distinction. I meant
11 they are the only two classes that pay both credits
12 totaling \$10 per kW per month per curtailable load,
13 correct?

14 A. Yes.

15 Q. And let's turn to page 24 of your
16 rebuttal testimony, please. On line 1 you talk about
17 the program administered by COSE, and you're talking
18 in this section about the past programs administered
19 by COSE; is that correct?

20 A. I'm talking about the program
21 administered by COSE that has produced savings in the
22 past that will continue currently and going forward,
23 yes.

24 Q. You're not talking about in this
25 context the program identified in the stipulation,

1 are you?

2 A. I am not sure I understand the question,
3 ma'am.

4 Q. Well, you are talking about the previous
5 programs that have been administered or are currently
6 being administered. You are not talking about the
7 program that's contained under the stipulation that's
8 not yet approved, right?

9 A. In my mind, COSE administers an energy
10 efficiency program for its members. The stipulation
11 contemplates the continuation of that program.

12 Q. Well, currently the COSE program is
13 included as part of the companies' approved portfolio
14 plan; isn't that correct?

15 A. I'm not sure what you mean by that
16 question, ma'am.

17 Q. Well, the program that is currently being
18 administered by COSE is included in the companies'
19 approved portfolio plan that's in existence today; is
20 that correct?

21 A. I am struggling a bit because I know that
22 COSE could and has and continues to administer
23 programs that they receive compensation for that
24 would have been approved outside of the energy
25 efficiency plan, mercantile self-directed programs.

1 So I think the program is very broad.

2 It certainly would encompass things that
3 are included in the companies' portfolio plan, but
4 there are sort of provisions of the COSE program
5 currently that would have been approved in terms of
6 compensation from our ESP proceeding, ESP III
7 proceeding, as well as the administrator compensation
8 program which was approved in 09-553.

9 Q. So was this statement referring to --
10 referencing both of those programs that you just
11 mentioned?

12 A. This statement is identifying the
13 megawatt-hours of energy efficiency savings and the
14 megawatts of peak-demand reduction that COSE has
15 brought to the company for inclusion in the
16 companies' calculation of actions that were taken
17 that would allow it to meet the statutory benchmarks
18 for energy efficiency and peak-demand reduction.

19 Q. And the costs associated with that are
20 currently being collected under DSE-1; is that
21 correct? Excuse me, DSE-2.

22 A. Yes.

23 Q. And the programs contained in the
24 stipulation will not be administered by Ohio Edison;
25 is that correct?

1 A. I think I'm getting a little turned
2 around in the use of "administered." We have
3 administrators of our energy efficiency program that
4 administrator compensation has been approved in
5 various ESPs, as well as the notion of
6 administrators. And then the company administers
7 energy efficiency programs as part of its EE
8 portfolio plan. I'm not -- I'm getting turned around
9 on the use of the term "administered" in your
10 question.

11 Q. Fair enough. I did not take your
12 comments on these two pages to refer to the COSE as
13 acting as an administrator. So let me rephrase to be
14 more specific.

15 So I'm referring to what's been tiled
16 "COSE's Ohio Efficiency Resource Program" where the
17 companies are contributing \$240,000 over the term of
18 the ESP to COSE, the unrestricted payment. That
19 program is not -- will not be run by the companies;
20 is that correct?

21 A. Correct. Savings produced from that
22 program would be brought by COSE to the companies for
23 inclusion in our -- for satisfaction of our statutory
24 benchmarks associated with energy efficiency and
25 peak-demand reduction.

1 Q. And the COSE's Ohio Efficiency Resource
2 Program does not exist today; is that correct?

3 A. I don't know.

4 Q. And on page 25 of your testimony you
5 state that AICUO will -- should not be required to
6 make a showing that it will implement cost-effective
7 energy efficiency; is that correct?

8 A. Not entirely. I think what I say here is
9 that they should not be required to make a separate
10 showing that savings originating from the AICUO will
11 be included on a going-forward basis in the
12 companies' energy efficiency and peak-demand
13 reduction program portfolio status reports to the
14 Commission.

15 Q. But isn't it true that you, responding to
16 the question: Should AICUO be required to make a
17 showing that it will implement cost-effective energy
18 efficiency as Staff Witness Scheck recommends?

19 A. And what I am saying here is no, they
20 shouldn't have to make a separate showing. Savings
21 that originate from the program will already be
22 included in the companies' energy efficiency and
23 peak-demand reduction status report.

24 And I guess I would further explain, as
25 it says in the stipulation, that the -- pardon me.

1 That's it.

2 MS. BOJKO: If I may have just one
3 minute, your Honor.

4 EXAMINER PRICE: You may.

5 Q. And in this question and answer you are
6 referring to the companies' contribution of \$200,000
7 over the term of the ESP to encourage the advancement
8 in education of energy efficiency for members of the
9 AICUO, which has been termed AICUO's unrestricted
10 payment; is that correct?

11 A. Yes.

12 Q. And this program does not currently exist
13 today; is that correct?

14 A. I don't know.

15 Q. And this program, the unrestricted
16 payment program, will not be administered by the
17 companies; is that correct?

18 A. Correct.

19 MS. BOJKO: Thank you, Ms. Mikkelsen.

20 Thank you, your Honor. I have no further
21 questions.

22 THE WITNESS: Thank you.

23 EXAMINER PRICE: Mr. O'Brien?

24 MR. O'BRIEN: Thank you, your Honor.

25 - - -

1 CROSS-EXAMINATION

2 By Mr. O'Brien:

3 Q. Good morning Ms. Mikkelsen. Yeah, it's
4 still morning. We are still there. Just a couple of
5 questions for you.

6 Could you please turn to page 2? Turn
7 your attention to the variable-priced contracts that
8 you referred to down there at the bottom of the page.
9 Did you -- strike that.

10 Are you aware of the aggregate price per
11 kilowatt-hour that any of these contract customers
12 may have paid under these agreements?

13 A. No.

14 Q. And would the same -- would you have the
15 same answer for the average price per kilowatt-hour
16 paid by any of these customers under those contracts?

17 A. No.

18 Q. Thank you.

19 EXAMINER PRICE: One second. No, you
20 would not have the same answer, or no, the answer is
21 you do not know the average?

22 THE WITNESS: I don't know the average.

23 EXAMINER PRICE: Okay.

24 MR. O'BRIEN: Thank you for that
25 clarification, your Honor.

1 THE WITNESS: Just to be clear, because
2 any of these products would also -- any supplier who
3 offers these, they would be an indexed price with at
4 least some adder associated with it, so I would never
5 know what that additional adder price was even if I
6 were to make an assumption about averaging the LMPs
7 on a day-ahead or real-time basis.

8 Q. Understood. Thank you.

9 A. You're welcome.

10 Q. Turning your attention to page 19 of your
11 testimony, up at the top where you mention that under
12 rider ELR all eligible customers have previously
13 proven that they needed economic development support,
14 how long ago would that have been prior to the
15 creation of rider ELR? So that would mean prior to
16 Case No. 10-388.

17 A. I think it's earlier than that. I think
18 it started with the first ESP, so it would have been
19 prior to 2009 time frame, 2009.

20 Q. Would that have been when the customers
21 were simply taking service under the operating
22 companies' interruptible tariffs?

23 A. Yes, or special contracts that had been
24 approved by the Commission.

25 Q. Okay. Thank you. Turning now to page

1 18, you make reference to the economic development
2 and job retention benefits of rider ELR and the EDR
3 provision (b) credits that are down there on the
4 bottom paragraph. Would it be a true statement to
5 say that only the customers paying the EDR(b) cost
6 benefit from those economic development and job
7 retention benefits?

8 A. As I say here, the economic development
9 and job retention benefits are provided to the
10 companies' service area and promote Ohio's
11 effectiveness in the global economy.

12 Q. So let me ask my question differently.
13 Do only GS and GP customers benefit by the rider as a
14 result of the benefits you just mentioned?

15 A. No. As I mentioned, I think the benefit
16 accrues to the companies' service territory, all of
17 the customers in the service territory.

18 MR. O'BRIEN: Thank you, Ms. Mikkelsen.
19 Those are the only questions I have.

20 Thank you, your Honor.

21 EXAMINER PRICE: Now, I am going to mess
22 up Mr. O'Brien's cross-examination by asking a
23 follow-up question that we are all told in law school
24 not to ask.

25 But why shouldn't the Commission look at

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1 extending the recovery of the EDR provision (b)
2 credits to all rate classes, including, in
3 particular, residential customers who may be
4 benefiting by the secondary -- primary, secondary,
5 and tertiary jobs created by these credits instead of
6 just having them on the GS and GP customers?

7 THE WITNESS: I think the customers --
8 the Commission could look at that. I think one of
9 the things that would need to be considered is the
10 whole notion of gradualism with respect to changes in
11 existing rate design.

12 EXAMINER PRICE: But this would be
13 spreading out an existing recovery amount over a much
14 larger pool of customers at that point if the
15 Commission were to go down that path.

16 THE WITNESS: Yes.

17 EXAMINER PRICE: Thank you.

18 THE WITNESS: You're welcome.

19 EXAMINER PRICE: Mr. Beeler.

20 MR. BEELER: Thank you, your Honor.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Beeler:

24 Q. Good afternoon.

25 A. Good afternoon.

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1 Q. I'm Steve Beeler. I represent staff.

2 A few questions here, starting with
3 Ms. McCarter's area on page 11 going over to 12.
4 There you discuss the annual revenue cap increases,
5 correct?

6 A. Yes.

7 Q. You disagree with Ms. McCarter's
8 recommendation that the cap should remain at
9 15 million annually; is that correct?

10 A. Yes.

11 Q. And you believe it should be 30 million?

12 A. Yes.

13 Q. The companies have met their reliability
14 targets every year of the DCR, correct?

15 A. The companies have met their reliability
16 targets each year of the DCR. What is interesting to
17 note is the improvement in the companies' reliability
18 metrics since rider DCR was approved. If I look
19 across all three of the Ohio utilities across both
20 reliability metrics, each and every one of those in
21 the period that DCR was in effect is improved over
22 the pre-DCR period.

