BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

\- - -

| | |
|---|---|
| In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider. | : Case No. 14-1693-EL-RDR |
| In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority. | : Case No. 14-1694-EL-AAM |

\- - -

DEPOSITION

of William A. Allen, taken before me, Karen Sue Gibson, a Notary Public in and for the State of Ohio, at the offices of American Electric Power, 1 Riverside Plaza, Columbus, Ohio, on Wednesday, December 30, 2015, at 9:30 a.m.

\- - -

ARMSTRONG & OKEY, INC.
222 East Town Street, Second Floor
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

\- - -

APPEARANCES:

American Electric Power
By Mr. Matthew J. Satterwhite
and Mr. Steven T. Nourse
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215

On behalf of the Ohio Power Company.

McNees, Wallace & Nurick LLC
By Mr. Frank P. Darr (via speakerphone)
21 East State Street, 17th Floor
Columbus, Ohio 43215

On behalf of the Industrial Energy Users of Ohio.

Vorys, Sater, Seymour & Pease, LLP
By Mr. Michael J. Settineri
52 East Gay Street
Columbus, Ohio 43215

On behalf of Retail Energy Supply Association, PJM Power Providers Group, Electric Power Supply Association, Constellation NewEnergy, and Exelon Generation, LLC.

Carpenter Lipps & Leland LLP
By Mr. Ryan O'Rourke (via speakerphone)
and Ms. Kimberly W. Bojko
280 North High Street, Suite 1300
Columbus, Ohio 43215

On behalf of the Ohio Manufacturers' Association Energy Group.

Bruce J. Weston, Ohio Consumers' Counsel
By Mr. William J. Michael
Assistant Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

On behalf of the Residential Consumers of the Ohio Power Company.

APPEARANCES: (Continued)

Mike DeWine, Ohio Attorney General
By Mr. William L. Wright,
Section Chief
Mr. Steven L. Beeler (via speakerphone)
and Mr. Werner L. Margard, III,
Assistant Attorneys General
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, Ohio 43215

On behalf of the Staff of the PUCO.

Taft, Stettinius & Hollister LLP
By Mr. Mark S. Yurick (via speakerphone)
65 East State Street, Suite 1000
Columbus, Ohio 43215

On behalf of The Kroger Company.

ALSO PRESENT:

Mr. Kevin Murray, McNees, Wallace & Nurick.
Mr. Craig Smith, Staff.
Mr. Mike Hall, OCC.
Ms. Tammy Turkenton, Staff.

- - -

INDEX

\- - -

INDEX (Continued)

- - -



- - -

Wednesday Morning Session,
December 30, 2015.

- - -

MR. SETTINERI: We can go on the record and swear the witness in, please.

(Witness sworn.)

MR. SETTINERI: All right. And at this time this is Mike Settineri. Good morning, everyone. I am appearing today on behalf of the PJM Power Providers Group and the Electric Power Supply Association with the law firm of Vorys, Sater, Seymour and Pease, 52 East Gay Street, Columbus, Ohio.

At this time I would like to take just appearances for this deposition starting with Mr. Michael.

MR. MICHAEL: This is William J. Michael on behalf of AEP Ohio's residential utility consumers, Office of the Ohio Consumers' Counsel.

MR. SATTERWHITE: Matthew Satterwhite on behalf of Ohio Power Company.

MR. SETTINERI: And on the telephone.

MR. DARR: Frank Darr, McNees, Wallace & Nurick, 21 East State Street, Columbus, Ohio, on behalf of the Industrial Energy Users of Ohio.

MR. O'ROURKE: On behalf of the Ohio Manufacturers' Association Energy Group, Ryan O'Rourke and Kim Bojko, 280 North High Street, Columbus, Ohio 43215.

MR. BEELER: On behalf of the staff of the Public Utilities Commission of Ohio, Steve Beeler and Werner Margard, Ohio Attorney General's Office.

MR. SETTINERI: All right. Anyone else who wishes to make a notice of appearance at this time?

All right. Hearing none we can go ahead and start. Again, we are here today for the deposition of William Allen.

- - -

WILLIAM A. ALLEN

being by me first duly sworn, as hereinafter certified, deposes and says as follows:

CROSS-EXAMINATION

By Mr. Settineri:

Q. Good morning, Mr. Allen. How are you today?

A. Good morning. Fine.

Q. And if you would please state your name and business address for the record, please.

A. It's William A. Allen. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. Thank you. And what is your current title?

A. It is managing director of regulatory case management.

Q. And how long have you been in this position?

A. Three or four years is my recollection.

Q. Okay. And as -- in that position are you familiar with the tariffs of the Ohio Power Company?

A. I'm generally familiar with the tariffs of Ohio Power Company.

Q. And in your position are you generally familiar with the statutes and rules that would apply to Ohio Power Company?

A. I'm familiar with some of the rules that apply.

Q. And when I say "rules," I mean rules under the Ohio Administrative Code issued by the Public Utilities Commission.

A. I am generally aware of those, yes, I understand.

Q. Great.

MR. SETTINERI: What I'll do first we will go ahead and mark two exhibits. We'll start with Exhibit 1 we'll mark as the direct testimony of William A. Allen in support of AEP Ohio's settlement agreement.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. SETTINERI: And then the next exhibit we will mark as Exhibit 2 for today's deposition is the joint stipulation and recommendation filed in this proceeding.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. And, Mr. Allen, if you could look at those two exhibits. Are you familiar with both of those exhibits?

A. Yes, I am.

Q. Did you bring any documents with you today to this deposition?

A. I brought a copy of my direct testimony that was prefiled in this case on December 14 as well as one of the interrogatories issued by OCC.

Q. And which interrogatory did you bring?

A. S1-62.

Q. Okay. If you could turn for me then to page 19 of what's been marked as Exhibit 2. For the rest of the day I'll just call that the stipulation.

A. Okay. Page 19?

Q. Yes, sir.

A. I'm there.

Q. And you see at page 19, Section 9, there is a reference to the commitment that AEP Ohio will make a cost recovery filing supporting the Conesville 5 and 6 to natural gas firing. Do you see that?

A. I do.

Q. Just as a general matter, are you aware of the location of the nearest interstate pipeline to the Conesville Units 5 and 6?

A. My understanding the nearest interstate gas pipeline is at the site of Conesville Units 5 and 6.

Q. When you say at the site, within the plant boundary?

A. That's my understanding or very near by the plant boundary.

Q. Is it your -- are you aware of whether that interstate pipeline has capacity to support a natural gas co-firing addition to the Conesville units?

A. My understanding is that pipeline is sized sufficient that it can support coal-firing units 5 and 6 at 50 percent natural gas.

Q. And who is the owner of that pipeline? Do you know?

A. I don't recall.

Q. Okay. Do you know who the operator of that pipeline is?

A. I do not recall.

Q. Okay. And you said 50 -- would support 50 percent conversion to gas firing. What do you mean by that?

A. It would support enough gas to run the units at half of their full capacity at gas, using gas, and 50 percent using coal.

Q. Okay. And what -- let me know if this is confidential. My next question is do you know what capacity those units are running at currently?

A. The units have a nameplate capacity, if my memory serves me right, of 400 megawatts each.

Q. Okay. But in regards to actual capacity currently being generated, what would you approximate the units to be operating at?

A. They are capable of operating at 400

megawatts, so typically a coal-fired generator may reduce power in off-peak periods, but during on-peak periods would run at full capacity.

Q. Okay. Thank you. Are you aware of whether any cost estimates have been generated to convert these units to be able to co-fire with natural gas?

A. It's my understanding that the company has not yet, and when I say the "company," AEPGR has not yet completed a cost estimate for the conversion.

Q. Okay. Is that underway today to your knowledge?

A. I do not know if they have started that analysis yet.

Q. Okay. Thank you. Has any affiliate of AEP Ohio conducted -- including AEP Ohio conducted any cost analysis for the conversion?

A. No affiliates of AEP have performed such an analysis for the Conesville units, but the company has completed conversions of the Big Sandy Unit 1 and Clinch River facilities to gas firing.

Q. And are you aware of approximately what that conversion cost was?

A. I don't know what the final cost for

those were.

Q. Do you have an order of magnitude?

A. The number that comes to mind for Big Sandy was that it was approximately $60 million but that included extending a gas pipeline.

Q. How far was that gas pipeline? Do you know approximately?

A. I don't recall how far. It was miles.

Q. And was that a conversion to 100 percent natural gas?

A. It was.

Q. Okay. So that plant would no longer run on coal; is that correct?

A. That's correct.

Q. Has AEP -- and let me say has AEP Ohio, when I say "AEP Ohio," I mean the Ohio Power Company or any of its affiliates including parent entities, conducted any feasibility analysis on the conversion to natural gas co-firing at the Conesville Units 5 and 6?

A. I have had discussions with our engineers and operators of Conesville 5 and 6 that have indicated that based on their understanding of the units that they are capable of being co-fired

50 percent natural gas/50 percent coal.

Q. Are you aware of if there is any equipment -- let me strike that.

Is there any current features to the boilers that would accommodate natural gas co-firing? For example, nozzles?

A. I don't know if they have installed any of those types of features.

Q. Okay. Are you aware of whether AEP Ohio or any of its affiliates maintain coal heat input documentation for Conesville Units 5 and 6?

A. I'm sorry. Can you repeat that question, please?

Q. Sure. Are you aware of whether AEP Ohio or any of its affiliates maintains coal heat input documentation for the Conesville Units 5 and 6?

A. Yes.

Q. Who maintains that documentation? When I say "who," which entities?

A. Currently since the units are owned and operated by AEPGR it would be AEPGR.

Q. Okay.

A. And that information is publicly filed in the company's FERC Form 1 on an annual basis.

Q. In your direct testimony, we don't need to look at it, but there is an exhibit marked as WAA-2 which is the revised -- I believe it's the revised Kelley Pearce exhibit. Are you familiar with that? That would be Exhibit 1.

A. Yes.

MR. SATTERWHITE: I believe it's Exhibit 2.

A. WAA-2 is a modified Exhibit KDP-2, that's correct.

Q. All right. Does that exhibit take into account a conversion to natural gas co-firing for the Conesville Units 5 and 6?

A. It does not include a co-firing of Conesville 5 and 6.

Q. Okay. Do you believe that -- let's assume that if the Conesville Units 5 and 6 are operated 50 percent natural gas/50 percent coal, do you view that providing the same level of efficiency at -- as running 100 percent on coal?

A. Based on our experience with conversions at other units, the heat rate of the units would remain essentially unchanged, so the efficiency would be comparable to the efficiency that the units currently have.

Q. Okay. What would happen in the event that the natural gas supply is not available if you are firing 50 percent natural gas/50 percent coal?

A. If the natural gas is not available, the units would be able to -- subject to the Commission approving cost recovery and the project being completed, under the stipulation the unit would be able to operate at 100 percent coal subject to the limitations of the annual heat input for coal.

Q. Okay. And what I meant by that though if the natural gas supply is unavailable, pipeline breaks, busts, something like that, what would happen in that instance if the day before you were running 50 percent, you are going to run 100 percent natural gas when you are running on natural gas?

A. No. It would be 50 percent coal/50 percent gas.

Q. How does that work?

A. It's co-firing. Some of the --

Q. So you are burning coal at the same time as you are burning natural gas?

A. That's correct.

Q. Okay. Thanks for clarifying that for me.

A. Yes.

Q. And so in the instance the natural gas supply goes down, would you then immediately just go to 100 percent coal?

A. I'm not sure if it would be -- if we could do it immediately, but quickly we would be able to convert to 100 percent coal.

Q. Okay. How long do you think that conversion would take?

A. It's not a conversion. It's just a change in the operation, so you would have to run more coal through the pulverizers and things, and I don't know how long it takes to do that, but I would guess, you know, at most days, not weeks or months. It's a short process.

Q. All right. And assume that it's days and assume then that if the Conesville 5 and 6 weren't able to dispatch when called upon in the amount of capacity that's needed, could those units be subject to PJM capacity performance charges?

A. Regardless of the reason, if the units don't operate when called upon, they could be subject to PJM capacity performance penalties.

Q. Right. And if there is a delay though in getting that coal -- getting that unit -- both of those units back to 100 percent coal, there could be a PJM capacity performance penalty in that instance, correct?

A. Under the limited circumstance where it was one of the hours that PJM called a capacity performance hour but I don't know that it would actually take any time to go to 100 percent coal. That's not a piece of information I'm certain of.

Q. Okay. But in the instance that it does take more than -- if that hour is missed, there could be a charge.

A. Regardless of the reason if that hour is missed, there could be a penalty.

Q. Okay. If you could turn to page 20, which is the very next page, and take your time if you need to take notes.

A. I'm there.

Q. All right. Just a quick question for you on part C. It states that "Conesville unit 6 will retire, refuel, or repower." What do you mean by -- I just want to know what does retire mean, refuel, and repower mean.

A. Sure. Retire is the -- is ending the

operation at that site as an electric generating facility. Refueling is using the existing boiler and generators and using gas as the energy input as opposed to coal. Repowering is a larger investment and it's actually changing out the boiler and possibly adding additional CTs at the site, so it's a much larger project, but it still would result in changing the fuel source from coal to gas.

Q. Okay. So it could expand capacity at the site.

A. Or maintain capacity, yes.

Q. Or maintain, thank you. I have one question, you're familiar with the global settlement with IEU?

A. I am generally familiar with it.

Q. Okay. Have you reviewed that settlement document?

A. I have.

Q. Okay.

MR. SETTINERI: Let's go ahead and mark as Exhibit 3 a document titled "Global Settlement Agreement."

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Are you familiar with the document that's

been marked as Exhibit 3, Mr. Allen?
A. Yes, I am.
Q. Okay. And can you identify that document for me, please?
A. It's a document titled "Global Settlement Agreement," and it's a response to OCC Interrogatory S1 Interrogatory 002 and that's Attachment 1 to that response.
Q. And you are aware this was produced through discovery by the Ohio Power Company to the parties in this proceeding?
A. It was.
Q. If you could turn to page 2.
A. I'm there.
Q. You note there in the paragraph "Settlement Payments," it starts "Within 10 days of IEU filing the last motion to dismiss its appeal or motion to withdraw required by Paragraph 1 above, AEP Ohio will pay, as a one-time nonrevocable payment, $8 million to IEU for the benefit of its members." Do you see that sentence?
A. I see that.
Q. Has that payment been made yet to your knowledge?