23 Q. So the performance has been improving?

24 A. Yes.

25 Q. And that was all done under the \$15

1 million cap, correct?

2 A. Yes.

3 Q. Are you saying in your testimony now,
4 your rebuttal testimony, and your testimony just in
5 this case, that if the companies don't get the
6 proposed 30 million, that they will not meet their
7 reliability targets?

8 A. No, I am not saying that. I believe the
9 companies will continue to meet their reliability
10 targets. What I'm trying to prevent from occurring
11 is any degradation in the reliability from the
12 current levels as a result of the inability for the
13 company to collect revenue requirements associated
14 with capital expenditures incurred over the period.

15 Q. Okay. Would the companies be able to
16 commit 15 million refund customers if guaranteed
17 reliability requirements are not met each year?

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

20 EXAMINER PRICE: You may.

21 (Record read.)

22 A. That is not the companies' proposal in
23 this proceeding.

24 Q. Okay. So turning to page 14 of your
25 testimony, in the first paragraph there you list --

1 on lines 4 through 9 you list five types of assets;
2 is that correct?

3 A. I list on those pages examples of assets
4 that would be included in general and intangible
5 plant that are very much used in the provision of
6 distribution service for our customers.

7 Q. Okay. And then you say, "but are not
8 limited to," so that list is not an exhaustive list;
9 is that correct?

10 A. Correct.

11 Q. Okay. Over on page 15, Q and A down at
12 the bottom beginning at line 17 and then your answer
13 carries over onto page 16, there you are discussing
14 the percentage allocations for revenue caps for the
15 respective companies; is that correct?

16 A. Yes.

17 Q. On page 16, your answer line 5 through 8,
18 you say, "Increasing OE's individual Company revenue
19 cap would be consistent with Ms. McCarter's stated
20 intent of better aligning the revenue caps with the
21 underlying plant balances, while also recognizing the
22 reliability performance of the individual Companies."

23 Now, you agree -- setting aside the
24 reliability performance issue, you agree that
25 Ms. McCarter's allocations are more in line with the

1 underlying plant balances, correct?

2 A. I agree with -- that Ms. McCarter's
3 recommendation is seeking to align the revenue caps
4 with plant balances. The alignment should also,
5 though, reflect it as historically reflected, the
6 individual companies' reliability performance and try
7 to balance those two factors when establishing the
8 revenue caps.

9 Q. And the current plant-in-service costs
10 for each of the companies, those are filed quarterly
11 in the companies' DCR documents, correct?

12 A. Yes, sir.

13 Q. And the most recent filings in each of
14 those cases, I am not sure about the case numbers,
15 14-1628, 14-1629 and 14-1630, those -- scratch that
16 question.

17 Those are the filings -- the most recent
18 filings have been July 1, 2015; do you know?

19 MR. KUTIK: I'm sorry, your Honor. Are
20 we talking about the DCR filings?

21 MR. BEELER: Yes.

22 EXAMINER PRICE: Yes.

23 A. No. I believe the most recent filing was
24 made on or about October 1.

25 Q. Okay. We may have a misunderstanding

1 about what dockets we are talking about. So this
2 would be dockets 14-1628-ELR-DR, which is CEI's
3 tariff filing, and Case 14-1629, which is Ohio
4 Edison's filing, and Case No. 14-1630-EL-RDR, which
5 is Toledo Edison's filing. Are you aware of those
6 dockets?

7 A. I don't carry all those docket numbers
8 around in my head, but if those are the rider DCR
9 dockets for rider DCR rates that went into effect
10 September 1, I am familiar with those dockets.

11 Q. Okay. And in those dockets the
12 respective companies file quarterly tariff pages
13 updating the rider DCR; is that correct?

14 A. Yes, sir.

15 Q. Okay. And those are public filings,
16 correct?

17 A. Yes, sir.

18 Q. Okay. Thank you. And you're involved
19 with the -- with the preparation of the filings in
20 those cases; is that correct?

21 A. My role would be one of oversight.

22 Q. Okay. In the tariff pages -- in the
23 tariff pages that are involved with those cases, you
24 could look at the filing of the tariff pages and do
25 the calculation to determine the percentage

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1 allocations -- if the percentage allocations matched
2 up with the underlying plant balances, correct?

3 A. I apologize, sir. I am not sure I
4 entirely understood the question.

5 MR. BEELER: Okay. It might be easier
6 just to mark -- may I approach, your Honor?

7 EXAMINER PRICE: You may. Do you want to
8 mark this or are you just doing this to refresh her
9 recollection?

10 MR. BEELER: I will go ahead and mark
11 them, I guess. I was going to move for
12 administrative notice, but this might be easier.

13 EXAMINER PRICE: You can do both. We
14 will mark them, and then we'll take administrative
15 notice of them.

16 MR. KUTIK: Are we going to mark them in
17 numerical order of the docket number?

18 MR. BEELER: Yeah, 13 is 1628; 14, 1629;
19 and 15, 1630.

20 MR. KUTIK: The numbers start with what?

21 MR. BEELER: 1628.

22 MR. KUTIK: What exhibit number?

23 EXAMINER PRICE: 13.

24 MR. BEELER: And I guess, for the record,
25 these are just excerpts.

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1 EXAMINER PRICE: Okay. Just so the
2 record is clear, the filing with Case No.
3 14-1628-ELR-RDR will be Staff 13, Exhibit 13.

4 The filing with 14-1629 will be Staff
5 Exhibit 14.

6 And the filing with 14-1630 will be Staff
7 Exhibit 15.

8 (EXHIBITS MARKED FOR IDENTIFICATION.)

9 MR. KUTIK: And to be clear, I think, as
10 Mr. Beeler just noted, these do not constitute the
11 entire filings, only five, six pages of the filing.

12 EXAMINER PRICE: Yes. They are only
13 excerpts.

14 MS. BOJKO: Your Honor, I'm sorry, we
15 don't have the benefit of the documents. What's the
16 title of the document?

17 EXAMINER PRICE: Well, it's a cover
18 letter, and then it has four pages of charts.

19 MR. BEELER: They should be coming down
20 your way.

21 MS. BOJKO: Thank you.

22 Q. (By Mr. Beeler) Ms. Mikkelsen, do you
23 recognize these documents?

24 A. I do, an excerpt from a much more
25 comprehensive filing.

1 Q. Sure. And on the cover letter on each of
2 these documents your name is on the letter; is that
3 correct?

4 A. Yes.

5 Q. Okay. So in order -- in order to come up
6 with the allocations that are referenced in your
7 rebuttal testimony and in Ms. McCarter's testimony,
8 you could walk through the four pages -- why don't
9 you tell me what the pages are, at least the totals
10 on each page.

11 A. Sir, I am not sure I understand the
12 question. What totals from each of these pages would
13 you like me to read to you?

14 Q. Sure. The total transmission plant in
15 the first document, which is 14-1628, should be on
16 the second page. Is that number 415,665?

17 A. Sir, I think you mentioned the second
18 page. If you are looking at the schedule in the
19 document that you handed out entitled "The Cleveland
20 Electric Illuminating Company, 14-1628-EL-RDR,
21 May 31, 2015, Actual Plant in Service by Accounts and
22 Subaccounts," is that the schedule you are looking
23 at, sir? It's page 3 in my packet.

24 Q. Okay. Page 3, I'm sorry.

25 A. Yes, sir. And then I see an adjusted

1 jurisdictional amount of 415,665,624.

2 Q. Sure. That's what I meant. And then
3 this -- this filing, this is -- with the tariff
4 pages, this is the companies' basically underlying
5 general plant costs or --

6 A. If I look at page 5 of the document that
7 you provided me.

8 Q. Sure.

9 A. It says 5 at the bottom. It's labeled "3
10 of 4" at the top.

11 Q. Sure.

12 A. It reflects the general plant balances.

13 Q. Yes. But the filing that is done
14 quarterly in these documents for each company, these
15 are the -- these are the plant in service costs for
16 each of those designated companies; is that correct?

17 A. What rider DCR does is make a comparison
18 of dollars that were included as of the date certain
19 in our last rate case.

20 Q. Yes.

21 A. And then it makes a comparison of the
22 current balances.

23 Q. Yeah.

24 A. And then calculates the revenue
25 requirements associated with the difference.

1 Q. Thank you. That's what I was trying to
2 get at here. And that would be the case for all
3 three of the filings, correct?

4 A. Yes, sir.

5 Q. Okay. Thank you. And each of those
6 filings occurred July 1, 2015, in the three separate
7 dockets; is that correct?

8 A. Yes, sir, for rates effective September 1
9 of 2015.

10 Q. Great. Thank you. And sorry about the
11 confusion there.

12 Turning to page 18 of your testimony,
13 with respect to the high-load-factor criteria,
14 proposed high-load-factor, time-of-use rate, you
15 state that customers with little consumption during
16 peak summer hours will likely not have to modify
17 their energy consumption; is that correct?

18 A. I may have misunderstood your page
19 reference, sir. May I ask you to repeat it?

20 Q. Sure. Page 18.

21 EXAMINER PRICE: I think the discussion
22 is on 17, Mr. Beeler.

23 Q. (By Mr. Beeler) It may start on 17.

24 A. I see it, thank you. I apologize.

25 Q. That was my fault. I took you to the

1 wrong page. Do you know the number of GS and GT
2 customers that have low energy consumption during
3 summer peak hours relative to the amount of
4 electricity they consume for the year?

5 A. Sir, was your question intended to ask me
6 about GS and GP, "P" as in pony, rather than "T as in
7 Tom?

8 Q. Yes. I believe so.

9 A. May I ask you to --

10 Q. I will repeat the question.

11 A. Thank you. I would appreciate it.

12 Q. Sorry about that. Do you know the number
13 of GS and GP customers that have a low energy
14 consumption during summer peak hours relative to the
15 amount of electricity they consume for the year?

16 A. I don't know the exact number of
17 customers, but I think there are certainly types of
18 customers that do.

19 Q. Okay. Do you know if that's a small
20 number of customers or an approximate number?

21 A. I don't have an approximate number. I am
22 reluctant to use the word "small" because it's
23 certainly more than 10 or 20 or 100.

24 Q. Is it under 500? Do you know?

25 A. No, it's not, sir.

1 Q. It's over 500?

2 A. Yes.

3 EXAMINER PRICE: What types of customers
4 would you be referring to?

5 THE WITNESS: If we are talking about
6 customers who use little electricity during summer
7 peak hours, when I think of those types of customers,
8 examples that come to mind, as I sit here today,
9 would include churches, schools, ski resorts, things
10 of that nature.

11 Q. (By Mr. Beeler) Okay. Thank you.

12 A. You're welcome.

13 Q. Do you know how many customers in the GS
14 and GP class would actually qualify for the HLF
15 time-of-use rate as currently proposed?

16 A. I am not aware of any customer that
17 currently is eligible for participating in the HLF
18 TOU rate.

19 Q. How about how many would -- strike that.

20 Do you know how many customers are on the
21 time-of-day option under rider GEN?

22 A. Yes.

23 Q. How many?

24 A. Two.

25 Q. Two? Page 18, lines 7 through 11, with

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1 respect to the ELR you state Mr. Scheck fails to
2 recognize that the PJM revenues will offset the costs
3 through rider DSE1; is that correct?

4 A. I think what I stated is if he bases his
5 claim. I'm not straight-up asserting he based his
6 claim on that, but yes.

7 Q. Okay. Have the revenues received from
8 PJM in either a BRA or incremental auction ever
9 exceeded the credits received by ELR customers?

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

12 EXAMINER PRICE: You may.

13 (Record read.)

14 A. No. The history isn't necessarily
15 indicative of the future offsets, either because we
16 were coming off a period of chronically low capacity
17 prices, sometimes in the 20-, 21-dollar range, and
18 going forward, at least through the period of the ESP
19 where the base residual auctions have been conducted
20 for each of those delivery years -- admittedly, there
21 are incremental auctions still to be conducted -- the
22 capacity clearing prices are higher than what we have
23 seen historically with the exception of the '15-'16
24 delivery year.

25 Q. Okay. Do you know if the credits

1 received by ELR customers from the interruptible
2 provision in the first half of 2015 exceeded PJM
3 payments?

4 A. I apologize. Is your question in the
5 first half of calendar year '15, or does it relate to
6 the '15-'16 delivery year for capacity?

7 Q. Let's start with the calendar year.

8 A. I don't know.

9 Q. Okay. So how about for the calendar year
10 of 2014, do you know if the credits received by ELR
11 customers exceeded the PJM payments?

12 A. In 2014 the credits exceeded the PJM
13 payments.

14 Q. Okay. Do you know by how much, and if
15 that's a confidential answer, don't say any numbers.
16 I'm just trying to get a magnitude here.

17 A. I don't know. But, again, I don't
18 consider historical to be at all informative for what
19 the future outcomes might be.

20 Q. Okay.

21 EXAMINER PRICE: Can I ask a follow-up to
22 that? Have the credits -- have the revenues received
23 from PJM ever offset as much as half of the credits
24 given to customers, to the best of your knowledge?

25 THE WITNESS: The ELR credit?

1 EXAMINER PRICE: Uh-huh.

2 THE WITNESS: No. I don't think they
3 have offset half, but it may have approached
4 two-thirds -- a third.

5 EXAMINER PRICE: Okay.

6 MS. BOJKO: Point of clarification, your
7 Honor. I'm sorry. She asked you a question. Was
8 your question based on the ELR credit or both
9 credits?

10 EXAMINER PRICE: I asked about the ELR
11 credit.

12 MS. BOJKO: Thank you.

13 THE WITNESS: And I answered about the
14 ELR credit.

15 EXAMINER PRICE: And she answered about
16 the ELR credit.

17 MS. BOJKO: It was hard to hear.

18 EXAMINER PRICE: I understand.

19 Thank you, Mr. Beeler. One more
20 follow-up question. Sorry, Mr. Beeler.

21 Do the -- have you looked at bidding this
22 in under the new capacity performance standards? I
23 guess my question is, more simply, does the
24 interruptible -- the ability to interrupt meet the
25 capacity performance standards for that higher

1 capacity payment?

2 THE WITNESS: So the question is -- and
3 hopefully it will provide you an answer. When I have
4 looked at our tariff and our ability to offer these
5 resources into the base residual auction -- well,
6 actually, the incremental auctions throughout the
7 period, I believe we can offer the ELR resources as
8 base capacity in '16-'17 and '17-'18, but that I will
9 need to work with the staff and the ELR customers to
10 revise the tariff for the '18-'19 delivery year in
11 order to be able to offer those resources at all in
12 '18 and '19. And at that point we would face the
13 decision whether the changes that are made would
14 allow us to offer those resources as base or whether
15 they could go in as capacity performance.

16 EXAMINER PRICE: That's perfect.

17 THE WITNESS: Thank you, sir.

18 EXAMINER PRICE: Thank you, Mr. Beeler.

19 Q. (By Mr. Beeler) Switching gears here, how
20 many times has an FE distribution company in ATSI
21 called for an interruption outside of a PJM request?

22 A. The companies have called for a mandatory
23 interruption of our ELR customers once. We have
24 asked our ELR customers to voluntarily curtail in
25 periods beyond that one time when we were -- when PJM

1 could not call these resources.

2 Q. And that one time, was that at the polar
3 vortex time period?

4 A. No. The one time that we called a
5 mandatory event was not during the polar vortex.

6 Q. Okay. On page 19 of your testimony --
7 sorry, page 18 continuing over onto page 19, talking
8 about the economic development rider and the -- and
9 the economic development and job retention in the
10 state of Ohio. Do you see that?

11 A. Yes.

12 Q. Those areas, what data did you provide in
13 your filing regarding increased or retained jobs by
14 these customers since the last ESP?

15 A. The information we provided is contained
16 here and would have been also included in my earlier
17 testimony and in support of the stipulation. But I
18 did not, in either of those instances, provide a
19 quantification of jobs, if that is your question,
20 sir.

21 Q. Yes, that is. Thank you. Isn't it true
22 that the economic job expansion requirement is no
23 longer a provision in any Ohio FirstEnergy operating
24 companies' interruptible riders?

25 A. I'm not sure that I can agree with that

1 because in order to participate in rider ELR, there's
2 a very finite set of customers that were eligible to
3 participate in this rider, and those customers all
4 either took service at -- prior to creation of rider
5 ELR on an interruptible tariff, which had specific
6 language about economic development or job retention
7 or through special contracts, which also address that
8 issue.

9 So, in my mind, the tariff does very
10 specifically require that there was a demonstration
11 at one point of these economic development
12 provisions, and to the extent that these customers
13 continue to operate -- I am thinking of one customer,
14 I am going to be very careful to not provide any
15 specifics, but who, because of the special contract,
16 built the facility in the state of Ohio, and that
17 facility with all the attendant jobs continues to
18 exist in the state of Ohio, so I believe those
19 economic development or job retention benefits
20 continue to accrue. I use that as an example, one
21 example of all of the customers.

22 EXAMINER PRICE: Can we back up one
23 question? Mr. Beeler asked you if you had ever
24 quantified the number of jobs retained. Did staff
25 ask in a data request to quantify the jobs retained?

1 THE WITNESS: Over 3,700 data requests,
2 but I don't recall being asked that question, sir.

3 EXAMINER PRICE: Thank you.

4 Q. (By Mr. Beeler) Transmission constraints
5 are primarily addressed by PJM because transmission
6 is under the regulatory domain of FERC; is that
7 right?

8 MR. KUTIK: Well, I'll object, your
9 Honor. That's pretty broad.

10 EXAMINER PRICE: I agree. If you could
11 rephrase, Mr. Beeler.

12 Q. Okay. I'll move on. FirstEnergy
13 distribution operating companies could request of PJM
14 to dispatch emergency demand response to alleviate a
15 distribution system overload or reliability issue; is
16 that correct?

17 MR. KUTIK: Could I have the question
18 read, please.

19 EXAMINER PRICE: You may.

20 (Record read.)

21 A. I'm not aware of a mechanism that allows
22 the distribution companies to ask PJM to call an
23 emergency because of a distribution-related issue.

24 Q. Okay. If credits to ELR customers are
25 nonbypassable, then how do the ELR generation

1 customers -- sorry, scratch that.

2 Then how do these ELR generation credits
3 that other customers pay help them in lowering their
4 costs and buying competitive generation service?

5 THE WITNESS: I am going to have to have
6 that one reread, please.

7 EXAMINER PRICE: Please.

8 (Record read.)

9 A. Sir, I'm not sure I understand the notion
10 that the credits to ELR customers are nonbypassable.
11 ELR customers choose to participate in rider ELR, and
12 as a result of that participation, they get an ELR
13 credit so I'm not understanding that in the context
14 of nonbypassability.

15 Q. Okay. But if they choose, then the --
16 then the credit in the rider overall is
17 nonbypassable, correct?

18 A. If your question to me is if a customer
19 elects to participate in rider ELR and they designate
20 interruptible load, will they receive the rider ELR
21 credit as a result of that election, then the answer
22 is yes.

23 Q. Okay. Then follow-up to that yes, then
24 how do the ELR generation customers -- or credits,
25 sorry, I did it again -- that other customers pay

1 help them in lowering their costs in buying --
2 scratch that. I'll move on.

3 Page 21 of your testimony, lines 10
4 through 13, you state that all other customers who
5 qualify for PJM's annual emergency demand response
6 should choose an alternate curtailment service
7 provider; is that correct?