A. I don't know.

Q. Okay. And do you know -- AEP Ohio will be cutting the check, correct?

A. I don't know.

Q. Let me ask, what I am trying to understand just is where the money is coming from to fund that payment. Is it coming from the Ohio Power Company?

A. As it states in the document, AEP Ohio will pay.

Q. Okay.

A. So it will come from AEP Ohio.

Q. Okay. Are you aware of any discussions between AEPGR, AEP Generation Resources, and the Ohio Power Company regarding the payment of this $8 million?

A. No, I am not.

Q. Are you aware whether AEPGR will be making any transfers of money to Ohio Power Company to either pay in full or part this $8 million?

A. I am not aware.

Q. Okay. Do you view that $8 million payment as a material term in the global settlement agreement?

A. I don't know what your definition of material is, but it is a term of the settlement.

Q. Let me ask just a more --

A. Or the global settlement agreement.

Q. Let me ask it more basically, do you view it as an important term in the settlement agreement?

A. It is a term of the settlement agreement. I don't know that it has any greater value than any other term in the settlement agreement.

Q. Do you -- were you involved in the negotiations with IEU in reaching this settlement?

A. Only on a peripheral basis.

Q. Do you believe that this agreement would have been executed if the $8 million payment was not present in the agreement?

MR. SATTERWHITE: I'll object just to the extent it's asking for you to delve into at all the opinions of the parties when they were negotiating something.

A. I don't know.

Q. Okay. Do you have any understandings of what's meant by the phrase "for the benefit of its members" in the first paragraph and first sentence at paragraph 6 "Settlement Payments"?

A. The document speaks for itself. So generally my understanding would be that that means that that $8 million will provide a benefit to the members of IEU.

Q. Is it -- is it your understanding, to the extent you know, that the $8 million would flow through IEU back to its members?

A. I don't know.

Q. Do you know if that's even allowed -- well, strike that question.

MR. SETTINERI: We will just establish for the record now he is not a lawyer, right?

Q. Is that correct, Mr. Allen?

A. I am not a lawyer, that's correct.

MR. SATTERWHITE: Might not stop me from objecting later.

MR. MICHAEL: Would you like to be one?

MR. SATTERWHITE: I don't think you would like him to be one.

Q. Would you agree with me the $8 million settlement payment in part was paid to obtain IEU's nonopposition to the PPA proposal in this proceeding?

MR. SATTERWHITE: Again, same objection earlier, to the extent it requires you to disclose discussions that's confidential.

A. And as I indicated before, the document speaks for itself, but I will note in paragraph 6 it says in the first sentence that upon IEU making the last motion to dismiss its appeal or motion to withdraw required in paragraph 1 above, that that payment of $8 million will be made, and paragraph 1 does not include any reference to nonopposition by IEU Ohio's PPA proposal.

Q. As a condition of the settlement agreement, am I correct IEU would withdraw its opposition to the PPA proposal?

MR. SATTERWHITE: Objection. I don't think that's what it states. It misrepresents.

A. Paragraph 3B states that "IEU will file a letter in the PPA Cases stating IEU does not oppose the PPA Stipulation."

Q. And that similar language is also in paragraph 3A, correct?

A. No.

Q. Well, just to be clear for the record, paragraph 3A at page 1 notes that "IEU agrees not to oppose the Joint Stipulation and Recommendation to be filed by AEP Ohio"; is that correct?

A. That's correct.
Q. Okay. And going back to paragraph 6, the second sentence states "The Parties agree that this payment relates primarily to the cases addressed in Paragraph 1 above." Do you see that sentence?
A. I see that.
Q. Do you see the word "primarily"?
A. I do.
Q. What does primarily mean to you?
A. It would mean the general dictionary definition of primarily which means mostly.
Q. Okay. So this payment could relate to other matters as well besides the cases addressed in paragraph 1, correct?
A. It could.
Q. Okay. In fact, it actually does given the word "primarily," correct?
A. I can't read into it any more than what the document states.
Q. Okay. What I would like to do next, Mr. Allen, is just walk through parts of the stipulation that involve various payments. And just to make it more efficient for all of us here so if you could turn back to what's been marked as Exhibit

2.

A. Okay.

Q. And let's just start at page 13.

MR. SATTERWHITE: Can we go off the record for just one second?

MR. SETTINERI: Yes.

(Discussion off the record.)

MR. SETTINERI: We can go back on the record.

Q. All right. At page 13 of the stipulation and that looks like it's section D1, it references a shareholder-funded donation of $500,000. Do you see that reference?

A. I see that reference.

Q. Okay. In regards to that payment, will AEP Ohio be the party making that payment?

A. That's what's stated in the document, yes.

Q. And AEP Ohio does not know who will be the recipient of that payment, correct?

A. That's my understanding, correct.

Q. Are you aware of any discussions as to who the recipient would be as to that payment?

A. I do not know who the recipient will be.

Q. Okay. But have there been any discussions as to -- let me strike that.

Let me just ask the question again. Are you aware of any discussions as to who the recipient of that payment would be?

A. I am not aware of any of those discussions, and I have not participated in any of those.

Q. Okay. Would AEP Ohio seek any recovery from the ratepayers for that payment?

A. No.

Q. All right. How does that payment relate to the PPA rider?

A. It's just an element of the overall stipulation.

Q. Okay. It's not being recovered through the PPA rider?

A. That's correct.

Q. It's not part of the PPA rider mechanism?

A. That's correct.

Q. Okay. Did any signatory party other than the companies -- well, strike that question.

Let's go to page -- bottom of 13 and 14.

A. I'm there.

Q. Do you see a payment there -- let me back up.

You are familiar with Ohio Hospital Association, correct?

A. Yes, I am.

Q. Okay. And the OHA, as I will call it, the Ohio Hospital Association, was a signatory party to this stipulation; is that correct?

A. That's correct.

Q. And the payment that's listed in paragraph 2a states "provide $400,000 in EE-PDR funding." Do you see that reference?

A. Your statement of payment I may not agree with, but it does state that AEP Ohio will provide $400,000 in EE-PDR funding per year.

Q. Okay. And why don't -- why do you disagree that's a payment?

A. It may not be a direct payment to any hospital. It's funding for EE-PDR.

Q. Okay. And in regards to that funding, how would that funding work? For example, is it a one-time payment, or is it as projects are requested and the funding is released for each project? If you could explain that, that would help.

A. As provided in the remainder of that paragraph, it would be funding for several different programs.

Q. Is that the end of your answer?

A. Yes.

Q. Okay. So if I'm I guess -- let me ask this, would this be a one-time payment -- would this be a one-time funding to OHA?

A. I don't believe so.

Q. Okay. So, for example, OHA wanted to have a conference for its members to discuss energy efficiency, would it make a request to Ohio Power seeking either -- seeking an advanced payment to hold this conference?

A. I don't know that a conference would necessarily qualify under this provision.

Q. Okay. Again, what I am trying to understand though is how the funding will occur, when and how. And if you don't know, that's okay, but I am just trying to understand is this going to be a check that's written to OHA? Will -- let's start there. Will that $400,000 be paid to OHA?

A. I don't know.

Q. Okay. All right. Is it fair to say that the mechanics of this funding for the $400,000 has not been developed yet?

A. I'm not aware of the specific mechanics, but it would work under the same mechanics that our EE programs currently work under.

Q. Okay. So that would be $400,000 earmarked towards OHA projects, correct?

A. Yes, towards programs of OHA members.

Q. Okay. Thank you. Would that $400,000 be recovered from Ohio Power's ratepayers?

A. It would be included in the company's EE-PDR rider.

Q. And how does that funding relate to the PPA rider?

A. It's not directly related to the PPA rider. It's related to the overall settlement and the advancement of different initiatives to create more stable rates for customers.

Q. And how is it related to the initiative to create more stable rates for customers?

A. As customers invest in energy efficiency initiatives, their usage is reduced or stabilized which produces more stable costs for customers for energy usage.

Q. Well, so if I lower my personal usage as a hospital, how does that translate to stable rates for another customer?

A. It relates to stable rates for the hospital, but also as we do things to reduce demand within the AEP Ohio service territory, it reduces the PJM peak which has the effect of overall lowering the cost of energy for all customers because you are using the most efficient resources, moving lower in the stack.

Q. That's an interesting way to look at it. And then I was thinking you were going to say it would reduce the peak which could reduce transmission charges and capacity charges; is that true?

A. Reducing peaks at the right times can also reduce demand charges for capacity and transmission.

Q. Do you think $400,000 of funding to OHA would result in any kind of movement in Ohio Power's ratepayers' energy prices?

A. I haven't done an analysis to quantify that.

Q. Any opinion on that?

A. It would have the directional impact of lowering energy prices for customers overall.

Q. All right. Going to the next page, page 14, you'll see a part c. Again, we are in Exhibit 2. A statement that AEP Ohio -- am I correct under part c that AEP Ohio will "provide up to $600,000 per year through the term of the affiliate PPA, in additional incentives from EE-PDR funding" and that that funding would inure to the benefit of OHA?

A. It states that the company would provide up to $600,000 per year of funding for EE-PDR projects for OHA members.

Q. Okay. And would that $600,000 be allocated specifically to OHA member projects?

A. That's what's stated in the document.

Q. But I am just asking that's what's going to happen, correct?

A. It's up to 600,000, yes.

Q. Okay. All right. Would OHA through the company's portfolio plans be limited to only $600,000 in funding?

A. No.

Q. And I am correct that OHA could avail -- strike that, that members of OHA could avail themselves of the company's portfolio plan to seek incentives for energy efficiency and demand reduction, correct?

A. They could.

Q. And that exists today, correct?

A. Yes.

Q. When I say that, that opportunity for OHA members exists today, correct?

A. That's correct.

Q. Thank you. Recovery of that $600,000, would that also be through the EE-PDR rider?

A. That $600,000 would be recovered through the EE-PDR rider, subject to Commission approval.

Q. And when you say "subject to Commission approval," why do you say that?

A. On page 15, the paragraph after Subsection f states that OHA's partnership and rights to administer the programs and receive funding, the $600,000 of funding we just discussed, under this clause will be contingent upon continued approval and existence of an AEP Ohio EE-PDR plan.

Q. And that reference to plan is what I refer to as a portfolio plan; is that a fair name for it?

A. That's a good description.

Q. Okay. And previously when I used the phrase "portfolio plan," that would refer to AEP Ohio's EE-PDR plan in your view, correct?
A. Yes. We can agree to that definition.
Q. Thanks. How does the $600,000 funding relate to the PPA rider?
A. Similar to the prior discussion that we had, it's an energy efficiency initiative that goes to the same objective of the PPA rider of producing more stable rates for customers.
Q. Okay. Is it -- are any of the funds of that $600,000 going to be recovered through the PPA rider?
A. No.
Q. Okay. So in your opinion the $600,000 I will say in part is intended to achieve a similar goal to what the PPA rider is intended to achieve, correct?
A. Can you restate that question, please?
Q. Yeah. Sure, I can. You stated the $600,000 payment -- let me strike that.
What's the goal of the $600,000 funding payment?
A. It's an element of the stipulation.

There's not a -- the goal of the $600,000 is to provide the funding that's described in paragraph c. The effect of that 600,000 is to ultimately produce more stable rates for customers.

Q. And creating more stable rates for customers is also a goal of the PPA rider, correct?

A. It's a goal and a result of the PPA rider, yes.

Q. Okay. And that -- because both the funding and the PPA rider share a similar goal, that's how you believe they are related, correct?

A. That's one way they are related, yes.

Q. What are the other ways they are related?

A. That's one that comes to mind as we sit here today.

Q. Any other reasons today?

A. None that come to mind.

Q. Thanks. Would that answer equally apply to the $400,000 funding we discussed previously to OHA to promote EE-PDR projects?

A. Yes.

Q. Okay. Page 15 at the top, part e, there's a sentence that states "AEP Ohio will commit to update all Alternative Feed Service rates for OHA members to a uniform $2.50 per kilowatt month." Do you see that?

A. I see that.

Q. What is the alternative feed service rate?

A. I don't recall -- the current rates; is that the question?

Q. Let me back up. What is the alternative feed service?

A. Alternative feed service is basically a second feed that a customer has to serve their premises, and for customers like hospitals it produces enhanced reliability which is a significant benefit to those entities.

Q. Okay. And that would be at the distribution level, correct?

A. That's correct.

Q. Okay. Today how is that service offered to OHA's members today by Ohio Power?

A. They contract for that service today.

Q. Okay. Is that through tariff?

A. My understanding it's through contract, not through tariff.

Q. Okay. So if I am building a new hospital and I want to have dual feeds to it, as part of my -- to run service to my new site is typically I would pay let's say a grant of the native construction, correct, for that service to come into the facility?

A. Potentially. It's project specific.

Q. All right. But as part of that contracting with Ohio Power to bring those lines into the facility, if I wanted the alternative feed service, I would -- that would be in my contract to bring in the wires, correct?

A. I don't know if it would be in that contract.

Q. It would be a separate contract, you believe?

A. The ones I have seen are related to existing hospitals, and it's a contract that goes with that. I haven't looked at one for a new hospital.

Q. You answered my question. Thanks. All right. And so today that's on a -- that's on a per hospital basis, that charge for the alternative feed service?

A. No. It's a uniform charge depending upon the service territory that the hospital operates in, and it goes back to when AEP Ohio was two separate companies. So customers that were prior customers of Columbus Southern Power paid one rate, and customers that were previously customers of Ohio Power Company paid a different rate.

Q. Okay. And what are those rates today? Do you know?

A. The rate for one of the service territories is $2.54 per kW month, and the other rate is around $3 per kW month.

Q. Okay. And just so I understand, again where I am getting lost, I am familiar if you have a new site, you bring in the wires, and I have to pay Ohio Power to bring those wires in generally. What I'm hearing with the alternative feed service rate it's a monthly charge to all the OHA members; is that correct?

A. It's a monthly charge to certain OHA members that elect to have alternative feed service. They are reserving capacity on a second circuit. It may have already existed, but we have to reserve service for them.

Q. Okay. So if there are only two hospitals that have alternative feed service, would both hospitals -- I assume they are in the same service territory, Ohio Power service territory, and having that rate. Would both simply pay a monthly charge based on their -- is it the -- their peak kilowatt month?

A. It would be based upon their reserve capacity is my understanding.

Q. What's reserve capacity?

A. The amount of capacity -- the amount of demand that they have us reserving for them on that line and on that substation and circuit.

Q. Okay. And so if hospital 1 had 10 megawatts reserved, let's say -- make it easy, kilowatts, the other had 100 kilowatts, would each hospital pay the -- you take that charge in the same story and apply it to the reserve capacity?

A. Yes, that's my understanding.

Q. Okay. All right. And so if -- okay. All right. So under this provision of the stipulation then it's going to be a uniform rate for OHA members across both the Columbus service -- Columbus Southern -- Columbus Southern Power territory and Ohio Power rate territory, right?

A. The rate zones, yes.

Q. Okay. And so the rate will drop from $2.54 and $3 down to $2.50 uniform, correct?

A. That's correct.

Q. Okay. All right. Does Ohio Power recover -- let me strike that.

Has AEP Ohio or any affiliate conducted any analysis of what the reduction in revenues to AEP Ohio will be because of this decrease in charge?

A. We have.

Q. Okay. Are you -- are you aware of approximately what that rate decrease would be on an annual basis?

A. I don't recall the exact value. It's in the -- in the range, just order of magnitude $100,000 a year.

Q. Who conducted that analysis?

A. It was performed at my request by AEP Ohio's director of regulatory pricing.

Q. And who would that be?

A. Andrea Moore.

Q. And in regards -- assuming, and I know you said it was approximate, $100,000 a year differential in lost revenues to Ohio Power, would you expect Ohio Power to recover that lost revenue from any other -- from the ratepayers?

A. The company would not be seeking in this proceeding recovery of that lost revenue.

Q. Thank you. How does the alternative feed service rate decrease relate to the PPA rider?

A. It's part of the overall settlement package.

Q. All right. Any other way it would relate to the PPA rider?

A. Not that I can think of as we sit here.

Q. Okay. If we could go -- let's see, same page, let's look at part 3 on that page which would be the OPAE payments.

A. Okay. I'm there.

Q. Thank you. All right. Under paragraph 3 it states "OPAE will receive $200,000 in 2016 to provide direct assistance with the approved Community Assistance Program." The first question I have is that a one-time payment only?

A. As stated in this document, it's a payment in 2016 of the currently approved funding levels.

Q. Okay. So that -- under this stipulation, that's a one-time payment, correct?

A. It's a one-time funding level.
Q. I am not trying to be tricky here. I just want to know whether there be another payment in '17, '18, '19, '20, '21, '22, '23, '24 regarding -- relating specifically to this.
MR. SATTERWHITE: I am going to object. Funding and payment are the words tripping you two up.
Q. Okay. No problem.
A. It's funding for 2016 only in that section of the document.
Q. Thank you. And that funding would come from Ohio Power, correct?
A. It would come from Ohio Power's EE-PDR program.
Q. Okay. And would that funding be recovered through the EE-PDR rider?
A. Those -- the costs of that program would be included in the EE-PDR rider.
Q. All right. And how does that funding relate to the PPA rider?
A. It produces the same stabilizing prices for customers as we discussed earlier.
Q. Do you think it provides a stabilizing

effect equal to that of the PPA rider?
A. It's a different level.
Q. That would be significantly lower, wouldn't it?
A. It has a different stabilizing effect. It would be -- you know, the order of magnitude may be smaller.
Q. Well, when you say "smaller," what do you mean by that?
A. It depends on how effective any of these programs are.
Q. Let me ask you is this -- is it your opinion that $250,000 funding in OPAE is going to have the effect of stabilizing rates?
A. It will have the effect of stabilizing rates, that's my expectation.
Q. Okay. And so like the funding for OHA, the 400,000, $600,000, in your opinion that this funding shares a similar goal to the PPA rider, correct?
A. It does, that's correct.
Q. All right. Any other reasons as to how this funding would relate to the PPA rider?
A. That's the reason that I would -- that

comes to mind today.

Q. Okay. Why didn't the companies include this funding in their initial application in this proceeding?

MR. SATTERWHITE: I'll object to the extent it requires you to divulge any discussions with counsel for planning for the filing.

A. When the companies made their initial filing, it was focused on extending the PPA rider that was proposed in the company's previous ESP.

Q. Okay. Turning the page to page 16, there is another -- there's a note there at the top of 16 in the stipulation that mentions a -- that "OPAE will manage and administer the CAP program within AEP Ohio's EE-PDR Plan." The question on that is who is managing and manufacturing the CAP program today with AEP Ohio's EE-PDR program?

A. I do not know.

Q. Would that be AEP Ohio?

A. I don't know.

Q. Okay. The next line states "The program will have an annual budget up to $8 million." What does that mean?

A. That the budget will be a level up to $8

million. It will not be more than $8 million.
Q. All right. So would that be -- would that $8 million be funding allocating within AEP Ohio's portfolio plan?
A. It would be funded included -- the funding would be included in AEP Ohio's portfolio plan as you see in the next paragraph. That says that "OPAE's partnership and rights to administer the program and receive funding under this clause will be contingent upon continued approval and existence of an AEP Ohio EE-PDR Plan, approved cost recovery and any other necessary mechanism to ensure the continued recovery of net lost distribution revenues."
Q. Okay. So, again, this $8 million is funding that's within -- held within the portfolio plan, correct?
A. It would be funding that would be an element of the portfolio plan.
Q. That $8 million would be allocated solely to the CAP program, correct?
A. Subject to that $8 million being approved when the company filed its portfolio plan.
Q. Okay. And as part of that, there is a note here, the third sentence of the paragraph I was

looking at previously which is the first full paragraph of that page, 16, it states that "OPAE will receive a five percent management fee." You would agree me that correlates to $400,000, correct?

A. 5 percent of $8 million would be $400,000 so that would be the maximum management fee that OPAE could receive under this provision to help manage that program.

Q. Okay. So the program will have an annual budget, and then OPAE would receive a 5 percent management fee. Would that 5 percent management fee apply every year that the program has an annual budget of $8 million?

A. It would apply every year that the program is in place if the budget is 8 million or less.

Q. So as long as the EE-PDR portfolio plan is approved going forward, OPAE would have available to it $8 million in funding, correct?

A. For the CAP program.

Q. Okay. Would the Commission have to expressly approve the $8 million of funding to the CAP program under the portfolio plan?

A. It would be my expectation that when the

Commission approves that portfolio plan, that they would be approving the elements within that plan.

Q. Does the portfolio plan when you file for that approval, does that include a certain level of funding?

A. It has a description of the different programs that the company will be doing, and it's my recollection it includes funding levels for each of those programs.

Q. Okay. All right. So the application -- what is the current time frame of the company's -- when does the company's current portfolio plan expire to the extent you are aware?

A. My recollection is that it's the end of 2016, and then we would have a program for '17, '18, and '19, that's my recollection, but I'm not positive.

Q. Has the program for '17 through '19 been submitted to the Commission for approval?

A. I don't know.

Q. Okay. I am just trying to understand so the $8 million -- if this stipulation is approved, there will be an $8 million allocation under the portfolio plan to OPAE for the CAP program, correct?

A. That would be my expectation.

Q. And then how long --

A. Up to $8 million.

Q. And then is that $8 million per year?

A. It is. It is an annual budget.

Q. Okay. And assuming the stipulation is approved, how many years -- I guess let me see, if the stipulation is approved, would this budget be available to OPAE in 2016?

A. Are you talking about the CAP program of a budget of $8 million?

Q. I'm sorry to interrupt. Yes, the $8 million CAP program annual budget, would that be available to OPAE in 2016 if this budget is approved?

A. No. Based on the statement, that it's for 2017 only.

Q. Thank you for correcting me. For '17 would be available, correct?

A. Yes.

Q. And then what about 2018?

A. The document does not make a commitment regarding 2018 funding.

Q. And so we are beating a dead horse here I think, but I am just trying to understand, is this a one-year -- one-year budget only for OPAE?

A. As described in the document, that's correct.

Q. In 2018 if OPAE wants to continue that annual budget of up to $8 million, what has to occur in your opinion?

A. I can't describe all of the elements that would have to occur. We would have to see what was occurring at that time, but it would be based upon -- one of the elements would be the performance of OPAE in administering that program.

Q. Okay. Is there anything to preclude OPAE today from seeking $8 million under the portfolio program for its programs?

A. For the period after the end of the current plan, I don't know that there is anything that would limit OPAE from seeking to perform the role as the administrator of this program.

Q. Okay. Is OPAE -- does the OPAE receive a management fee today for that program from AEP Ohio?

A. OPAE is not currently managing that program --

Q. Okay.

A. -- for AEP Ohio, but it has in the past.

Q. All right. Did it receive payments in the past when it managed the program?

A. It's my understanding there was a management fee in the past just like we pay management fees to any entity that manages programs for us. There are costs that they incur to manage those programs.

Q. And do you recall approximately what that management fee was in the past?

A. I don't recall.

Q. Okay. And I may have asked, but the recovery of that $8 million will be -- to the extent it is paid out to OPAE would be covered through the EE-PDR rider, correct?

A. To the extent that the $8 million is used to fund the CAP program that OPAE is managing, that would be recovered through the EE-PDR rider.

Q. All right. And I am still confused here because I am trying to figure out it says for '17, 2017, OPAE is going to manage and administer the CAP program, and then it says the program will have an annual budget. When I see "annual budget," that implies to me that's going to continue more than one year and --

A. That's not the way I would define annual budget. What it means is that that program will last for one year and have a budget of $8 million. The program could continue in future plan years. OPAE could manage it. Somebody else could manage it. But what that indicates is that $8 million will be for one year and not for multiple years or a period less than one year.

Q. Okay. And it could continue in the future years -- how can it continue in future years?

A. It would continue in future years subject to the Commission's approval of the company's EE-PDR plan.

Q. And the 5 percent management fee, does that only apply to year 2017?

A. As defined in this document, yes.

Q. All right. Are you aware of whether OPAE will receive a 5 percent management fee in 2018 if the CAP program is continued and there is a budget allocated to it under a portfolio plan?

A. This document makes no commitments in that regard.

Q. All right. So this document only commits that OPAE will receive a 5 percent management fee in

2017 only, correct?
A. That's what's documented in this stipulation, yes.
Q. And if OPAE was to receive a 5 percent management fee in future years regardless of the budget amount, who would have to approve that fee to the extent you know?
A. I don't know who would have to approve that fee.
Q. Ohio Power would first, correct?
A. Ohio Power would be one of the entities that would have to agree to that.
Q. Would you expect that the Commission would have to approve that as well?
A. I don't know.
Q. Okay. Have there been any discussions with OPAE whereby Ohio Power has agreed to consider paying OPAE a 5 percent -- paying OPAE a 5 percent management fee after 2017 for these programs?
A. I don't know.
Q. Okay. How does that 8 million budget relate to the PPA rider?
And let me rephrase that question. How does the funding of the CAP program through the

EE-PDR rider budget of $8 million relate to the PPA rider?

THE WITNESS: Could I have the question reread?

(Record read.)

A. It has the same effect as the PPA rider of stabilizing customer rates.

Q. Similar to your answer about some of the other payments we discussed earlier, correct?

A. That's correct.

Q. Any other reasons -- any other reasons -- strike that.

Any other ways as to how that funding up to $8 million relates to the PPA rider?

A. That's the reason that comes to mind today.

Q. Okay. What about the 5 percent management fee, how does that relate to the PPA rider?

A. The 5 percent management fee is an element of the program that creates energy efficiency. You have to have somebody manage a program in order to implement a program and receive benefits, and those benefits create the stabilizing effect we just discussed.

Q. Okay. And that 5 percent management fee would be recovered as well through the EE-PDR; is that correct?

A. The 5 percent will be an element of the costs included in the EE-PDR rider.

Q. Okay. And do you know how was the 5 percent management fee arrived at? Do you know?

A. It was a negotiated rate.

Q. Okay. And are you aware of, for instance, how many man hours OPAE spends to manage these programs listed here?

A. As I indicated previously, OPAE is not currently managing these programs today.

Q. Okay. But I guess going back to my question though, let me ask was there any analysis or consideration given as to the man hours that would be required to manage these programs by Ohio Power?

A. There was consideration by AEP Ohio of the costs of managing this program.

Q. Okay. And what was that consideration?

A. I think that would get into confidential settlement discussions.

Q. I am not asking about discussions. I am just asking what did AEP consider in regards to itself? I am not asking about what it spoke with other people but what did it consider with regards to the cost, to the hours and costs to manage these programs?

MR. SATTERWHITE: To the extent that involved you talking to counsel or anyone at AEP Ohio talking with counsel and how it related to the settlement discussions here, I will instruct you not to answer.

Q. Based on that, are you going to answer?

A. Maybe I can do it generally and not get into the specifics of what would have been discussed. Generally what you would look at is to run programs of this level, $8 million being a rather significant amount of money, that there would need to be, you know, call them energy managers or advisers that would need to be hired by OPAE to administer this program and so there is a cost associated with those individuals and so that would be something that would be considered when you are looking at what a reasonable management fee is.

Q. Do you know -- how many employees does OPAE have? Do you know?

A. I do not know.
Q. Okay. All right. Let's see here -- and we can take a break whenever you want. I think I am almost done with this line of questioning if we want to finish it and take a break. It's up to you more so and the court reporter.
A. Yeah. That would be fine.
Q. Let's go to -- okay, page 16, paragraph 4, just below where we just were in the stipulation, and notice upon approval of Stipulation that 50 percent of the EE-PDR rider costs for transmission and subtransmission voltage customers will be transferred to the EDR rider through May 31, 2024. Do you see that?
A. I see that.
Q. Okay. And am I correct today that the IRP credits are recovered 100 percent through the EE-PDR rider today?
A. I think you misstated your question. You may want to go back if you are looking at No. 4.
Q. Let me -- yeah, thank you. I'll just strike that question. I don't need it.
Let me ask this question, in regards to 4, how does that transfer -- back up. First of all,

the end result here is that 50 percent of the EE-PDR rider costs for certain classes of customers will now be recovered through the EDR rider if the stipulation is approved?

A. That's correct.

Q. Okay. And today that those costs are all for that -- those classes of customers are collected through the EE-PDR rider, correct?

A. That's correct.

Q. Okay. Now, how does that transfer relate to the PPA rider?

A. It has the same effect of producing more stable rates for customers.

Q. And how -- so the programs under the EE-PDR rider remain the same, correct?

A. Not necessarily.

Q. Why would they be different?

A. If customers opt out of the EE-PDR program, out of that, then some of the programs that were proposed in the EE-PDR plan wouldn't be undertaken any more or the funding levels would change.