8 A. I think what I am saying is customers who
9 are above 100 kW but are not eligible to participate
10 in rider ELR may certainly choose to participate
11 through a curtailment service provider.

12 Q. Okay. You agree that all PJM curtailment
13 service providers in the same zone should be
14 compensated the same amount for providing the same
15 service in the same hour or hours, correct?

16 A. I don't think so. I think curtailment
17 service providers offer a competitive service and
18 what arrangements they enter into for customers who
19 bring them demand resources is, I guess, a function
20 of their arrangement with their customers.

21 So I guess I don't agree that necessarily
22 that they all -- all curtailment service providers
23 should be paid the same amount for the services that
24 they provide.

25 Q. PJM CSPs, they aggregate and represent

1 retail load. That's correct, right?

2 EXAMINER PRICE: What do you mean by
3 "represent"?

4 MR. BEELER: I don't know how to describe
5 it any other way. They aggregate -- I don't know how
6 to explain it any other way.

7 EXAMINER PRICE: Fair enough.

8 MR. BEELER: Sorry, your Honor.

9 A. If it's helpful, curtailment service
10 providers, in my mind, don't aggregate retail load.
11 Curtailment service providers provide a service by
12 aggregating demand response resources for
13 participation in the PJM market.

14 Q. Okay. Fair enough. Back to page 7,
15 going into Mr. Hecker's areas, I know you discussed
16 this with Mr. Sauer earlier today briefly, but just
17 one follow-up here. This is on page 7, the Q and A
18 beginning at line 9. You disagree with Mr. Hecker's
19 recommendation that the labor-related payments
20 received from other utilities for the straight time
21 portion of the first 40 hours of mutual assistance
22 should be an offset to the companies' storm
23 deferrals; is that correct?

24 A. Yes.

25 Q. And if the company sends -- this is kind

1 of a hypothetical, if the company sends crews to
2 another state for mutual assistance, regulated
3 customers in Ohio -- scratch that.

4 Hypothetical, so if the company sends
5 crews to another state for mutual assistance,
6 regulated consumers in Ohio receive no benefit for
7 that labor which they are paying for in base rates;
8 is that correct?

9 MR. KUTIK: Objection. Assumes facts
10 contrary to the witness's testimony.

11 EXAMINER PRICE: Sustained.

12 Q. So just in a more general, broad
13 question, when the company sends crews to another
14 state for mutual assistance, how -- how do companies
15 deal with regulated customers in Ohio?

16 MR. KUTIK: Objection. What does "deal
17 with" mean?

18 MR. BEELER: How do they charge their
19 customers?

20 MR. KUTIK: For what?

21 MR. BEELER: The witness can answer if
22 she understands the question.

23 MR. KUTIK: The question has to make
24 sense on the record, your Honor.

25 EXAMINER PRICE: If you could rephrase.

1 I think you need to try again and rephrase your
2 question.

3 MR. BEELER: Sure.

4 Q. (By Mr. Beeler) If the companies send
5 crews to another state for mutual assistance, how --
6 how do -- and I believe you discussed this with
7 Mr. Sauer earlier, how do regulatory or regulated
8 consumers in Ohio pay for that in base rates?

9 A. As I mentioned earlier, to the extent
10 that the companies provide mutual assistance
11 services, the expenses associated with providing
12 those services are recorded in nonjurisdictional
13 accounts for ratemaking purposes, so they are not
14 reflected in accounts that would be included in the
15 ratemaking formula.

16 Coincident with that, to the extent they
17 are reimbursed for those mutual assistance expenses,
18 those revenues are also recorded in nonjurisdictional
19 accounts.

20 Q. Okay. On page 9, Q and A starting at
21 line 10, in relation to the definition of storm,
22 you -- you state here that storm was -- the
23 definition of storm was created in consultation with
24 staff and agreed to in April of 2010 in the ESP II
25 stipulation and was continued in the ESP III

1 stipulation; is that correct?

2 A. Yes.

3 Q. Do you know if the Ohio Administrative
4 Code since 2010 has a new definition of "storm"?

5 A. I know that for reliability reporting
6 purposes, the definition of a "major event" changed
7 in 2010, but that was a definition change that, in my
8 mind, related strictly to reporting of reliability
9 metrics and in no way was connected with definitions
10 associated with the companies' storm deferral
11 mechanism.

12 MR. BEELER: Okay. Nothing further, your
13 Honor. Thank you.

14 THE WITNESS: Thank you, sir.

15 EXAMINER PRICE: Mr. Kutik, redirect?

16 MR. KUTIK: May I have a few moments,
17 your Honor?

18 EXAMINER PRICE: You may.

19 Let's go off the record.

20 (Discussion off the record.)

21 EXAMINER PRICE: Let's go back on the
22 record.

23 Mr. Kutik, please proceed.

24 MR. KUTIK: Thank you, your Honor.

25 - - -

REDIRECT EXAMINATION

By Mr. Kutik:

Q. Ms. Mikkelsen, you were asked a question or two by Mr. Petricoff about the ability of large industrial customers to hedge their purchases or hedge their retail rates by purchasing hourly -- purchasing in the hourly or day-ahead markets with physical -- with a financial hedge or taking a hedge. Do you remember those questions?

A. I do.

Q. Do either of those things for those customers avoid volatility?

A. No. A hedge works to reduce the risk associated with adverse movements in price. So if a customer elects to physically hedge that volatility, they are making an election that comes with a cost. They're electing to curtail their operations or disrupt what would otherwise be their normal operations.

If they choose to financially hedge that volatility, that also comes at a cost. There is a cost associated with that financial hedge, so in both instances the volatility hasn't gone away. What the customer has done is incurred a cost in order to manage the consequences of that volatility, but the

1 volatility remains in the marketplace.

2 Q. You were also asked some questions by
3 counsel for Sierra Club using the Ohio Utility Rate
4 Survey and comparing certain bills for September,
5 2013, and September, 2014, which purported to show
6 that the 2014 bill was lower than the 2013 bill. Do
7 you remember that?

8 A. Yes.

9 Q. And you had some questions about what you
10 were looking at, correct?

11 A. Yes. I recall saying I needed -- I
12 wasn't sure what was included in the number and my --
13 a better understanding of what was included in the
14 number would contribute to my ability to compare the
15 numbers.

16 Q. And did you look at that survey and
17 determine what that actually was or meant to
18 represent under the column "Electric Standard Service
19 Offer"?

20 A. Yes. I went back and looked more
21 carefully at the report that was provided yesterday,
22 and it very quickly became -- the numbers looked odd
23 to me yesterday, and in looking at that last evening,
24 it became clear to me that I was thinking of SSO
25 service, as it's spelled out in our tariff, as

1 generation service, and the column in that report is
2 entitled "Standard Service Offer" but, in fact, it
3 really refers to the total bill of the company, the
4 generation, the transmission, and distribution
5 service of the company.

6 Q. I would like to have you put -- or take
7 out, if you have in front of you, Sierra Club
8 Exhibit 79.

9 A. Just a moment, please.

10 Q. Which is the September 15, 2013, Ohio
11 Utility Rate Survey.

12 A. I have the document, sir.

13 Q. Okay. Why don't you turn to the page you
14 were looking at in your testimony on
15 cross-examination, to the page that says "Comparison
16 of Utility Bills" for "16 Major Ohio Cities." Do you
17 see that?

18 A. I do, sir.

19 Q. For the cities that are in the companies'
20 service territory, does this reflect a bill that
21 would have been charged for a customer in September,
22 2013 accurately?

23 A. No. When I made a more careful review of
24 this document yesterday evening, it became apparent
25 to me that there -- there must have been a clerical

1 error of some sort in this report insomuch as the
2 values listed for each of the cities that are in the
3 companies' service territory for September 15th of
4 2013, actually reflect the total bill amounts for the
5 company in August of 2013.

6 MR. KUTIK: Okay. Your Honor, at this
7 time I would like to have marked as Company Exhibit
8 147 the August 15, 2013, Ohio Utility Rate Survey.

9 EXAMINER PRICE: It will be so marked.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 MR. KUTIK: And may I approach, your
12 Honor?

13 EXAMINER PRICE: You may.

14 Q. Ms. Mikkelsen, I have handed you what has
15 been marked for identification as Company
16 Exhibit 147. Do you recognize that?

17 A. I do.

18 Q. What is it?

19 A. It is a report by the staff of the Public
20 Utilities Commission of Ohio dated August 15, 2013
21 entitled "Ohio Utility Rate Survey."

22 Q. Now, what cities are reflected on the
23 page that says "Comparison of Utility Bills 16 Ohio
24 Major Cities"? What cities are FirstEnergy or the
25 companies -- in the companies' service territory?

1 A. Ashtabula, Cleveland, Youngstown, Toledo,
2 Akron, Marion, Lorain, and Mansfield.

3 Q. And comparing the page from Company
4 Exhibit 147 to the page that's on Sierra Club 79, for
5 those cities you just mentioned, what -- what is the
6 comparison you can make between the electric service
7 offer shown on both of these pages for those cities?

8 A. When I look at the August 15, 2013, the
9 Electric Standard Service Offer column -- let's, for
10 sake of example, start by focusing on Ashtabula. I
11 see that the August total bill for the city of
12 Ashtabula is \$100.14. When you look at Sierra Club
13 17 -- pardon me, Sierra Club 79, which shows the
14 September 15, 2013, Electric Standard Service Offer,
15 again, for example, focusing on Ashtabula, I see the
16 same dollar amount, \$100.14, and that is true for
17 each of the cities that are served by the companies.
18 The same amount is reflected in the survey for August
19 of 2013 as is reflected in the survey for September
20 of 2013.

21 Q. Now, would you expect that the bill for
22 the same usage would be the same in September, 2013,
23 as it would be in August of 2013?