Q. Well, those programs will still be available, correct, under the portfolio plan?

A. Not necessarily.
Q. Wouldn't it just be there may be less customers availing themselves of those programs if there is an opt out by a customer?
A. When we look at a period through May of 2024, that's not necessarily true.
Q. Why not?
A. Depending on the level of customers participating, when I look at the most cost effective programs, if there are fewer customers participating, some of the less beneficial programs may be eliminated as we are focusing on the most beneficial programs.
Q. So as the portfolio plan evolves in the future, less participation could limit the number of programs available; is that a fair statement?
A. It could.
Q. And if a customer opts out of the portfolio plan, that customer could implement its own energy efficiency programs, correct?
A. They could, yes.
Q. And those energy efficiency programs could also lower demand, peak demand, and energy consumption, correct?

A. They could.
Q. And that could lead to a downward direction in rates, correct?
A. That's one possibility.
Q. Would -- is -- in regards to the relation to the PPA rider, let me just ask the question, how does the transfer of 50 percent of the IRP credit to the EDR rider relate to the PPA rider?
A. One of the elements of the PPA and PPA rider are economic development benefits for the state of Ohio. And the IRP credits produced both an energy efficiency and an economic development benefit, so these credits relate to those two elements that are part of the PPA rider and PPA.
Q. Just circling back, let me ask this, any other ways this transfer relates to the PPA rider?
A. And they also produce the rate stabilizing -- they produce rate stabilizing effects for customers.
Q. All right. Any other reasons?
A. Those are the ones that come to mind.
Q. Okay. Thank you. You mentioned that the PPA rider promotes economic development. How does the PPA rider promote economic development?

A. The PPA rider in conjunction with the affiliated PPA produces economic development by providing a more stable revenue stream to support continued operation of generating assets in Ohio.

Q. And you said -- I may have missed the last part, provides a more --

MR. SETTINERI: Just if you could read his last answer, I would appreciate it. That would help.

(Record read.)

Q. Okay. Now, and so that relates to the actual units, correct, that are subject to the PPA? When I say --

A. That's the description I was making, yes.

Q. Okay. What about in regards to just general economic development within the state of Ohio?

A. Can you give me a complete question? I'm sorry.

Q. Sure. You mentioned before that you believe the PPA rider, paraphrase, but promotes economic development --

A. Yes.

Q. -- right? And your answer to me it

provides a stable stream of revenues to the units. I am paraphrasing. But what I am wondering is economic development to me would mean other businesses in Ohio. So my question for you is how does the PPA rider relate to economic development in the State of Ohio?

A. And I described that in my direct testimony in this case that some of the energy related -- energy and capacity associated with the PPA could be used to directly price -- more certain pricing for new industrial customers coming into the state of Ohio as a pricing mechanism so that's one of the economic development benefits that could be had and that would be in conjunction with the PPA rider.

Q. Okay. Any other economic development benefits from the PPA rider besides the one you just mentioned?

A. The price stabilizing effect of the PPA rider would support economic development by providing customers that are looking to expand in the state, come to the state, stay in the state. It would allow them to have more stable pricing as they look to make those investments.

Q. And when customers come in looking for stable pricing, over what time frame do you think a customer looks at -- looks for stable pricing?

A. It varies from customer to customer, but based upon experience that I have had dealing with some of our customers, 3 to 5 to 10 years are typical time horizons that they are looking to understand what rates they will be paying when they are making large investments.

MR. SETTINERI: Okay. Thank you. We can keep going, or do you want to take a 10-minute break?

MR. SATTERWHITE: I could use a break.

(Recess taken.)

MR. SETTINERI: We can go back on the record.

Q. All right. Mr. Allen, one question I have for you under AEP Ohio's current portfolio plan, is there a limit on the amount of benefits that a customer can receive under that plan?

A. I don't know.

Q. And if I wanted to determine that answer, would the portfolio plan be the best document to review?

A. It may be in that document. I don't know.

Q. You don't know. Any other -- any thoughts on where such -- if such a requirement exists, where that might be written?

A. I don't know where else that might be written.

Q. Okay. Thank you. Let's just -- I am going to walk through some provisions in the stipulation next, and I think the best way is just to start at the front of it so let's just start at page 3 of the stipulation at the very bottom. The last recital in part at the bottom of the page notes that the signatory parties agree, and I am going to paraphrase here, that the Commission possesses well-established authority to determine the retail rate treatment of the revised affiliate PPA, including but not limited to, one, the authority to determine whether the revised affiliate PPA, as proposed, is a prudent wholesale purchase that benefits retail customers. Do you see that phrasing?

A. I see that.

Q. Okay. To the extent that you are aware, what authority does the Commission have to determine the retail rate treatment of the revised affiliate PPA?

MR. SATTERWHITE: I'll just object, as you probably expected, as from a legal basis, he can't testify to that.

Q. Right. And knowing that you are not a lawyer but in your experience as a regulatory manager, I won't say your title properly, apologize for that, given your experience, what Commission -- what authority would the -- does the Commission possess to determine the retail treatment of the revised affiliate PPA?

A. The Commission, as do many commissions, has the authority to determine retail rate treatment of wholesale contracts like PPAs which the Commission has exercised in the past related to the Lawrenceburg PPA that historically served AEP Ohio's customers.

Q. Okay. And what do you -- the phrase at the bottom of page 3, "prudent wholesale purchase," what does that phrase mean to you?

A. As a -- from a regulatory perspective, not as a legal matter, my definition of a -- of that prudence review is the Commission has -- is making a determination that the decision by AEP Ohio to enter into a contract with AEPGR under the PPA is a reasonable decision based upon the benefits that we

expect to provide to retail customers by signing that contract.
Q. Okay. And, again, knowing that you are not a lawyer but that you have regulatory experience, what authority do you believe the Commission has to make such a determination?
A. I can't cite to a specific provision of the law, but the Commission has -- in my experience has wide latitude to review the prudence of decisions made by the utility in entering into different contracts.
Q. Okay. Do you believe the Commission has the authority to review -- let me strike that.
You would agree with me that Ohio Power has not bid out this PPA, correct?
A. That's correct.
Q. Okay. Would you agree with me that -- well, strike that.
Let me ask you this way, do you believe that the Commission has authority to review Ohio -- the prudency of Ohio Power not bidding out this PPA?
MR. SATTERWHITE: Same objection. Go ahead.
A. My general understanding is that the

Commission, and as most commissions do, they -- when they are making a prudence determination, they are looking at the actions of the utility and deciding if it's a reasonable outcome, not whether it's necessarily the best alternative if there are other alternatives out there but the prudence of the actual decision that the utility entered into.

Q. Okay. So in this instance you don't believe the Commission as part of its prudence review should look at whether Ohio Power had any other options besides entering into a PPA with AEPGR, correct?

A. I don't know that they would need to look at that.

Q. I am going to change your answer a little bit there, but you said you don't believe they need to look at it. I think my question more so, let me phrase it, should they consider what other options were available to Ohio Power as an alternative to entering into a PPA with AEPGR?

MR. SATTERWHITE: I think you are getting into now what should happen in the law versus his opinion of what might happen.

Q. To the extent based on your regulatory

experience knowing you are not an attorney.
THE WITNESS: Can you reread the question, please.
(Record read.)
A. Yeah. I don't think I can speak for what the Commission should do. That's their venue.
Q. Okay. Thanks. Turning the page to page 4, last sentence of Romanette III, it starts "The Signatory Parties agree that, for purposes of settlement, the Commission should approve the Amended Application," and I am not reading the rest of the sentence but do you see that sentence?
A. The last sentence under Romanette 3? Yes, I see that.
Q. Now, I just want to confirm that at this point, stage of the proceeding, that Ohio Power or AEP Ohio is seeking approval of its amended application as modified by the stipulation, correct?
A. That's correct.
Q. Turning to page 5, top of the page, and paragraph 2, fourth line from the bottom of the paragraph there is a phrase that states "AEP Ohio will continue reasonable efforts to explore divestiture of the OVEC asset." Do you see that?

A. I see that.

Q. Okay. Now I am going to hone in on the word "continue." What -- is Ohio Power currently continuing to divest the OVEC asset?

A. The company is not aware of any changes in circumstances that would allow for divestiture of the OVEC assets, any change in circumstances as compared to the circumstances that existed when the company, being AEP Ohio, initially tried to divest the OVEC asset.

Q. Okay. So, in other words, since that initial attempt to divest the asset, no other efforts have been made; is that correct?

A. I don't know if any other efforts have been made. But there are no changes in the circumstances, as I understand them, that would change the ultimate outcome as compared to when the companies last sought to divest the asset.

MR. SETTINERI: Okay. Let's go ahead and mark an exhibit here, Exhibit 4.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. And this document that I have marked, Mr. Allen, is a letter dated June 30, 2015. It's a three-page document. Last page is a filing sheet from the PUCO in Case No. 12-1126-EL-UNC. I will give you a second to look at this document.

A. Yes, I have seen this document.

Q. Okay. That was going to be my question. And if you could turn to the very last -- or just before the phrase "Thank you for your attention in this matter," do you see the "Accordingly, while AEP Ohio has not foregone any opportunities to divest the OVEC asset, the Company is not actively pursuing such options while rehearing on this issue remains open"?

A. I see that.

Q. So fair to say since January 30 of 2015, to your knowledge the companies have not pursued divesting the OVEC asset?

A. Since June 30 of 2015?

Q. That's correct.

A. I am not aware of any activity to divest the OVEC asset.

Q. Okay. Page 5 of the stipulation, please.

A. I'm there.

Q. All right. Under the section -- or Part 3, the heading "Additional PPA Rider Credit Commitment of AEP Ohio," just so I understand this, that in the stipulation AEP Ohio is making a commitment in certain years to provide additional credits that would be netted in rider PPA upon the happening of certain circumstances, correct?

A. That's generally what's described, yes.

Q. Okay. So, for instance, in -- let me ask you a question, why is that credit being done on a planning year versus a calendar year?

A. The agreement calls for the credits to be in the last four years of the agreement. The agreement ends coincident with the planning year, so the last four years would line up with these planning years.

Q. Okay, okay. And so, for instance, the planning year 2020 to 2021, that would start what? Am I right that would be June 1, 2020, through May 31, 2021?

A. That's correct.

Q. Okay. And the -- Ohio Power would take -- look at the aggregate of the rider PPA charges over that plan year, correct, as a first step in determining whether this credit is going to be paid?

A. The company would look at the results over that 12-month period, that's correct.

Q. And because you are doing the quarterly, would the company be looking at the actual invoiced rider PPA charges or credits during that planning year?

A. Ultimately what the company would look at is the total of the invoiced costs under the PPA rider and the actual revenues received from sales of the energy and capacity and ancillaries into the market.

Q. And just so I understand the mechanism, so we are at -- it's June 1, 2020, right? We have got a clean slate.

A. Yes.

Q. Okay. And we go to May 31, 2021, Ohio Power is going to sit down, look at what it invoiced all its customers for rider PPA for that past period, correct?

A. That's one element that the company would look at.

Q. Okay. Now, what about for the bills that come in in June or the June billing -- the bills that go out in June for May for customers? How are you going to account for that?

A. Maybe it's going to be easier if I just describe the process of how this would work.

Q. That would be great.

A. When the company would set the rate covering the 12-month period of that planning year, if in setting that rate the company saw that the additional $10 million credit would apply, the company would build that $10 million credit into the rate charged to customers based on the forecasted data.

And then at the end of the year, at the end of the 12-month period, you have an over/underrecovery balance that exists. What you would look at is the actual revenues and charges under the PPA rider that occurred, and if the revenues were significantly greater than what you had previously anticipated, then in that over/under calculation, you would take out the $10 million credit because it wasn't necessary because the customers saw additional benefits so you would include it when you do the forecast. And then if circumstances changed after you saw the actual year, you would incorporate the actual necessity of including that credit in the calculation of the over/under.

Q. So, for example, just -- so, for example, the forecasts project it's going to be a charge, $5 million charge to customers, and I believe in that instance the companies would -- how much would the credit be that would go into the forecast?

A. In planning year 2020-2021, it would be a $10 million credit so customers instead of seeing a $5 million charge on a forecasted basis would see a $5 million credit.

Q. Okay. Now, so in that year though let's say there is another polar vortex that occurs and energy prices just go way up and at the end of the planning year Ohio Power says, wow, this rider RRS actual credit was 50 million. Sorry. Thanks. The curse of two cases at the same time. Rider PPA, my apologies. And but if that is a $50 million true-up, the actual is a $50 million credit for the customers, then what happens? Because obviously Ohio Power has already provided that credit in terms of the rate.

MR. SATTERWHITE: Are you okay with the question because I know we stopped in the middle?

THE WITNESS: Yeah, I think I have the question.

A. So under that hypothetical we had given a credit of $5 million to customers during the year. There's an additional over/under of $45 million that's sitting in an overrecovered position. That because of that position, we would then reduce that $45 million by 10 million for the credit that we had incorporated that wasn't necessary so there would be a $35 million credit that then would be flowed to customers in a general period.

Q. You lost me a little bit there. I understand the math piece of it. It's the timing that's throwing me off a little bit here and there are a couple of timing issues that are confusing me. Now, first of all, am I correct that the forecast for rider PPA is going to be set on a calendar year?

A. The forecast for the rider would be on a calendar year, yes.

Q. Okay. And but the credit will be calculated on a planning year basis.

A. That's correct.

Q. All right. So when you set that -- when you look -- so you are going -- you are saying you are going to -- let's just say the PPA program starts January 1, as of today, Ohio Power is going to look at the next year's projections, and based on those projections, it will develop a rate for rider PPA. If those projections -- let's just change the year to 2023 -- or, excuse me, let's make it 20 -- we are in December of 2019. Let's make it there. Are you following me?

A. Okay.

Q. Okay. So in that case Ohio Power has set rider PPA based on its future projections, and if those projections show that you would have to not only look at the back half of 2019, you would also have to look at the front half of -- well, sorry, front half of -- you would have to look at the back half of planning year 2020 as well as the beginning of 2021 for the planning year to get that -- I know it was long-winded, but I am trying to understand it, to set rider -- to get that rider PPA set, you not only have to look at the next calendar year's projections, but you have to go out a year and a half to pick up the back end of the PJM planning year, correct?

A. That's correct. So I was trying to simplify it by using an example where we are looking at the planning year, but the simple answer is that the -- we set the rates based on forecasted data. If the forecasted data says that there should be a credit, that credit would be included in the -- in the forecasted rate that we set. Or the rate we set based on the forecast and at the end of the 12 months covering the planning year the determination of whether that estimate of needing the credit or not would be reconciled and would be addressed in the remaining over/under at the end of that 12-month period.

Q. I am not as quick as you, so you have to back up a little bit. But in regards to the data that's used to set rider PPA, it goes out a year and a half because you are -- in the years that we are talking about here for this credit, the last four years, you have to go out a year and a half for most of those years to pick up the data necessary to set rider PPA, correct?

A. If you were to determine if there was a credit or not, you would be looking at the data to make some determination. You would set the rate based upon the 12-month period that's just the calendar year, and then you would be using those remaining months to make a decision about whether or not you need to incorporate a credit into that rate.

Q. Okay. And then in order to know whether that adjustment even will need to take place on the credit meaning you have already -- let's say that you pay the full 10-month credit based on your projections, you build that into the rider PPA, but a year and a half later, you are able to determine that the actuals for that planning year actually show that you didn't have to pay the 10 million, right?

A. Uh-huh.

Q. And then you would adjust the rider PPA the following calendar year to pick -- to get -- that would give you back your 10 million; is that correct?

A. No. Remember, that the PPA rider has a quarterly adjustment for the over/underrecovery so at the end of that 12-month period that included the planning year, the adjustment to the over/under balance would show the -- would include the credit or not the credit depending on the actual results.

Q. Okay. So it's June 1. You have the data now. You have closed out the planning year. You can look at the actuals. Am I correct that -- and let -- you determine that we didn't have to pay the 10 million, correct? Would that quarterly adjustment occur immediately in July, August, September, or would that adjustment actually be made in October, the fourth quarter?

A. It would -- it would be dependent upon the timing of the proceedings as we went through it, so we are going to know the results of the -- for the month of May sometime in June, and you would be resetting the quarterly over/under in July.

Q. Right.

A. And so as part of the settlement discussions and working with the staff recommendation in that I could envision if the data was known early enough staff proposing an adjustment to the rate to reflect the need for that credit to continue or not, whether that credit would have to be reversed.

Q. Okay. But in terms of timing, it's the end of the second quarter. You have to come up with an adjustment for customers' rates. Would you implement -- this is -- let me strike that. Let me back up.

I am going to go into the mechanism a little bit since we are talking about it. You do -- you close out a quarter and let's stick with our example. It's -- you close out a quarter end of May. You realize the credit shouldn't have been paid. You are going to adjust the rider PPA and assess that new rate against the customers, correct, in the following quarter?

A. It would be included in the next quarterly true-up. Whether it was the rate that would be in place starting in July or in October would be dependent upon the timing --

Q. Right.

A. -- of when the data was known and when the Commission issued an order on the rates. It could possibly be -- possibly be there. We may be in a situation where we now clearly as we are looking at the 12-month period that results have been much more available than what we had anticipated and that the credit's no longer necessary, so when we would file rates, we could include both rates within that filing to say if the credits -- if the results aren't sufficient to eliminate the credit, here is a rate. If they do eliminate the credit, here is the other rate. So we would do that based upon the information available at the time.

Q. Okay. And I think I am catching up with you here. So because you are doing the credit on a planning year basis, you have a month window before the third quarter to make an adjustment to the customers' rates.

A. That's correct.

Q. Okay. And that's either to lower the rider charge to account for any true-up where Ohio Power should have paid credit or increase it to recover any credit that should -- that the true-up shows shouldn't have been paid by Ohio Power, correct?

A. Yes. It could go either way.

Q. Okay, okay. Now, in terms of the mechanism now but because you are doing quarterly -- you are doing quarterly true-ups on the rider itself, market revenues received in June, okay, let's just say it's an extremely hot June and significant amount of market revenues, that would -- let's say provide a credit under rider PPA to the customers, because July starts right after June, will that -- will those -- will that credit show up in the fourth quarter true-up versus the third quarter true-up?

A. The impact of results in April, May, and June as compared to the forecast would show up in the fourth quarter true-up proceeding.

Q. Okay, okay. Thank you.

A. Or the true-up proceeding that impacts rates for the fourth quarter.

Q. Okay. You said true-up proceeding. What do you envision in a true-up proceeding for rider PPA?

A. It would be a very -- the way I would envision it it is a very simple proceeding to look at the over/underrecovery balance that exists on the books and to flow that back to customers in the subsequent quarter so it's basically taking a known per books value, dividing it by forecasted kilowatt-hours, and coming up with a rate.

Q. Okay. But not kilowatt-hours, that's basically -- you are also doing an allocation phase now, right, based on the 5 CP?

A. There would be an allocation to the classes, yes.

Q. Okay. All right. And then you set it on a kilowatt-hour basis within the class.

A. That's correct.

Q. All right. Going back to the top of page 5, the first sentence under part 3.

A. Yes.

Q. You see it encourages AEP Ohio to

exercise its contractual rights under the revised affiliated PPA to ensure that the PPA units are managed efficiently, cost effectively, and with maximum market profitability, I am not reading the whole sentence, but do you see that language?

A. I see that.

Q. Okay. Regarding "maximum market profitability," would you agree with me that language relates to an Ohio Power's incentive to participate in the wholesale markets that maximizes market profitability?

A. Generally the term maximum market profitability would be related to maximizing profits in the wholesale markets.

Q. Okay. I am just trying to correlate that to the wholesale side so thank you. And cost effectively, what does that mean as it says there to ensure that the PPA units are managed efficiently and cost effectively. So what does cost effectively mean as to the PPA units' management?

A. In one sense cost effectively would be looking at the cost of coal to be consumed at those units, other O&M-related costs at those units, capital costs, the whole suite of costs that exist at those units and the decision making that AEP Ohio has under its contract with AEPGR.

Q. Okay. And would that answer apply as well to managed efficiently?

A. Yes.

Q. Okay. Now, am I correct that the PPA units, the output that's subject to the PPA, that's owned by AEPGR today, correct?

A. The output --

Q. Let me rephrase. I am sorry to interrupt. Clean that clunky question up. The PPA units are owned by AEPGR today, correct?

A. Yes, that's correct.

Q. Okay. Now, you mentioned Ohio Power will have involvement under the PPA with this units; is that correct?

A. Yes, under the operating committee AEP Ohio has certain rights.

Q. Okay. All right. And so in regards to managed efficiently and cost effectively the credits in your opinion would provide an incentive to AEP Ohio to exercise its contractual rights in a way that achieves those goals, correct?

A. These types of credits provide additional incentive to the company to maximize the profitability of these units, yes.

Q. Okay. And you would agree with me these credits don't provide an incentive to AEPGR, correct?

A. These credits are unrelated to AEPGR.

Q. Now, in regards to, I guess we will just turn to it quickly, WAA-2 in your testimony, which has been marked as Deposition Exhibit 1.

A. Yes. I'm there.

Q. Okay. Now, I believe in your testimony, and correct me if I am wrong, I believe you had mentioned that there is a projected benefit in the aggregate under the PPA proposal of $721 million, correct?

A. That's correct.

Q. Okay. And so when I look at WAA-2, that is under the average of high load and low load forecast, correct?

A. That's correct.

Q. Okay. All right. And would you agree with me that if -- let me ask this, does Ohio Power stand by the projections under the average of high and low load forecast of $721 million in the aggregate?

A. Yes. This is the forecast that the company is sponsoring in this case.

Q. Okay. If these projections come true, would you agree with me that Ohio Power will never pay the credits that are listed in the stipulation?

A. No.

Q. And why wouldn't you agree with me?

A. Because based upon actual weather conditions and load conditions in PJM, the PPA rider could produce costs in any one of the years, those last four years as you can see in the second to lowest box on the page, so in any one of those years where we show a negative number or a charge to customers, these rates -- these credits could apply.

Q. Okay. And so, for instance, if -- I am going to focus solely on the row that says net PPA credit rider/including PJM capacity performance, including CO-2 tax. Do you see that?

A. Yes, I see that.

Q. In regards to the -- including CO-2 tax versus excluding CO-2 tax, do you have an opinion as to which scenario is likely to occur?

A. It's our expectation as a company that there will be some cost associated with CO-2 whether it's in the form of a tax or a premium on bidding into the market, so we expect these effects to reasonably reflect what would happen in a CO-2 regime but there is a possibility depending on how the Clean Power Plan is implemented that the results could be more in line with the excluding CO-2 tax.

Q. All right. Now, so we talked about economic development earlier. If I am a customer coming into Ohio, would I be able to rely on the company's projections of -- under the average of high and low load forecast of the $721 million as a -- that the credit that will be provided under rider PPA?

A. That's not the way if I was a customer that I would view rates in Ohio with the PPA rider in place. What I would look at is that Ohio generally the rates customers pay are related to market prices in PJM which, as a customer, I would recognize can be quite volatile. I would then look to see that with rider PPA in place, approximately a third of the volatility that would exist in the absence of that rider is eliminated. And so if I were comparing Ohio with a PPA rider that has two-thirds the volatility of the PJM market and comparing that to a state like

Pennsylvania, New Jersey, Maryland, that experiences the full volatility of the PJM markets, I would view Ohio's pricing structure to be more stable.

Q. Okay. And going back to earlier, you mentioned that you disagree with me that the -- assuming that the $721 million row comes -- looking at that number, that row, that those credits would never be paid you disagreed with me, if I recall. Is it your opinion then that in throughout the eight-year period that we could see in some years we would be up to the 5 percent higher load forecast and other years we could be down in the 5 percent lower load forecast?

A. That's possible. That's why the company presented the document in this manner. There is a continuum of results that could occur. We bounded those at the 5 percent higher load forecast and the 5 percent lower load forecast, and so the expectations that results during any of those years would be somewhere in between those two points with a high degree of confidence.

Q. All right. So just so I'm clear then, so if it's a 5 percent higher load -- if over the eight years we actually have a 5 percent higher load forecast for the entire period, we would see a very large credit, correct?

A. Yes, you could.

Q. Okay. Likewise if we had a 5 percent lower load forecast for the entire eight years, we would see a charge if you do the second row with including CO-2 tax aggregate of $690 million over the eight-year period, correct?

A. If you saw a 5 percent lower load in any one of the individual years, these would be the results that would be expected. In the aggregate you may see different results because if load is expected to be low for the entire period, the building plan will be different and you may not see the charges being at the level that we are showing here.

Q. Okay. Let me ask you a question going back to page 5 of the stipulation, very bottom of the page there is a phrase "unadjusted PPA rider credit." What is the unadjusted PPA rider credit?

A. The unadjusted PPA rider credit is the credit that exists before consideration of the additional credits that total $100 million described above.

Q. Okay. So it's -- okay. So simply it is the -- okay. I understand. Thank you. Going back -- turning the page to page 6.

A. I'm there.

Q. Right above 4. That paragraph indicates that the cost of the renewable facilities implemented under Section Romanette III.I of this stipulation will not apply for purposes of the credit. Do you see that paragraph?

A. I do.

Q. Okay. And why -- why will the cost of renewable facilities not be included in that credit calculation?

A. The costs or benefits of the renewable facilities are being done under a separate provision, and the caps don't have the same active involvement like they do in the PPA units. They may not. So what we're looking at here is that these are committed credits based upon the PPA units. There are other projects that may or may not occur in the future on these renewable projects and we didn't want the results of those to impact the credits so that's how this provision works is that it doesn't allow the profitability of those or the costs of those renewable facilities to impact the commitments that

AEP Ohio makes in this section.

Q. All right. Now, that -- the renewable facilities section, that would be the subject of another separate proceeding, correct?

A. A separate proceeding or multiple proceedings, yes.

Q. Okay, okay. Do you have any feel for the cost to develop 500 megawatts of wind generation?

A. When we look at costs -- when I look at costs, I look at the -- how the cost of the kilowatt-hours coming from wind compared to the market value of comparable kilowatt-hours, so if we dispatched them into the market. And on a net basis we're seeing that as we -- in the midwest as we move out a few years, that those resources are at parity with the market generally.

Q. And what about the capital costs to put in 500 megawatts of wind, do you have a --

A. I don't have a sense of the capital costs. I generally look at the net impact to customers.

Q. All right. Let's turn to page 7 under the heading "Rigorous Review of the PPA Rider." When would the annual compliance review take place before the Commission to ensure that actions taken by the company selling the output were not unreasonable? And that's at page 7, 5a, first sentence.

A. The document doesn't specify the date that that compliance review would occur, but it would be -- it would occur in the docket before the Commission.

Q. Okay. So let's say we start January 1, 2016. Suddenly there is an order that pops up tomorrow.

MR. SATTERWHITE: If that's an offer, accepted.

MR. SETTINERI: And you can note laughter on the transcript, please.

MR. MICHAEL: He didn't tell you it was an order denying.

MR. SATTERWHITE: He's assuming implementation. I like it.

Q. Assuming 2016, would there be a compliance review before the rider is set for 2017?

A. No. The compliance review would need to occur after the completion of the year, and so it would happen sometime in 2017.

Q. Okay. All right. And do you envision

that being a separate docket being opened at the Commission?

A. Generally that's how a proceeding like that would occur.

Q. Okay. Would that be potentially part of your true-up? Would that be incorporated in your true-up proceeding?

A. I wouldn't expect it to be. My expectation would be that it would work similar to how the FAC mechanism has occurred in the past where we have true-up proceedings that occur based on one schedule and then there is a larger case that happens separately that's related to prudence review of the actions undertaken by the company.

Q. And just given your experience in the regulatory arena, would you anticipate that the compliance review would only be limited to the Commission and its staff as participants?

A. I would leave that to the Commission to make a determination of how to manage that case.

Q. Okay. Let me ask you this, the sentence -- the first sentence notes that the Commission -- well, I will just read it, the "AEP Ohio agrees to participate in annual compliance reviews before the Commission to ensure that actions taken by the Company when selling the output from generation included in the PPA Rider into the PJM market were not unreasonable." I want to focus on the selling the output from generation units into the PJM market. Do you believe that the Commission will have oversight of AEP Ohio's bidding strategies into the PJM market for the PPA units' output?

A. I believe that the Commission will be able to review the strategies that AEP Ohio directed to be implemented on its behalf.