24 A. No. It couldn't be the same because the
25 company has seasonal generation rates, and those

1 generation rates are higher in the summer, the months
2 of June, July, and August, and September 1 those
3 generation rates drop back down to the winter rates.
4 So regardless, all else equal, you would see that
5 reduction in the generation rate comparing the August
6 to September. That's why I was confident that there
7 must have been just a clerical omission with respect
8 to that report.

9 MR. KUTIK: Your Honor, I would like to
10 have marked at this time as Company Exhibit 148.

11 EXAMINER PRICE: It will be so marked.

12 MR. KUTIK: The Ohio Utility Rate Survey
13 of August 2014. May I approach?

14 EXAMINER PRICE: You may.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 Q. Ms. Mikkelsen, I have handed you what has
17 been marked for identification as Company
18 Exhibit 148. Can you identify that for us, please?

19 A. Yes. It is a report prepared by the
20 staff of the Public Utilities Commission of Ohio
21 dated August 15, 2014 and is entitled "Ohio Utility
22 Rate Survey."

23 Q. And now looking back at Exhibit 147,
24 which is the August '13 Ohio Utility Survey and
25 comparing it to Exhibit 148, which is the August '14

1 Ohio Utility Survey, what comparison can you make for
2 the cities that are in the companies' service
3 territory?

4 A. What I can -- the comparison I can make
5 and the conclusion I can draw looking at these two
6 reports is that the total bill for what's entitled
7 here the Electric Standard Service Offer for the
8 companies -- for the cities within the companies'
9 service territory is in all instances higher in
10 August of 2014 than it was in August of 2013.

11 Q. Now, I believe you said earlier that this
12 is not -- this does not reflect what we see in here,
13 only the retail generation rate. Did I hear that
14 correctly?

15 A. Yes.

16 Q. Okay. To look at the retail generation
17 rate, what should we be looking at?

18 A. In order to illustrate the point I made
19 with respect to the generation rate changing from
20 August to September, the best source to look at would
21 be the companies' generation service rider that was
22 effective June 1st of 2013 as compared to the
23 companies' generation service rider that was
24 effective June 1st of 2014.

25 Q. And have you compiled an exhibit that

1 shows those various riders?

2 A. The tariffs?

3 Q. Yes.

4 A. Yes.

5 Q. All right.

6 MR. KUTIK: Your Honor, I would like to
7 have a compilation marked as Company Exhibit 149.

8 EXAMINER PRICE: It will be so marked.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 MR. FISK: Your Honor, I would object as
11 supplementing -- she is supplementing her testimony
12 through a new exhibit she has created. The time for
13 doing that is well past.

14 EXAMINER PRICE: Let's get it marked and
15 let's get it identified, and then we will go from
16 there.

17 Q. Ms. Mikkelsen, I have handed you what's
18 been identified as Company Exhibit 149. Do you
19 recognize that?

20 A. I do.

21 Q. And does this compile the rider GEN rates
22 or the rider GEN tariffs for -- that would be in
23 effect in August of 2013 and August of 2014 for each
24 of the companies?

25 A. Yes.

1 Q. And to understand the total gen charge,
2 we would add the capacity charges with the energy
3 charges for each rate class; would that be the way we
4 would do it?

5 A. Yes.

6 Q. And in each case -- and the comparison in
7 each case, is it an increase or a decrease, or does
8 it stay the same?

9 A. The generation rates for -- effective
10 June 1st of 2014 in all instances are higher than the
11 generation rates effective June 1st of 2013.

12 Q. Now, you were also asked some questions
13 about certain CRES offers that appeared on Apples to
14 Apples charts that you used, and particularly offers
15 that were less than the average.

16 A. Yes.

17 Q. Do you remember that?

18 A. I do.

19 Q. And have you now compared the lowest
20 offers on the Apples to Apples chart for the months
21 of December, 2013, March of 2014, and May, 2014, to
22 the dates you used?

23 A. Yes.

24 Q. And did you also make the comparison of
25 the highest offers for each of those charts?

1 A. Yes.

2 MR. KUTIK: Your Honor, at this time we
3 would like to have marked as Company Exhibit 150 a
4 table marked "PUCO Apples to Apples Summary."

5 And may I approach?

6 EXAMINER PRICE: You may approach.

7 It will be so marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 Q. Ms. Mikkelsen, I have handed you what has
10 been marked as Company Exhibit 150. Is that the
11 chart you prepared or table you prepared?

12 A. It was prepared under my direction, yes.

13 Q. Okay. And could you take us through what
14 we see on this table.

15 A. Certainly. For each of the months that I
16 referenced in my testimony, starting with
17 December 13 -- pardon me, December of 2013, March of
18 2014, and May of 2014, you will see the average CRES
19 offer that was included in my testimony --

20 MR. FISK: Your Honor, before we leave
21 this --

22 EXAMINER PRICE: Let her finish her
23 answer and then we will take this up.

24 MR. FISK: Okay.

25 A. In the next column what we've done is

1 calculate the change -- incremental change from each
2 of those periods so for the period of December, '13,
3 to March, '14, on average the CRES offers increased
4 by 23 percent.

5 And then if you compare March of '14 to
6 May of '14, the average CRES offer increased an
7 additional 7 percent. If you compare the May, 2014,
8 average CRES offer to the average CRES offer for
9 December of 2013, you see a cumulative increase of
10 32 percent.

11 Moving to the right, we then looked at
12 what were the minimum offers or the lowest offers in
13 each of those months, and we made the same
14 comparison. So focusing strictly on the lowest
15 offers and comparing the lowest offer from December
16 of 2013 to the lowest offer of March of 2014, we saw
17 the offers increase -- or the lowest offers increased
18 by 17 percent. And then comparing the March, 2014,
19 lowest offer to the May, 2014, lowest offer, we saw
20 that the lowest offers again increased by 9 percent.
21 And the cumulative increase in the lowest offers
22 between December of '13 and May of '14 was
23 27 percent.

24 As a final data point, we looked at the
25 highest offers in each of those months, and we

1 compared the highest offer in March of 2014 to the
2 highest offer in December of 2013 and saw that those
3 offers on the high end had increased by 32 percent.
4 And then we compared the highest offer in May of '14
5 to the highest offer in March of '15 and saw that
6 those offers had increased again by 5 percent such
7 that the cumulative increase if you compare the
8 highest offer in December, '13, to the highest offer
9 in May of '14 was an increase of 39 percent.

10 What this analysis suggests to me is that
11 you can see the same level of volatility over that
12 period whether you look at the average CRES offer,
13 whether you look at the lowest CRES offer, or whether
14 you look at the highest CRES offer, this makes very
15 clear that there was very much increasing in retail
16 price volatility associated with the 12-month offers
17 during this time frame.

18 EXAMINER PRICE: Ms. Mikkelsen, I just
19 have a follow-up question. When you did this
20 analysis, did you use only December, 2013, as an
21 example, only the December 9 chart, or did you use
22 all the charts for all the months?

23 THE WITNESS: I apologize. I should have
24 said that. We used the exact same charts we used for
25 my testimony. So for December it was the 9th, for

1 the May report I believe that was also the 9th, and
2 for the March it was the 14th.

3 MR. FISK: Your Honor, I would move to
4 strike the entire answer that -- not that answer, the
5 answer before. Ms. Mikkelsen is simply reading into
6 the record an analysis she apparently did -- we don't
7 know when -- well, that her staff did, right, we
8 don't know when. That is simply an attempt to
9 supplement her rebuttal testimony on this issue. If
10 she had wanted to present these numbers in her
11 rebuttal testimony, she could have, but it's patently
12 unfair to simply have her reading in a new --

13 EXAMINER PRICE: Mr. Fisk.

14 MR. FISK: -- analysis on the stand.

15 EXAMINER PRICE: Mr. Fisk, she used the
16 exhibits you marked and questioned her on so why is
17 it unfair to take the exhibits you asked her
18 questions on including, mind you, the lowest -- you
19 used the lowest price, why is it unfair for her to
20 take those numbers and compile -- compile a table?

21 MR. FISK: Because she is now doing new
22 analyses that we did not receive in her testimony.

23 EXAMINER PRICE: The new analysis to
24 rebut the inference that you attempted to draw in
25 your cross-examination.

1 MR. FISK: We don't have any -- we don't
2 have any workpaper on this document. We don't know
3 where these percentage numbers come from, and it's
4 simply an effort to read into the record additional
5 analyses that should have been previously presented.
6 This now is a second swing at the apple.

7 EXAMINER PRICE: Mr. Kutik.

8 MR. KUTIK: Well, your Honor, the prices
9 are shown on the table. The prices are derived from
10 the exhibits that were marked yesterday. The
11 percentages are math, taking the two numbers and
12 making the comparison. That's what she did. And
13 that's what she testified to.

14 EXAMINER PRICE: I don't see that there
15 is anything unfair in using your exhibits against
16 you. However, we are -- how many more questions do
17 you have on redirect?

18 MR. KUTIK: That concludes my redirect,
19 your Honor.

20 EXAMINER PRICE: Conveniently we are at
21 1:15 and there is a 1:30 Commission meeting. Before
22 we take recross we will take our lunch, and you will
23 have time. We'll come back at 2:15, if you prefer to
24 come back at 2:30, you'll have to double-check her
25 math.

1 MS. BOJKO: Well, your Honor.

2 EXAMINER PRICE: Yes.

3 MS. BOJKO: I'm sorry, if that's your
4 ruling, I need to hear the underlying assumptions
5 again that were embedded in Mr. Kutik's question and
6 then her response.

7 EXAMINER PRICE: I believe, counsel,
8 correct me if I'm wrong, that these are all numbers
9 from the exhibits that were identified -- that were
10 introduced -- marked and circulated by Mr. Fisk and
11 she used the same week December 9 -- yeah, December 9
12 and then the other two were the same that she
13 identified that those were -- she took her original
14 analysis from.