Q. All right. And let me ask you, who is going to bid this into the PJM market?

A. The units will actually be bid by AEPGR based on the direction of AEP Ohio.

Q. Okay. Will there be a written contract between AEP Ohio and AEPGR to implement that mechanism?

A. I don't know how that will be implemented.

Q. All right. And am I correct AEPGR is bidding these units today?

A. That's correct.

Q. Okay. You've been involved working at the PUCO for a number of years, correct?

A. Working in cases before the PUCO, yes.

Q. Yeah. Do you believe the PUCO has the expertise to review and analyze PJM bidding strategies?

A. I believe they have expertise within their organization to do that.

Q. Who -- name -- who would that be within the organization?

A. Individuals that review that today I know Dr. Choueiki often seeks data on bids in PJM, so I would expect he would be one of the individuals. Whether there are others I don't know.

Q. All right. Okay. Do you believe the Commission can rely -- would be able to rely on Dr. Choueiki's opinions on PJM's bidding practices?

A. That would be the decision on the Commission of whether to accept his opinions or opinions of others that they may value.

Q. Okay. There's a second -- turning back to that paragraph, paragraph a, second to last sentence, it states "Any determination that the costs and revenues included in the PPA Rider are unreasonable shall be made in light of the facts and circumstances known at the time such costs were committed and market revenues were received." Do you see that?

A. I see that.

Q. Okay. Now, if the Commission approves the stipulation, do you believe that the Commission then would be bound in that compliance review by this sentence?

A. Once --

MR. SATTERWHITE: Objection on the legal conclusion part again.

A. But generally when there's a language in a stipulation like this that identifies what that review would be, that would be a description of what the Commission's review would be at that time, yes.

Q. Okay. Another way to ask it though is do you believe -- is it your expectation that the Commission would be bound by this sentence if it approves the stipulation without modification?

A. Based on my experience in doing regulatory work, this type of limitation on what a Commission can do is a -- would exist independent of the language in the stipulation actually. Commissions generally are bound to look at the prudence of decisions made at the time those decisions occur, not using hindsight review.

Q. Okay. I appreciate that. But I guess what I am specifically wondering is do you have an expectation that the Commission is going to be bound by this language if it approves the stipulation --

MR. SATTERWHITE: Same objection.

Q. -- even though the compliance review hasn't taken place yet?

A. The last part of that question is throwing me off a little bit.

Q. Even though the compliance review.

A. Yes.

Q. I guess we kind of beat around this a little bit here, but I am just trying to understand if the stipulation is approved, is it your expectation that the Commission must follow this second to last sentence in the paragraph regarding determinations?

A. It's my expectation when the Commission approves the stipulation, that they are accepting the language within that stipulation, and in this case it would be defining what the review would be.

Q. Okay. Let me ask you this, what if --

what about a capacity commitment? Who is going to bid the capacity into the PJM auctions?

A. The capacity would be bid by AEPGR under the direction of AEP Ohio.

Q. Okay. And you agree with me that at least the base residual auction is held three years in advance of the actual delivery year, correct?

A. Approximately, yes.

Q. Okay. Under this compliance review, would the Commission be able to look backwards at capacity bids based on the actual deliveries within a year in a future year?

A. What this language is describing is that in that scenario the Commission would be reviewing the information that was available to the company when the bids were made three years prior to the delivery, not based upon information that became available after that decision was made so that's the result of this language.

Q. Okay. And so, for example, if the -- let's just assume the company bids 100 percent of the output into the PJM BRA. Capacity, bids 100 percent of its capacity in the BRA and is accepted and it clears. And in the delivery year though there would be for whatever reason, let's say -- well, let's just say AEPGR does not prudently manage its facilities. In that instance would the Commission be able -- and in that instance for failure to deliver there could be significant performance penalties from PJM, correct?

MR. SATTERWHITE: Could you reread that for me, please?

MR. SETTINERI: Yeah. Go ahead and read it.

(Record read.)

Q. That's a bad question so let's just start over.

A. Okay.

Q. Regarding the compliance review disallowance of costs in this section, if AEPGR fails to deliver committed capacity into the PJM markets when called upon, would the Commission be able to disallow the recovery by Ohio Power of any PJM assessed penalties?

A. The Commission -- as it states in the second sentence of that paragraph, the Commission would be looking at the actions of AEP Ohio. And if those actions were unreasonable, then the Commission could adjust the rider revenues.

Q. Okay. So they wouldn't look at the actions of AEPGR.

A. No. The Commission is looking at the actions of AEP Ohio.

Q. Okay. And the same questions so if AEP Ohio fails to deliver committed capacity into the PJM markets when called upon, could the Commission then disallow recovery of any PJM penalties assessed?

A. Oh, AEP Ohio is not delivering capacity into the PJM market. AEPGR is on -- at the direction of AEP Ohio.

Q. Who owns the capacity under the PPA?

A. The capacity is owned by AEP Ohio, but it's bid in by AEPGR.

Q. And does -- would AEPGR essentially act as a third-party bidding entity for AEP Ohio in that instance?

A. They are acting at the direction of AEP Ohio, that's correct.

Q. So if there is a failure to deliver committed capacity into the market when called upon, who is responsible for the PJM penalties that could be assessed?

A. The penalties would be borne by AEP Ohio.

Q. Okay. And would the Commission then have oversight over whether those penalties were -- should not be passed on through rider PPA?

MR. SATTERWHITE: Objection on the same basis as before.

A. Yes, as described in the second sentence of paragraph 5a.

Q. Okay. And you agree with me those penalties would not be assessed -- if assessed would be assessed at least three years after the capacity was bid into the market.

A. Yes, that's correct.

Q. And to follow up on that, if AEP Ohio overcommitted its capacity bids and subsequently incurred penalties three years later, the Commission then would be able to look at that bidding strategy on the capacity when determining whether to allow those PJM performance penalties to go through rider PPA, correct?

MR. SATTERWHITE: Same objection.

A. The Commission could look at the prudence of the decisions made by AEP Ohio when they made the bids based upon the information that was available to

AEP Ohio at the time they made those decisions.

Q. Okay. The same paragraph at the very end, there is a statement "In addition, the calculation of PPA Rider will be based on the sale of power into PJM." And here is a question, simple question, what do you mean by "power"?

A. Energy, capacity, ancillaries.

Q. And energy is measured on a megawatt-hour basis, right?

A. Yes.

Q. All right. Capacity megawatts?

A. Megawatt-day.

Q. Megawatt-day, okay. Now, you agree with me that the PPA rider won't be based just solely on the sale of the power into PJM, correct?

A. The rider will be based on the netting of the costs of producing the power.

Q. Okay. And it also could include the netting of any charges assessed by PJM?

A. That's correct.

Q. Okay. It could also include any revenues accruing from any environmental attributes from these units, correct?

A. It could or any bonuses received by the units --

Q. Okay.

A. -- for overcompliance.

Q. Now, is it the -- is it -- is it Ohio Power's intent currently to sell all of the output into the PJM's markets?

A. That's what this language is describing. That's the intent of AEP Ohio is to sell the output of the units into PJM.

Q. Okay. If the stipulation is approved, would Ohio Power have the ability to sell the output under a bilateral contract to a willing buyer?

A. That's not the company's intent. The company's intent is to sell the capacity and energy into the PJM market, but to the extent that a unit may not clear in a capacity auction, the company would endeavor to sell that capacity into a future supplemental auction. And if that wasn't successful, one of the other avenues to maximize the revenues received from the units would be to enter into a bilateral for capacity in those years that the unit hadn't cleared.

Q. Okay. What -- I mean, is there any opportunity to sell the PPA unit output under a bilateral contract that would generate more revenues than selling it into the PJM markets to the extent you are aware?

A. I am not aware of that.

Q. Okay. Is that something worth exploring during the term of this PPA rider if it's approved?

A. I don't think I can answer that as we sit here today.

Q. Doesn't it make sense though if you are trying to maximize the amount of revenue, that you would go out and explore all opportunities to sell this output at the highest price?

A. Entering into a bilateral agreement, even if it's at a price higher than the current projected market prices, doesn't ensure that the revenues received by those units would be greater than the revenues that would actually be received in the market based on actual market circumstances.

Q. And you are saying that -- why is that? Let me just ask that.

A. Projections of market prices could be low today. Entering into a bilateral contract at a slightly higher price than current expectations of the market could diminish the ultimate profitability of the units if the market goes up higher than what is currently anticipated.

Q. And likewise if you enter into a bilateral contract at a high price and the market drops, it could work the other way, correct?

A. That's a possibility. Entering into a bilateral though would have some impacts on the price stabilizing attributes of the PPA rider.

MR. SETTINERI: Okay. Let's go ahead and mark an exhibit we will mark Exhibit 5.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. I've handed you, Mr. Allen, a document identified -- it's an interrogatory and the interrogatory is labeled INT-S4-007. Are you familiar with this interrogatory and the response on this page?

A. I am.

Q. And just to confirm and you were the one -- you are the individual that prepared the response to this interrogatory?

A. I am.

Q. Okay. And to clarify, in your opinion nothing in the stipulation prohibits AEP Ohio from selling power from the PPA units through bilateral contracts, correct?

A. That's my understanding, yes.

Q. Okay. And that any revenues or charges coming from these bilateral contracts would net under rider PPA, correct?

A. Yes, that's correct.

Q. Okay. And currently -- well, strike that.

And as of today, does the company have any plans to explore entering into bilateral contracts with willing buyers during the term of the PPA and rider PPA?

A. We don't have any plans to do that, that's correct.

MR. SETTINERI: Okay. Why don't we go off the record for a second if we can.

(Discussion off the record.)

(Thereupon, at 12:06 p.m., a lunch recess was taken until 12:50 p.m.)

- - -

Wednesday Afternoon Session,
December 30, 2015.

- - -

MR. SETTINERI: If we can go back on the record.

- - -

WILLIAM A. ALLEN

being previously duly sworn, as hereinafter certified, deposes and says further as follows:

CROSS-EXAMINATION (Continued)

By Mr. Settineri:

Q. All right. After a break, we will go ahead and proceed. I had one follow-up question for you, Mr. Allen. You had mentioned that the -- the company credits that are referenced in the stipulation, the $100 million credits in the aggregate over four years, that the company would look at the forecast over the next year and a half basically and determine how much of that credit should be I will say baked into the rider PPA for the next calendar year -- or next quarter, correct?

A. It would be for the next calendar year for the forecast period, yes.

Q. Okay. And then at the end of the

applicable planning year there would be a true-up and then there would be a subsequent quarterly adjustment to the rider to account for any -- any true-up on the credit itself that the company would have paid -- would pay.

A. That's correct.

Q. Or receive.

A. Or adjust for the credit that was due customers or not due customers.

Q. Okay. Would -- is the company planning to impose a carrying charge on the -- in the event that the company bakes a credit -- a company credit into the rider PPA over the year and a half?

A. No. My understanding is that the -- there is no carrying cost on the rider over/underrecovery.

Q. Not the under and over recovery specific to the credit though. The company is going to look at the forecast and decide, yes, we need to put in a credit and put that into the -- adjust the rider accordingly, so, in essence, the company has a revenue shortfall, right? And will there be a carrying cost associated with the company's revenue shortfall related to the credit that it's putting in?

A. The credit will be dealt with differently than the remainder of the over/under balance.

Q. What does that mean?

A. There will be no carrying cost on it.

Q. Period.

A. Correct.

Q. All right. All right. What I want to do next, and we will just see how long it takes us to go through, but I want to just go through the stipulation and through some sections that relate to my questions are all going to be along the line of whether -- is this binding the Commission to what's being stated in that section just to give you some advanced notice there.

So if we can go ahead, why don't we just run through these. We will start at pages 7 and 8 of the stipulation very, very bottom.

A. Okay.

Q. All right. And this paragraph b at the bottom of page 7 relates to full information sharing with the AEPGR fleet information on cost components. My question here is at the very end of the page it states "In addition, as permitted by law, such information shall not be subject to a public information request and shall be protected indefinitely." If the Commission approves this stipulation, do you believe that the Commission's approval of the stipulation would then act as a protective order to that information?

A. I can't answer whether it would act as a protective order, but in the Commission approving this stipulation, the Commission would be accepting this term of the settlement.

Q. Okay. And thereafter then any information sharing would indeed be subject to protective treatment under this sentence, correct?

MR. MICHAEL: Mike, I am just going to object as a public agency. It does say as permitted by law so.

Q. With that caveat, Mr. Allen.

MR. SATTERWHITE: Can you ask that question with that caveat?

MR. SETTINERI: Sure. Let me rephrase it. In fact, I can move on on that one.

MR. SATTERWHITE: Thanks.

Q. Let's go to page 8. First sentence in Section 6, the stip -- sorry, "The Signatory Parties agree that, by adopting this Stipulation, the

Commission will make no finding as to the prudence of any future modification to a Revised Affiliated PPA," and then I will stop reading there, although the sentence continues. If the Commission approves this stipulation, do you believe the Commission would be bound by that sentence -- that language in that sentence as to not making a finding to the prudence of any future modification to a revised affiliated PPA?

A. My reading of that language is as a nonlawyer what this is stating is that the parties agree to interpret the adoption of this stipulation as not stating that the Commission is making a finding as to the prudence of future modifications. That's leaving that open to the Commission into the future.

Q. Okay. Thank you. Page 9, B3, this relates to commitments as to federal advocacy. The very last three lines of the note "the Commission will solicit comments from interested parties no later than October 30, 2017, addressing the State's long term resource adequacy needs." If the stipulation -- if the Commission approves the stipulation, do you believe that the Commission would be bound by that provision?

MR. SATTERWHITE: Objection on a legal basis. Go ahead.

A. My understanding is that if the Commission approves the stipulation, it would be accepting this element of the stipulation.

Q. Okay. All right. Let's go to page 12 and 13. At the bottom of page 12 the word "Unless" rolls over to 13 then. "Unless otherwise amended by the Commission, the CIR pilot adder shall be in effect throughout the term of the affiliated PPA recovery sought in this agreement or until new distribution base rates are put into effect." Now, the pilot program is going to be the subject of a separate filing, correct?

A. It will be included in the extension of the ESP filing, yes.

Q. Now, if the Commission approves this stipulation, even though that separate ESP filing has not been made, would you -- is it your expectation the Commission will be bound by the sentence I just read that starts at the bottom of page 12 and runs into page 13?

A. Mu reading of that sentence isn't really binding the Commission. It's making a statement that the CIR pilot adder will be in effect through the term of the affiliated PPA but that the Commission has the right to amend that.

Q. Okay.

A. And so it's actually -- identifying that there is a -- an extra right for the Commission, that they are not committing to the entirety at this time.