15 MS. FLEISHER: And the same one-year, no
16 starter, no --

17 EXAMINER PRICE: Ms. Mikkelsen, I assume
18 that's correct, you can answer that question, did you
19 use the same criteria, one-year, no promotional
20 criteria you used in developing these numbers?

21 THE WITNESS: Yes, the same criteria.

22 MS. BOJKO: I'm sorry. I think there was
23 either misstatement or misspeaking of the dates for
24 March and May. Could you just -- I thought --

25 EXAMINER PRICE: I don't know the March

1 and May. Ms. Mikkelsen, what were the March and May
2 dates?

3 THE WITNESS: The March date was the
4 report dated the 14th, and the May report would have
5 been dated the 9th.

6 EXAMINER PRICE: And I want to be clear I
7 am not ruling on the motion to strike until after
8 lunch. If you have additional -- having just seen
9 this, if you have additional arguments you have to
10 make based upon not having a chance to review, then
11 we will take it up again after lunch.

12 MR. KUTIK: And we come back at 2:15?

13 EXAMINER PRICE: Come back at 2:30. Off
14 the record.

15 (Thereupon, at 1:16 p.m., a lunch recess
16 was taken until 2:30 p.m.)

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- - -

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

Mr. Lavanga, recross?

MR. LAVANGA: No, your Honor.

EXAMINER PRICE: Mr. Kurtz?

MR. KURTZ: No, your Honor.

EXAMINER PRICE: Mr. Darr?

MR. DARR: No, your Honor.

EXAMINER PRICE: Mr. Fisk?

MR. FISK: Thank you, your Honor.

- - -

RECROSS-EXAMINATION

By Mr. Fisk:

Q. Ms. Mikkelsen, do you recall some
questions by your counsel regarding Sierra Club
Exhibit 79, which was the September, 2013, 2014, and
2015 utility rate surveys?

A. Yes.

Q. Okay. And I believe your counsel
discussed with you that apparently there were some
sort of transcription errors with regards to the
September, 2013, data for the electric standard

1 service offer bills for the cities in FirstEnergy
2 territory; is that correct?

3 A. Yes.

4 Q. Okay. Do you know with regards to the
5 September, 2014, electric standard service offer
6 bills reported for the cities in the FirstEnergy
7 Service area, whether those numbers have the same
8 transcription error, same sort of transcription
9 error?

10 A. I'm not aware of an error in the 2014
11 report.

12 Q. Okay. So do you have any reason to doubt
13 that the data presented in the September, 2014,
14 report reflects the electric standard service offer
15 bills for September, 2014?

16 EXAMINER PRICE: Which exhibit are you
17 referring to?

18 MR. FISK: This is Exhibit 79, Sierra
19 Club 79.

20 EXAMINER PRICE: 79, okay. You keep
21 saying 2014.

22 MR. FISK: Yes, 2014.

23 EXAMINER PRICE: Which exhibit is
24 September, 2014?

25 MR. FISK: Oh, it's contained --

1 EXAMINER PRICE: Oh, you're right. I'm
2 sorry. Lost track of these for a second.

3 MR. FISK: That's all right.

4 A. I did not check those numbers so I can't
5 really say whether they are correct or not correct.
6 I would say normally I would have no reason other
7 than having identified an error in the report
8 already, these types of reports, that would cause me
9 to pay greater attention to detail in these reports
10 in the future.

11 Q. Okay.

12 EXAMINER PRICE: But in defense of the
13 staff, if you looked at the September, 2014, you
14 would see that there is a shift from the -- and
15 compared to the August 14, you would see that there
16 is a shift?

17 THE WITNESS: Yes.

18 MR. KUTIK: We'll stipulate to that, your
19 Honor.

20 EXAMINER PRICE: Okay.

21 Q. (By Mr. Fisk) And I guess the same
22 question on Sierra Club Exhibit 79 with regards to
23 the September, 2015, data presented regarding the
24 electric standard service offer bills, do you have
25 any reason to doubt that those are accurately

1 reported?

2 A. If you'll give me a moment, I am having a
3 little trouble putting my hands on the September,
4 2014, report. I apologize.

5 I have that report now. May I have your
6 question again, sir?

7 Q. So turning to the -- to the electric
8 standard service offer bills reported in the
9 September, 2015, report, do you have any reason to
10 doubt the accuracy of the numbers reported there?

11 A. Nothing we haven't already discussed,
12 sir.

13 Q. Okay. Thank you. And do you recall
14 during -- a few minutes ago your counsel asking you
15 some questions regarding the August, 2013, utility
16 rate survey results? And this is Company
17 Exhibit 147.

18 A. Yes.

19 Q. Okay. And looking at the electric
20 standard service offer column that's on page 1 of
21 that survey, am I correct that the data in that
22 column reflects generation, distribution, and
23 transmission charges?

24 A. Yes; despite the table saying electric
25 standard service -- pardon me, electric standard

1 service offer, the dollars there reflect the total
2 bill a typical residential customer at 750
3 kilowatt-hours would have paid in that month.

4 Q. Okay. So that -- and does that include
5 anything besides distribution, transmission, and
6 generation charges?

7 A. I guess in answer to that question, I
8 need you perhaps to better clarify to me what you
9 mean when you say "distribution charges."

10 Q. I guess, do you know of any other
11 category that doesn't traditionally fall within, you
12 know, within those -- are there any other categories
13 of charges that would normally appear on the bill?

14 A. The total bill would include all of the
15 Commission-approved tariffs and riders that the
16 companies are authorized to charge their customers, I
17 think. You know, there are universal service
18 charges. I'm not sure whether in your mind you would
19 call those distribution charges or state
20 kilowatt-hour taxes. So not being clear what your
21 distinction is, I just want to be clear that this --
22 in the calculation that we ran testing these numbers,
23 it included all the Commission-approved rates,
24 tariffs, and riders.

25 Q. Okay. Fair enough. Okay. And then do

1 you have in front of you Company Exhibit 149?

2 A. May I ask you to just remind me what that
3 was?

4 Q. This was the rider GEN sheets that your
5 counsel asked you about before lunch.

6 A. I do.

7 Q. Okay. Great. And just looking at the
8 front -- the first page of company Exhibit 149, it
9 reports the capacity charges and energy charges that
10 customers would be paying; is that correct?

11 A. Yes. It shows what the generation
12 service rider charges are by rate schedule as
13 differentiated between summer and winter rates and
14 capacity and energy charges.

15 Q. Okay. And the capacity and energy
16 charges reflected in Company Exhibit 149 are only a
17 portion of the bill that customers would be paying,
18 correct?

19 A. Right. As the tariff says, these are the
20 standard service offer generation charges.

21 Q. Okay. And going back just briefly to the
22 utility rate surveys, your counsel asked you about
23 the August, 2013, and 2014, results, correct?

24 A. Yes.

25 Q. Okay. And do you know, did the staff

1 also do surveys for October, 2013, and 2014?

2 A. I don't know.

3 Q. Okay. So do you have any knowledge as to
4 whether retail SSO rates for the city of Akron were
5 lower in October, 2014, than in October, 2013?

6 A. I don't know as I sit here.

7 Q. Okay. And how about for the city of
8 Youngstown?

9 A. How about what?

10 Q. The same question, were their rates in
11 October, 2014, lower than in October, 2013?

12 A. I don't know.

13 Q. Okay. Do you know for any city within
14 the companies' territories whether their retail SSO
15 rates were lower in October, 2014, than October,
16 2013?

17 A. I don't know.

18 Q. Okay. If we could go to company
19 Exhibit 150.

20 A. I have that.

21 Q. Okay. And do you recall your counsel
22 asking you some questions regarding this exhibit
23 before lunch?

24 A. Yes.

25 Q. Okay. And if you could look at the

1 column that's labeled "Min CRES" or minimum CRES. Do
2 you see that?

3 A. I do.

4 Q. Okay. And you provide a figure for
5 December, 2013, of 0.059 --

6 A. Yes.

7 Q. -- is that correct? Okay. And do you
8 have Sierra Club Exhibit 80 in front of you?

9 A. I do.

10 Q. Okay. And that exhibit includes the
11 Apples to Apples chart for December 9, 2013, correct?

12 A. Yes.

13 Q. Okay. And the December 9, 2013, Apples
14 to Apples chart is what you used to identify the
15 minimum CRES offer reported in Company Exhibit 150;
16 is that right?

17 A. Yes.

18 Q. And can you identify which offer on the
19 December 9, 2013, Apples to Apples chart you used in
20 your Company Exhibit 150?

21 A. It would have been on page 3 of 4 of the
22 FirstEnergy Solutions offer.

23 Q. Okay. So are you referring to the second
24 offer down?

25 A. Yeah. I apologize, yes, I am, sir.

1 Q. Okay. And for the -- looking at Company
2 Exhibit 150, the column that says maximum CRES, do
3 you see that?

4 A. Yes.

5 Q. With a figure for December, 2013, of
6 0.062. Do you see that?

7 A. I do.

8 Q. Okay. And did that number also come from
9 this December 9, 2013, Apples to Apples chart?

10 A. Yes.

11 Q. Okay. And which offer is reflected
12 there?

13 A. It is the offer immediately above the
14 offer we were just discussing.

15 Q. Okay. So the ENCOA offer?

16 A. Yes.

17 Q. Okay. And do you have Sierra Club 81?

18 A. Yes.

19 Q. Okay. And for the March, 2014, minimum
20 and maximum CRES data on Company Exhibit 150, did
21 those numbers come from the Apples to Apples chart in
22 Sierra Club Exhibit 81?

23 A. Yes.

24 Q. Okay. And could you identify which offer
25 is the minimum CRES offer for March, 2014, you

1 included in Company Exhibit 150?

2 A. Yes.

3 Q. Okay. And which one?

4 A. The minimum offer would have been -- and
5 I am looking now at the March 14 Apples to Apples
6 comparison for Toledo Edison, but I believe they are
7 the same for all three companies. On page 2 of 6,
8 Constellation NewEnergy had an offer 0.0689 per
9 kilowatt-hour.