Q. Okay. In fact, they are not committing to anything in that sentence, correct?

A. That's correct.

Q. Okay. When I say "they," I mean the Commission.

A. The Commission, that's correct. That was my understanding of your question.

Q. Thank you. Page 16.

A. I'm there.

Q. Okay. There at the bottom at part 7 it notes that "AEP Ohio agrees to work with Staff and Signatory Parties to determine the parameters of a 2-year Pilot Supplier Consolidated Billing Program." Do you see that reference?

A. I see that.

Q. Okay. Would this be the subject of a

separate proceeding before the Commission?

A. This is a commitment of AEP Ohio. I don't know whether it requires a separate docket to implement.

Q. Okay. And then I guess the question there are a number of bullet points that kind of lay out that pilot program in the stipulation, and, now, I will just focus on one. If you look at k, it notes "Any participating CRES supplier competitively sensitive information acquired by AEP and Staff under the Pilot Supplier Consolidated Billing Program shall be afforded the appropriate confidential treatment." That's at the top of page 19. Do you see that?

A. I see that.

Q. Okay. Now, if the Commission approves the stipulation, even though the pilot program has not been implemented, would that term -- is it your expectation that that term would have been approved by the Commission?

A. The Commission in approving the stipulation would be accepting that provision of the stipulation. They would be accepting those.

Q. Okay. Thank you. And let me ask you this question as a follow-up question on that then, so in the event -- assume this pilot program is in place and there's CRES supplier information being acquired by AEP Ohio and the staff. And you reference AEP by the way in k. Is that reference to AEP Ohio?

A. It would be AEP Ohio or AEP Service Corp. acting as agent.

Q. Okay. And going back to my question then to follow up, assuming the pilot program is implemented and AEP Service Corp. or AEP Ohio or staff has the -- has competitively sensitive information acquired from CRES suppliers and let's say -- well, let's just say there is a public records request at the PUCO for that information. Is it your expectation that the Commission's approval of this provision would afford the appropriate protective treatment?

MR. SATTERWHITE: Strong objection understanding the public records law. Clearly something that is not really in the regulatory sense.

Q. We'll just move on. That's fine. On page 20, part c.

A. I'm there.

Q. Look at the last sentence and last

sentence in part c says "Except as provided in Sections Romanette III.A.6" and I will stop reading this. But there is a reference -- let me rephrase. That sentence, am I correct that that sentence indicates that the Conesville Units 5 and 6 co-firing costs can be recovered through the PPA rider, correct?

A. That's correct.

Q. In fact, they will be recovered through the PPA rider if the coal firing occurs --

A. If it's approved by the Commission in the cost recovery filing, yes.

Q. Thank you. And -- now, you agree with me that the -- on page 19, part 9a, it indicates AEP Ohio will make a cost recovery filing supporting the conversion of the units to natural gas co-firing for Conesville Units 5 and 6, correct?

A. Yes.

Q. Okay. Is it your expectation that if the Commission approves the stipulation, that the last sentence in section c would be approved by the Commission even though there hasn't been a proceeding for cost recovery yet?

A. Can you restate that question?

Q. I can try.
A. Okay.
Q. All right. We agree that there's been no cost recovery filing yet for the conversion of Conesville Units 5 and 6, correct?
A. As described in Paragraph a, that's correct.
Q. Okay. And yet Paragraph c indicates that the Conesville co-firing costs will be recovered through the PPA rider, correct?
A. I think you're misreading how these paragraphs go together. Paragraph a describes the co-firing project and that co-firing project would be recovered through rider PPA. What paragraph c is describing is the retirement, refuel, and repower that will occur in 2029 and it's just a clarification in the last sentence that retire, refuel, and repower is not covering the co-firing costs or changes in depreciation rates.
Q. Thank you for correcting me on that. So going back to the cost recovery filing for the conversion, if the Commission approves this stipulation, even though there has not been a cost recovery filing that by approving the stipulation the

Commission will have approved the recovery of the conversion through the PPA rider.

MR. SATTERWHITE: Just for clarification that's 9a since we had a mixup of the two?

Q. That's 9a.

A. So if the Commission approves this stipulation, what they're agreeing to is that if they also approve the cost recovery filing for the co-firing, that the costs associated with that co-firing would be included in the PPA rider.

Q. Okay. So in -- would the Commission have -- in your opinion would the Commission have the ability if it approves the stipulation at the conclusion of that cost recovery proceeding to modify that to, say, 50 percent of the natural gas conversion costs can be recovered through the PPA rider?

A. The Commission could under this agreement make such a determination, but the company is not obligated to go forward and would not go forward in my opinion with the co-firing if cost recovery was not approved and that's detailed in the document that the co-firing would occur only subject to cost recovery.

Q. And I guess my question though wasn't about under this agreement. It's really assuming the stipulation is approved by the Commission and then assume we have a cost recovery filing pursuant to 9a, paragraph 9a, would the Commission have the ability in that proceeding to say that, no, we are not going to allow 100 percent of that cost recovery through the PPA rider; it's only going to be 50 percent?

MR. SATTERWHITE: I guess are you asking if they can modify this stipulation at that later time I'm confused on.

MR. SETTINERI: Not modifying the stipulation. My question is just geared towards you are saying here in the stipulation they will have cost recovery.

MR. SATTERWHITE: So you are asking if they approve less than full cost recovery, what would happen.

Q. In a subsequent proceeding can the Commission approve less than full recovery and would that -- do you have an opinion on that, Mr. Allen?

A. My opinion is that the Commission not approving full cost recovery could be viewed as a denial of cost recovery, and the company wouldn't be obligated to go forward with the co-firing project.

Q. Well, I understand they wouldn't be obligated, but going back to my question, if the stipulation is approved, is it your expectation that the Commission will not have the ability to only allow partial cost recovery -- it can allow partial cost recovery through rider PPA of the Conesville Units 5 and 6 conversion?

A. The stipulation is not limiting what the Commission's decision is in the co-firing case.

Q. All right.

A. What it is saying though if the Commission does approve cost recovery, that that cost recovery would be through rider PPA.

Q. Okay. Let me ask you a question on paragraph c on page 20, there's a reference to let's say Romanette D.10, Romanette III.D.10, co-firing costs?

A. Yes.

Q. Am I right that Romanette III.D.10 refers to the Cardinal unit, not the Conesville units? Perhaps I am reading this wrong.

A. We will have to review that. That appears that may be possibly a drafting error.

Q. So possibly would that actually refer back to 9a? That would be the appropriate paragraph reference, subject to check?

A. It may be referring to paragraph 9.

Q. Okay. There's a reference there to Section III.A.6, potential depreciation rate change.

A. Yes.

Q. And I believe -- let's see if we can find that in the document here. Be at the top of page 9.

A. Yes.

Q. What is the potential depreciation rate change that's referenced in the stipulation at paragraph 9c that appears to be discussed at top of page 9?

A. Over time, as in all of our regulated jurisdictions, and with any -- any asset from an accounting perspective from time to time you evaluate the depreciation rates that are currently in effect to determine whether or not those rates are sufficient to fully depreciate the asset over its remaining useful life. If the company determines that those rates need to be changed, the company then has the -- and it's AEPGR would be working with AEP Ohio, AEP Ohio would make a filing with the

Commission to approve the prudence of changing those depreciation rates.

Q. And that would relate to the PPA units, correct?

A. That's correct.

Q. Okay. Now, the -- am I right that the depreciation rates factor into the calculation on the return on equity that's paid by Ohio Power to AEPGR under the PPA?

A. They don't relate to. They have an effect on the rate base over time.

Q. Okay. All right. So the lower the depreciation rate the higher the rate base?

A. That's correct.

Q. And the lower the decline on the rate of return on equity.

A. Not the rate of return on equity but the actual return on equity which are dollars.

Q. Okay. And so the way I read Section 6 starting at the bottom of page 8 to page 9, am I correct if the Commission approves the stipulation, AEP Ohio would have the ability -- would not be locked into a set -- today's depreciation rates on the current assets?

A. So make sure we are clear on this, the costs in the PPA are based on the current depreciation rates. If those depreciation rates are changed by agreement of AEP Ohio and AEPGR, AEP Ohio can then make a filing with the Commission to ask for those to be included in -- in rates through the PPA rider. If the Commission denies that request and the depreciation rates are changed and flow through the PPA, then AEP Ohio would be responsible for those dollars.

Q. Okay. Is it your expectation that that would be a separate proceeding at the Commission?

A. Yes, it would be.

Q. And would it be your expectation, to the extent you know, that interested parties could intervene in that proceeding to the extent the Commission allows it?

A. I think the important part is to the extent that the Commission allows intervention or how they decide to run their dockets. It doesn't require that the Commission open a docket with the broad set of parties, but it doesn't restrict the Commission from that either.

Q. Okay. And when you say it doesn't, the "it" refers to the stipulation language.

A. The stipulation provides no restrictions.

Q. Thank you. Let's jump to page 31, if we can.

A. I'm there.

Q. Okay. 31, Paragraph e, this section relates to the renewable development of 500 megawatts of wind energy. There's a statement in e that states that "In reviewing such applications, the Commission will consider among other relevant matters the economics and proposed PPA price associated with each project, as compared to other available market prices for such projects." Do you see that?

A. I see that.

Q. Okay. If the Commission approves the stipulation, is it your expectation that the Commission would be -- would apply the standard as set forth in this sentence?

A. In approving the stipulation the Commission would be accepting this sentence, yes.

Q. Okay. And if the Commission -- when that filing was made for the cost recovery and -- will there be a separate filing for cost recovery on the renewables?

A. Yeah. As described in Paragraph I1b, the company would be making separate EL-RDR applications to initiate approval of that cost recovery.

Q. Okay, okay. If the Commission applies a different standard of review versus what's in Paragraph e to that cost recovery filing, in your opinion would you view that as being a modification of the stipulation?

MR. SATTERWHITE: Objection to the extent it calls for a legal basis but go ahead.

A. I don't believe that this paragraph is dictating the entirety of the Commission review process. It's just identifying one of the elements that the Commission would consider. It's not limiting the Commission to what it considers.

Q. Fair clarification. So but if the Commission doesn't consider any of those matters, would you view that as a modification of the stipulation?

MR. SATTERWHITE: Same objection. Go ahead.

A. I don't believe that -- I don't know if that would be a modification of the stipulation.

Q. Okay. Thanks. Page 32, Paragraph 3,

there it -- the stipulation sets forth a rate design for the recovery of the -- any net costs or flow through of credits associated with the renewables. Do you see that section?

A. I do.

Q. Okay. And it looks like that's going to be a uniform volumetric charge up to a monthly consumption of 833,000 kilowatt-hours per customer account, correct?

A. Yes.

Q. Okay. Now, if the Commission approves this stipulation, in your opinion is the Commission approving the rate design for the cost recovery of the renewables?

A. Yes, it is.

Q. Okay.

A. It's accepting this sentence.

Q. Okay. And in the subsequent cost recovery proceeding, if the Commission puts in place a different form of cost recovery, for instance, a volumetric charge regardless of usage, would you view that as a modification of the stipulation?

MR. SATTERWHITE: Same basis objection.

A. I don't know if it's a modification of the stipulation.

Q. Okay. Do you believe in your opinion that the Commission would have the authority to make such a modification in the cost recovery proceeding?

MR. SATTERWHITE: Same objection. I assume you are asking as a nonlegal question.

MR. SETTINERI: That's correct, thank you.

A. I don't know if the Commission would have the right to change that. I would hope the Commission live up to the -- to its agreement to this provision.

Q. Okay. Look at 33. This is Paragraph J1a at the top of 33. Now, this provision relates to the ESP versus MRO test; is that correct?

A. This provision relates to the termination under 4928.143(E) --

Q. Okay. Thank you.

A. -- which isn't exactly the ESP-MRO test.

Q. Okay. Now, in that there -- that Paragraph a relates to -- puts conditions on termination, correct? Let me just rephrase to make it clearer for the record.

That paragraph puts conditions on a

Commission-ordered termination of the current ESP plan, correct?

A. It describes the conditions for termination if the -- under the fourth year test required by 4928.143(E).

Q. Okay. And if the Commission approves this stipulation, would it be essentially -- would it be bound by the conditions that are in Part a?

A. It would be accepting the conditions of Part a, yes.

Q. Okay. And the same with b?

A. Yes.

Q. And c, correct?

A. Yes.

Q. Okay. Thank you. Now, you are familiar with 4928.143 Revised Code, correct?

A. Generally, yes.

Q. I will save Mr. Satterwhite an objection just acknowledging again you are not a lawyer.

MR. SETTINERI: Let's go ahead and mark this as an Exhibit 6.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. SETTINERI: And for those on the phone and the record what's been marked as Exhibit 6 is a copy of Ohio Revised Code Section 4928.143.

Q. You are familiar with this document that's been marked as Exhibit 6, Mr. Allen?

A. Yes, generally.

Q. Can you identify this for me.

A. Yes. This appears to be a copy of a section of the Ohio Revised Code dealing with the application for approval of an Electric Security Plan-Testing which is numbered 4928.143.

Q. Okay. And just a few questions to orient me. The company has a current ESP plan -- ESP in place, correct?

A. Yes, it does.

Q. And when does that plan expire?

A. The plan expiration date is May of 2018.

Q. Okay. Now, if the stipulation is approved in this proceeding, in your opinion does that extend the company's current ESP?

A. No. That would be a portion of the separate proceeding that's described in the stipulation.

Q. All right. So that would be the 2016 filing to extend it through the remaining -- to match the term of the PPA rider --

A. To extend the current ESP through 2024, May of 2024.

Q. Okay. And so as of today, if we look at the statute on page -- it would be the third page at the very bottom, Part E, I don't know, are you familiar with Paragraph (E) of this document which is at the bottom of page 3?

A. I've reviewed it in the past.

Q. Okay. And so the company's current ESP does not go beyond three years, correct?

A. That's correct.

Q. Okay. But if the next ESP filing which is contemplated under the stipulation for 2016 goes through and is approved, that would be an ESP beyond four years, correct?

A. That's correct.

Q. Okay. So let's just assume that the ESP is filed in April, approved in June, and based on that time, would that approval -- it's your expectation that the four-year review would take place four years from the June, 2016, approval?

A. I don't know.

Q. All right. Do you have any opinion on that?

MR. SATTERWHITE: Since he answered before I can object. I will point out you are asking for a legal interpretation here.

MR. SETTINERI: I will take that as an ongoing objection to all my questions on this document. That's a fair objection.