10 Q. Okay. And for the March, 2014, maximum
11 CRES offer identified on Company Exhibit 150, did
12 that also come from this Apples to Apples chart in
13 Sierra Club Exhibit 81?

14 A. Yes.

15 Q. Okay. And which offer is the March,
16 2014, maximum CRES offer identified on Exhibit 150?

17 A. That is the Just Energy offer, the
18 12-month fixed price Just Energy offer on page 4 of 6
19 of the Toledo Edison report at 0.0819.

20 Q. Okay. Thank you. And so your company
21 Exhibit 150 identifies a -- oh, I'm sorry. Strike
22 that.

23 Do you know for the May, 2014, minimum
24 CRES offer that's identified on Company Exhibit 150,
25 do you know what offer that was?

1 A. I do.

2 Q. Okay. Which offer?

3 A. That would have come, as we discussed
4 earlier, from the May 9, 2014, Apples to Apples
5 chart.

6 Q. Okay.

7 A. And the minimum offer would have been
8 made -- and, again, the report I am looking at now is
9 for Ohio Edison, but, again, I think the reports are
10 the same for all three companies -- was on page 2 of
11 7, Constellation NewEnergy with an offer of 0.0749.

12 Q. Okay. And how about for the May, 2014,
13 maximum CRES offer reported on Company Exhibit 150,
14 do you know which offer that is?

15 A. I do.

16 Q. Okay. Which one?

17 A. That would have been an offer, same
18 report listed on page 4 of 7, by Just Energy,
19 12-month fixed price offer of 0.0 859.

20 Q. Okay. Thank you.

21 A. You're welcome.

22 Q. So Company Exhibit 150 includes a row
23 that says "Cumulative Change," and then it says
24 32 percent for the incremental change for the average
25 CRES offers. Do you see that?

1 A. I see the 32 percent, sir.

2 Q. Okay. And that 32 percent figure
3 reflects the change in the average CRES offers that
4 you identified for December, 2013, versus May, 2014;
5 is that right?

6 A. Yes.

7 Q. Okay. Retail SSO rates for Ohio Edison
8 residential customers did not increase by 32 percent
9 from December, 2013, to May, 2014, correct?

10 A. No. And that was not the point I was
11 making in my testimony when I was referencing these
12 charts. The point being made in my testimony was to
13 demonstrate retail rate volatility for shopping
14 customers.

15 MR. FISK: Okay. Your Honor, I would
16 move to strike everything after "no" as not
17 responsive to my question.

18 MR. KUTIK: Your Honor, I think the
19 witness should be given leeway to explain her answer,
20 especially at this stage in the proceedings when
21 there is no redirect.

22 EXAMINER PRICE: We are going to grant
23 the motion to strike.

24 MR. FISK: Thank you, your Honor.

25 Q. (By Mr. Fisk) And, similarly, retail SSO

1 rates for Toledo Edison residential customers did not
2 increase from 32 percent between December, 2013, and
3 May, 2014, correct?

4 A. Because the SSO rates don't change
5 between the period of December and May, the SSO rates
6 for the companies always change June 1, so I would
7 agree with you, it didn't change, but it couldn't
8 have changed. The rates simply don't change during
9 that time period, the generation SSO rates.

10 Q. Okay. And you don't know if the rates
11 that shopping customers actually paid in December,
12 2013, versus May, 2014, increased by 32 percent over
13 that time period, correct?

14 A. No.

15 Q. No, you don't know, or, no, I am not
16 correct?

17 A. No, I don't know.

18 Q. Okay. And the December, 2013, offers
19 that are being discussed on Company Exhibit 150,
20 those would be for a time frame of December, 2013, to
21 December, 2014; is that right?

22 A. For the first meter read after the offer
23 is accepted, but, yes, December, January, December,
24 '13, early January, '14 for the next 12 months, yes.

25 Q. Okay. And so approximately six months of

1 those offers would fall within the 2014-2015 capacity
2 delivery year; is that right?

3 A. And we're assuming a December start, sir?

4 Q. Yes.

5 A. Six or seven months, depending upon.

6 Q. Okay. And for the March, 2014, CRES
7 offers discussed on Company Exhibit 150, those would
8 run from approximately March, 2014, to March, 2015,
9 correct?

10 A. Yes.

11 Q. Okay. And so for those offers,
12 approximately nine months would fall within the
13 2014-2015 capacity delivery year; is that right?

14 A. Nine or 10, yes.

15 Q. Okay. And then for the May, 2014, CRES
16 offers described -- or referenced on Company
17 Exhibit 150, those would run from approximately May,
18 2014, to May, 2015, correct?

19 A. Yes.

20 Q. Okay. And so approximately 11 months of
21 those contracts would fall within the 2014-2015
22 capacity delivery year; is that right?

23 A. Eleven or the entirety, yes.

24 Q. Okay. And capacity prices for 2014-2015
25 were higher than for 2013-2014, correct?

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1 EXAMINER PRICE: Are you asking whether
2 capacity prices in the companies' service territory,
3 in PJM West, in the ATSI zone?

4 MR. FISK: Let's say --

5 EXAMINER PRICE: Because I think the
6 answer changes depending on what you are asking.

7 MR. FISK: Right. Let's go with ATSI.

8 THE WITNESS: May I ask that the question
9 be reread?

10 EXAMINER PRICE: You may.

11 Why don't you rephrase the question with
12 ATSI zone in it.

13 Q. Okay. The capacity prices for the ATSI
14 zone for the 2014-2015 delivery year were higher than
15 for the 2013-2014 delivery year, correct?

16 A. Yes.

17 MR. FISK: I have nothing further.

18 EXAMINER PRICE: Can you -- I think this
19 information is already in the record, but if you know
20 off the top of your head, do you know what the prices
21 in the ATSI zone were for the 2014-2015 delivery
22 year?

23 THE WITNESS: I know that the prices in
24 the '15-16 delivery year the generation was like 357.
25 For the '14-'15 delivery year, the 90 to 120 dollars

1 per megawatt-day, and then it really trails off
2 before that to kind of \$30.

3 EXAMINER PRICE: That was in the mid-20s.

4 THE WITNESS: Yeah.

5 EXAMINER PRICE: So from '13-'14 we were
6 in mid-20s, and then '14-'15 in the 90 cents, and
7 then the big year in '15-'16 was 360s.

8 THE WITNESS: Right.

9 EXAMINER PRICE: Thank you.

10 THE WITNESS: But I don't see those
11 changes in capacity accounting for the entirety of
12 the change in these offer prices.

13 EXAMINER PRICE: No. There wasn't a
14 question pending. We're striking that.

15 MR. FISK: Thank you, your Honor.

16 EXAMINER PRICE: Ms. Fleisher, ask her
17 whether the capacity prices account for those
18 changes.

19 Just kidding.

20 MR. KUTIK: That sounds fair, your Honor.

21 - - -

22 RECROSS-EXAMINATION

23 By Ms. Fleisher:

24 Q. Just like two quick questions,
25 Ms. Mikkelsen. So in Company Exhibit -- I have lost

1 track of the numbers, the tariffs, which is 149?

2 A. Yes.

3 Q. Just to be clear, these numbers are --
4 are in nominal dollars, right?

5 A. Yes.

6 Q. Okay. And for the various utility rate
7 survey exhibits floating around, those are in nominal
8 dollars as well, correct?

9 A. Yes.

10 MS. FLEISHER: That's all.

11 EXAMINER PRICE: Mr. Petricoff.

12 MR. PETRICOFF: Thank you.

13 - - -

14 RECROSS-EXAMINATION

15 By Mr. Petricoff:

16 Q. Good afternoon, Ms. Mikkelsen.

17 A. Good afternoon, sir.

18 Q. I'm sorry?

19 A. Good afternoon, sir.

20 Q. Thank you. Just have a couple of
21 questions for you. If a large industrial customer is
22 buying power on the day-ahead PJM market, do they
23 know how much they are going to pay for their power
24 in a given month?

25 A. No.

1 Q. Couldn't they establish how much they
2 were going to pay if they bought a hedge or a future
3 on the New York Mercantile Exchange for a given
4 month?

5 A. Yes, but that would come at an
6 incremental cost to the cost of the power.

7 Q. But you agree that it would give them an
8 established price?

9 A. Yes.

10 Q. Okay. And so the reason that you are not
11 considering it a hedge is because there may be a
12 premium that has to be paid?

13 MR. KUTIK: Objection. Mischaracterizes
14 her testimony.

15 MR. PETRICOFF: It was a question.

16 MR. KUTIK: The reason you are
17 considering it a hedge, that is a mischaracterization
18 of her testimony.

19 EXAMINER PRICE: Go ahead and rephrase.

20 MR. PETRICOFF: Okay.

21 Q. (By Mr. Petricoff) Is the factor that
22 leads you to -- what is the factor that leads you to
23 believe that we should not consider the purchase of a
24 future on a New York Mercantile Exchange for an
25 industrial customer trying to fix their price of

1 power is a hedge?

2 MR. KUTIK: Objection, your Honor. She
3 never said that wasn't a hedge. She said the hedge
4 doesn't allow it -- allow the customer to avoid
5 volatility.

6 MR. PETRICOFF: That was not the
7 question. The question was hedge -- let's go back.

8 EXAMINER PRICE: No, no. We are going to
9 overrule the objection and she can answer. I thought
10 the question was fair. She can answer the question.

11 Do you want the question back?

12 THE WITNESS: Please.

13 EXAMINER PRICE: Let's have that question
14 again.

15 (Record read.)

16 A. The -- in my earlier discussion the point
17 I was making was that the presence of a physical or a
18 financial hedge for a customer does not eliminate the
19 fact that there is volatility in the market. All it
20 does is if it's a financial instrument, they monetize
21 the risk associated with that volatility through this
22 financial instrument; and if they exercise a physical
23 hedge, they then, I guess, manage the risk of that
24 volatility through their operations via curtailing
25 their load or disrupting their operations. That was

1 my point earlier.

2 Q. So it is your belief then that industrial
3 customers can stabilize their price if they buy a
4 future on the New York Mercantile Exchange?

5 A. Yes.

6 Q. And the same would be true on ICE, the
7 Intercontinental Change?

8 A. I'll accept that. I don't know that,
9 sir.

10 Q. Okay. Is it your testimony that the
11 rider RRS, if its approved, will always go down when
12 capacity price goes up?

13 MR. KUTIK: Objection, beyond the scope
14 of redirect.

15 EXAMINER PRICE: Sustained.

16 MR. PETRICOFF: I'll withdraw the
17 question.

18 Q. (By Mr. Petricoff) Will the rider RRS
19 establish a fixed price for an industrial customer
20 who is buying power on the day-ahead PJM market if
21 they don't also buy a future or other type of
22 financial hedge?

23 MR. KUTIK: Same objection.

24 EXAMINER PRICE: I'll allow this one.

25 A. No. The rider RRS is not designed to

1 create a fixed price product for customers of any
2 size.

3 MR. PETRICOFF: I have no further
4 questions. Thank you.

5 EXAMINER PRICE: Thank you.

6 Mr. Stinson?

7 MR. STINSON: Yeah, just a couple of
8 questions, your Honor.

9 - - -

10 RECROSS-EXAMINATION

11 By Mr. Stinson:

12 Q. Ms. Mikkelsen, going back to Company
13 Exhibit 150 regarding your review of the Apples to
14 Apples charts? Do you recall that exhibit?

15 A. I do.

16 Q. And the Apples to Apples chart does not
17 contain the rates for generation supply that are
18 available to members of governmental aggregations; is
19 that correct?

20 A. I don't know if any of the offers
21 included in Apples to Apples are the same as offers
22 made to governmental aggregation, but my
23 understanding of the Apples to Apples chart is that
24 it is individual rates offered.

25 Q. And what do you mean by individual rates?

1 A. Rates offered to individuals.

2 MR. STINSON: Thank you. No further
3 questions.

4 THE WITNESS: Thank you, sir.

5 EXAMINER PRICE: Thank you.

6 Ms. Bojko?

7 MS. BOJKO: Yes, your Honor.

8 - - -

9 RECROSS-EXAMINATION

10 By Ms. Bojko:

11 Q. Good afternoon. Just a few follow-up
12 questions on Companies' Exhibit 150. So the record
13 is clear even though you have the title, the heading
14 of the first column as "Month," that column is not
15 representative of the full entire month of December,
16 2013 or March, 2014, or May, 2014, correct?

17 A. Correct. The December, '13 data, I said
18 several times is from the December 9, 2013 Apples to
19 Apples report. The March, '14 is from the March, 14,
20 2014, Apples to Apples report, and the May, '14, data
21 is from the May, 2014, Apples to Apples data.

22 Q. Thank you. And the heading that is --
23 the heading of "Average CRES Offers" for the second
24 column, do you see that?

25 A. Yes.

1 Q. That is not representative of all CRES
2 offers. It only includes CRES offers selected by you
3 that meets your criteria that is in your rebuttal
4 testimony and that we discussed yesterday; is that
5 correct?

6 A. It represents the offers that meet the
7 criteria spelled out in my rebuttal testimony.

8 Q. Okay. And that criteria is the 12-month
9 offer, no introductory offers, no offers with green
10 products or green components, and no monthly fees; is
11 that correct?

12 MR. KUTIK: Objection, asked and
13 answered.

14 EXAMINER PRICE: Overruled.

15 A. As it says in my testimony, it is offers
16 for 12-month, fixed-price, full-requirements
17 products, excluding introductory offers, offers with
18 a green component that exceeds the statutory events
19 or a monthly fee.

20 Q. Thank you. And as far as your -- the
21 columns listed "Min CRES" and "Max CRES," your
22 response would be the same, that those are only for
23 the minimum and maximum CRES offers that meet your
24 criteria established in your testimony, is that
25 correct, rebuttal testimony?

1 A. Yes.

2 MS. BOJKO: Okay. Thank you. I have
3 nothing further.

4 EXAMINER PRICE: Mr. O'Brien.

5 MR. O'BRIEN: No questions, your Honor.

6 EXAMINER PRICE: Mr. Beeler?

7 MR. BEELER: No questions. Thank you.

8 EXAMINER PRICE: Thank you.

9 Ms. Mikkelsen, you are excused.

10 THE WITNESS: Thank you, sir.

11 EXAMINER PRICE: Do the parties have
12 anything to add to our prior discussions on the
13 motion to strike on Exhibit 150 and the accompanying
14 testimony?

15 MS. BOJKO: I do, your Honor.

16 EXAMINER PRICE: Fire away.

17 MR. KUTIK: Well, may I offer my exhibits
18 at this point, and then you can --

19 EXAMINER PRICE: We had a pending motion
20 to strike, and it encompasses both the exhibits and
21 the testimony regarding the exhibits, so I suspect
22 that we will rule consistent on the admission as we
23 do on the motion to strike.

24 Go ahead, Ms. Bojko.

25 MS. BOJKO: Just consistent with the

1 cross-examination and the questions that were asked
2 prior to the lunch break, I think that the summary
3 provided by the companies, in addition to everything
4 argued by Mr. Fisk, is very misleading to the
5 Commission.

6 I don't think the columns are properly
7 headed -- headed. There are no footnotes indicating
8 what the columns actually mean or the references.
9 The dates are misleading. The averaging is
10 misleading. And I think that this summary because of
11 the misleading headings and data contained therein, I
12 think it is very prejudicial to the record and it
13 should be not allowed into the record.

14 Thank you.

15 EXAMINER PRICE: I think that's
16 interesting because I think you did an excellent job
17 in your cross-examination of establishing all the
18 points you were concerned about. I think the
19 cross-examination made clear all of the data in
20 Company Exhibit 150 is information that Mr. Kutik
21 could have just walked through -- the witness through
22 step by step, and the exhibit does nothing more than
23 provide it in a chart format, and so the motion to
24 strike the exhibit and the testimony will be denied.

25 MR. KUTIK: Your Honor, at this time we

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1 would move for the admission of Company Exhibit 146
2 and 150. There are also some items that we would ask
3 the Bench to take administrative notice, but I don't
4 know if you want to handle them separately.

5 EXAMINER PRICE: We will handle that
6 separately.

7 Any objections to the admission of
8 Company Exhibits 146 and 150, subject to parties
9 rights on 150 regarding the motion to strike that's
10 been denied?

11 MR. FISK: Oh, sorry, no.

12 EXAMINER PRICE: Seeing no objections,
13 both of those exhibits will be admitted.

14 (EXHIBITS ADMITTED INTO EVIDENCE.)

15 EXAMINER PRICE: Let's discuss the
16 administrative notice right now. It is my intent,
17 unless somebody objects to take administrative notice
18 of Sierra Club 79, Sierra Club 80, Sierra Club 81,
19 Sierra Club 82, Sierra Club 83, and 84, P3/EP5A 7,
20 all of which are Apples to Apples charts or rate
21 surveys, which may or may not have issues, but all
22 are on the Commission website. In addition, we plan
23 to take --

24 MR. KUTIK: Your Honor, may I just
25 comment on that?

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1 EXAMINER PRICE: Yes, please.

2 MR. KUTIK: With respect to P3/EP SA 7,
3 there was only one page of that chart, and so we
4 would just ask that the entire chart be
5 administratively noticed.

6 EXAMINER PRICE: We will take
7 administrative notice of the entire chart, yes.
8 Thank you.

9 Okay. We also have the application
10 that's been marked as ELPC 23, I believe we
11 previously took administrative notice of that
12 application, and then we have -- we will take
13 administrative notice of the DCR filings marked as
14 Staff Exhibit 13, 14, and 15.

15 MR. KUTIK: And, again, your Honor, we
16 would ask that the entirety of those documents be
17 administratively noticed and not just the excerpts.

18 EXAMINER PRICE: Any objection,
19 Mr. Beeler?

20 MR. BEELER: No.

21 EXAMINER PRICE: We will take
22 administrative notice of the entire document, and we
23 will also take administrative notice of Company
24 Exhibit 147, 148 that are Ohio Rate Surveys published
25 on the Commission website, and we'll -- if we have

1 not already and it slipped through the cracks, we'll
2 take administrative notice of any documents in
3 Company Exhibit 149, although I think we've taken
4 notice of all the companies' tariffs, but to the
5 extent that we haven't already.

6 MR. KUTIK: But these, your Honor, are
7 also historical tariffs so.

8 EXAMINER PRICE: Right.

9 MR. KUTIK: It would be in addition to
10 what you have already done.

11 EXAMINER PRICE: Excellent. Then we will
12 take administrative notice of all of Company
13 Exhibit 149.

14 Are there any other documents the parties
15 want to move admission for we have not already taken
16 administrative notice of?

17 OMAEG 23 is a Commission order freely
18 citeable, however you choose.

19 MS. BOJKO: Yes, thank you.

20 EXAMINER PRICE: Okay. Anything else we
21 need to discuss?

22 MR. KUTIK: Not on the record, your
23 Honor.

24 EXAMINER PRICE: Okay. Let's go off the
25 record and we will adjourn until 9 o'clock tomorrow

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1 morning, in which case we will take our final
2 rebuttal witness, Dr. Rose.

3 MR. KUTIK: Mr. Rose.

4 EXAMINER PRICE: Mr. Rose. There is a
5 Dr. Rose but that's not the right one, okay,
6 Mr. Rose.

7 We will go off the record.

8 (Thereupon, at 3:21 p.m., the hearing was
9 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 Wednesday, October 28,
2015, and carefully compared with my original
stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-79591)

- - -

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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 10/28/15 - Volume XXXIV electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.