A. The company hasn't dealt with this aspect of the law yet, so when we got there, I would work with counsel to understand how it applied.

Q. So if -- if -- assuming that the next ESP is approved and assuming there's a four-year review by the Commission under this statute and assume that the Commission orders termination of that ESP.

A. Yes.

Q. Paragraph b, that termination would not affect the continued cost recovery under the PPA rider or the DIR, correct?

A. That's correct.

Q. Okay. And to the extent you have an opinion on this, would that -- would the authority for that termination -- to allow that PPA rider to continue be under Paragraph (E) of this statute? And subject to your counsel's ongoing objection.

MR. SATTERWHITE: Thank you.

THE WITNESS: Can you reread the question, please.

(Record read.)

A. Okay. So my understanding of how the law works is that in Paragraph 4928.143(B)(1), there's a provision at the end of that paragraph that says "it may include provisions in the plan to permit the commission to test the plan pursuant to division (E) of this section and any transitional conditions that should be adopted by the commission if the commission terminates the plan as authorized under that division." And so this would be a transitional element that the Commission's approving here.

Q. Okay. All right. Thank you. Page 34, I am almost done in this section, there's a paragraph C. There's a sentence that states "Nor shall the acceptance of any provision within this settlement agreement be cited by any party or the Commission in any form as to imply or state that any signatory party agrees with any specific provision of the settlement." Do you see this sentence?

A. I do.

Q. If the Commission adopts this stipulation, is it your opinion and expectation that the Commission would be bound by that sentence?

A. It's my understanding that the -- in approving this stipulation the Commission would be accepting this element of the stipulation.

Q. Okay. Let's go back to page 10.

A. I'm there.

Q. Okay. This relates to the discussion we had earlier that AEP Ohio will file a separate application with the Commission requesting that its current ESP be extended through the term of the affiliated PPA, correct?

A. That's correct.

Q. Okay. Do you believe that filing is necessary to allow the PPA rider to extend through 2024 -- or let me correct that last part, through May 31, 2024?

MR. SATTERWHITE: Same objection. Go ahead.

A. I don't know if it's required.

Q. Okay. Is it the company's expectation if the ESP application that is contemplated in this section is not approved by the Commission, that the PPA rider would not continue through 2024?

A. I don't think that's the way to read that document. There is some provisions in the later parts of the document, some of the more legal sections, that talk about comparable filings trying to resolve issues like that.

Q. Okay. But at the end of the day if the Commission doesn't approve an ESP that the AEP Ohio is planning to file in 2016, is it the -- AEP Ohio's expectation that the PPA rider would continue through 2024?

A. It would be the company's expectation that we would make filings for other avenues to continue the PPA rider.

Q. So you are not aware of any provision in the stipulation that would allow the PPA rider to continue through May of 2024 without an approved ESP application -- application, correct?

MR. SATTERWHITE: Same objection to the extent it calls for legal analysis to get there.

A. I don't know.

Q. Okay. Let's go back to page 34 of the stipulation.

A. I'm there.

Q. There's a paragraph A that's interesting. It notes that "the Signatory Parties urge the

Commission to render a decision adopting the Joint Stipulation no later than February 10, 2016, in order to capture some of the anticipated financial benefits relating to typically colder months with higher energy prices in early 2016." Let me just ask you are you -- do you monitor energy prices in the short term?

A. I'm aware of how energy prices change in the different seasons of the year.

Q. Okay. You would agree with me we have had a warm winter so far.

A. It's been a -- I don't know that I would agree that we've had a warm winter for the areas that we look at. I know that sitting in my house it's been a mild winter, but I know as we've looked in the past when I did financial forecasting, that what appears to be a mild year may, in fact, have, you know, significantly high heating degree days and the like when you look across the PJM footprint.

Q. Okay. Let me ask this question, other than capturing some of the anticipated financial benefits, is there any other reason that you are aware of that the Commission should render a decision by February 10, 2016, on this stipulation?

A. The companies -- the company has made it abundantly clear as we have gone through this proceeding a timely decision by the Commission is necessary in light of our desire to either put a PPA in place or move down the path of, you know, more fully evaluating the sale of the assets.

Q. Okay. Thank you. Any other reasons besides that for a decision by February 10?

A. The first reason is this proceeding has been before the Commission for quite a long period of time, and it really needs to get resolved.

Q. Let's jump to your testimony in the Exhibit WAA-2.

A. Okay.

Q. So the -- who prepared this exhibit?

A. It was prepared at my direction by our -- one of the other -- one of the groups within regulatory.

Q. Do you know approximately when it was prepared?

A. It would have been completed sometime my recollection is early December to -- and then finally to 100 percent by December 14 obviously.

Q. Okay. And am I correct that the

original -- this exhibit is basically a revised version of the original Exhibit KDP as in Paul dash 2, correct?
A. I would call it modified or updated, yes.
Q. Okay. And do you recall -- you were in the hearing a lot for the initial testimony, correct?
A. I was.
Q. Almost every day, right?
A. Yes.
Q. Were you there when Carl Bletzacker testified to the extent you recall?
A. I think I was there both times he testified, yes.
Q. Am I correct that the -- he provided forecast information to Mr. Pearce who in turn ran the PLEXOS model to develop revenue projections and ultimately resulted in his Exhibit KDP-2; is that a fair summary?
A. Not exactly. Carl Bletzacker prepared the fundamentals forecast that was utilized in the PLEXOS runs that were developed by Dr. Pearce and used in developing Exhibit KDP-2.
Q. And the fundamental forecast that Mr. Bletzacker used, that was the 2013 fundamentals

forecast, correct?

A. Yes, that's correct.

Q. Okay. For your Exhibit WAA-2 am I correct that that also used the 2013 fundamentals forecast?

A. Yes. It continues -- it continues to use the same forecast that the company presented in this case.

Q. Okay. Other than the return on equity being reduced to 10.38 percent, were there any other changes to the inputs that resulted in the data here on WAA-2?

A. The changes are described at the top of the exhibit. It's updated from the filed Exhibit KDP-2 to a 10.38 percent ROE, we removed 2015, and we terminated the data as of May 31, 2024 instead of using an entire calendar year, and we also included the results of the PJM CP auctions for planning years through 2018-19.

Q. You answered my next question because I was going to ask you why the revenues stayed the same in the out years so you answered that. Thank you. It's helpful.

Can you describe -- there's the column --

box that has "Weather Normalized Case," what weather -- what is the weather normalized case?

A. Weather normalized describes what the revenues would be in a year that has normal weather in every month of the year.

Q. Okay. All right. And then what about the "5 % Load" -- "Lower Load Forecast"?

A. That forecast reflects taking the annual load for each of the years and reducing it by 5 percent and looking at the impact on market prices from that 5 percent reduction.

Q. Okay.

A. And then using that through the PLEXOS model.

Q. Okay. And the same with the 5 percent higher, adjusting the load 5 percent higher and running that through the PLEXOS model.

A. That's correct.

Q. I think let's keep that exhibit out and why don't I jump to some questions on your testimony that are related. At the end of your testimony at page 15 there is a sentence at lines 1 and 2 "As shown in Settlement Exhibit WAA-2, over the term of the agreement customers are forecasted to receive

$721 million in benefits related to the PPA." Do you see that?

A. I do.

Q. Okay. Why do you rely on -- on -- let me strike that and ask a different question.

So that 721 relates to the row -- first of all, the box of the "Average of High Load and Low Load Forecast" and the row that has "Net PPA Rider Credit/(Charge) including PJM CP, including CO-2 tax," right?

A. Yes.

Q. Why do you rely on that row to tell the Commission that that's the forecast for the customers' benefits under the rider PPA?

A. Are you asking about why I selected that row within the average high and low load forecast or why I chose to use the data from the average of the high and low load forecast section?

Q. Well, let's start first why do you choose the data from the average high and low load forecast section?

A. There's an equal probability that in any year the load is going to be higher or lower than normal. And so we know that over time load is not going to be normal. Weather is never normal. Weather is always above normal or below normal, and so looking at the average of those two over time, the high and the low load forecast case, the average of those two is the expected result over time. It's not the expected result in any given year, but when I look out over a number of years, in this case eight and a half years, the average of those two is the expected result.

Q. Okay.

A. I don't expect to see it in an individual year but in total that's my expectation.

Q. Why do you say it's equal -- has equal probability?

A. Weather normal is the baseline for load. And there's an equal probability that weather is either warmer or colder in the winter or warmer and colder in the summer than normal. That's how normal is determined is it's the average.

Q. Yeah, I understand that but, for instance, we could have a mild winter and a cool summer, right?

A. We could.

Q. And so that would give you obviously --

that would put you on the low end of the load, correct?

A. A mild winter and a mild summer.

Q. Yes.

A. Yes. And that would look like the lower load forecast case.

Q. Okay. I guess what I am struggling with is just the fact that you can have a flipping a coin gives you two results. But with weather you don't know -- you can't predict the weather, can you?

A. I think your example is exactly right. When I flip a coin, I know the result is going to be I have got 100 percent chance of it being heads or tails. When I flip a coin 20 times, the expected result is 10 heads and 10 tails.

Q. Okay. So you are looking just at the long term.

A. But I will never get half a head or half a tail.

Q. Gotcha. Going back -- what made you pick the $721 million row here as to the benefit?

A. Of the two benefits that we look at on the average of the high and low load forecast case, that's the conservative assumption. There's the

Clean Power Plan that's out there so we know that there's a movement to impose some additional costs or restrictions on CO-2 emissions. So we've chosen that as our base case, but we also for clarity 1 and 2 let people understand that the benefits of the PPA rider could be significantly more if a CO-2 tax is not imposed or restrictions on CO-2 are less than what was incorporated in our models.

Q. Okay. All right. Now, in regards to load is this -- we have the 5 percent higher load, 5 percent lower load. Is that -- is your assumption that that's based solely on weather adjustments?

A. No. It's -- it's due to any number of factors. There could be changes in the economy --

Q. Okay.

A. -- higher or lower.

Q. All right. I have to find it, but I believe in your testimony there is -- maybe it's in the stipulation that the -- am I correct -- there it is. Page 3 of your testimony, lines 18 to 20, there it states that "the initial PPA Rider will be based upon a $4 million credit for 2016 (annualized)." What's the basis for setting it at $4 million?

A. That's the weather normalized forecast for 2016.

Q. And what row specifically would you be looking at there?

A. It would be the "Net PPA Rider Credit/(Charge) including PJM CP, including CO-2 tax."

Q. Okay. And why isn't it -- for instance, why isn't it being set at $92 million which is the average of higher load and lower load forecast in the box above?

A. Typically when we set rates in the regulatory world, we use weather normal to set the rates because that's going to be the load forecast that we also have for the year is a weather normal load forecast. And then the variation will show up in the over/under calculation.

Q. All right. Is it your expectation though that at the end of the first year that the true-up should result in a $92 million credit to customers?

A. No. No.

Q. Okay. Why isn't that?

A. I know that the actual results are going to be different than weather normal, but it has an equal chance of being higher or lower than my weather normal.

Q. Okay.

A. The magnitude of those differences though aren't the same, but I have an equal chance of those, so I may have a higher number or a lower number depending on the actual weather.

Q. Okay. So going forward throughout the term of the PPA rider, May, 2024, am I correct then that the setting of the rider at the beginning of every calendar year would be based on the weather normalized forecast?

A. Under the company's proposal, yes.

Q. Okay. And would it be based on specifically the row that we just talked about under the weather normalized cases?

A. It would be based on the weather normalized forecast as we were setting that rate, so it won't rely on this forecast. We will update it over time.

Q. Okay. Thank you. So going back to your $721 million reference in your testimony, really fair to say then what I really should be looking at is not every year's credits throughout that table of the average high and low. What really matters I should be focusing only on the total column because that gives me the average over -- that gives me the total over the PPA period.

A. Yes. That's why I highlighted that cell, yes.

Q. Okay. Is it -- is it very easily that the forecast could be outside of the 5 percent higher load or outside of the 5 percent lower load in any given year?

MR. SATTERWHITE: Can you read that again? I am not sure what the second word was.

Q. Is it fair to say that for any given year that the load could be above let's say the 5 percent higher load forecast?

A. It's possible that load can deviate from normal by 5 percent higher or 5 percent lower in a given year. The probability of that occurring is very low. If my memory is correct, 5 percent higher load and lower load captures at least 95 percent of all of the occurrences so it covers 19 out of 20 years so in this case it would cover the vast majority.

Q. Okay. All right. Now, the stipulation -- well, under the PPA rider under the stipulation, it's now changed to be a quarterly true-up versus an annual true-up, correct?

A. Yes, that's correct.

Q. Okay. Do you believe that the quarterly true-up will result in less fluctuations in customer rates?

A. A quarterly true-up allows for a more timely return to customers of any excess dollars, and I described that in my rebuttal testimony in the case. It also limits how large an over and underrecovery balance can be. That's why we use that in a lot of proceedings. So that's what we proposed here --

Q. Okay.

A. -- and what we agreed to in the settlement.

Q. So instead of having a big swing in the rider PPA from year to year by doing it quarterly, it's -- you would be able to avoid that; is that your --

A. It makes it more timely any adjustment of the rate, and it just limits the size of any balances that could occur.

Q. Okay. And when you say the size, that's what I am getting at is the size of the balance. That would be the balance accruing at the end of the year which then would have to go into the next year's -- be baked into the next year's rider PPA, correct?

A. It would be but it would be spread out over a 12-month period so if it's $10 million over a year, it has roughly the same impact as 2-1/2 million over a quarter. And so it doesn't change necessarily the size of the rate to customers, but it allows it to flow back more timely.

Q. Okay. All right. Now, previously it was the rider was charged on a volumetric basis, correct?

A. Previously it was allocated volumetrically and charged on a volumetric rate. Now, it's allocated on a demand basis and then billed on a per kWh basis.

Q. And explain for me the demand basis allocation, how that's going to work, please.

A. It's allocated to the classes based on the 5 CP for the classes and that's described in Paragraph IIIA4 of the stipulation on page 6.

Q. Okay. And so am I correct that -- let me start first, what's your -- what is the -- what are the PJM five monthly coincident peak demands? Go ahead and explain that to me if you can.

A. The five coincident peaks are the five peak days that PJM has during a year, and for each customer we either estimate or use actual data to identify what their peak was at the time of those peaks, and then we would apply those peaks -- we would sum those peaks by the class. And then when you compare the peaks for each of the classes or voltage levels with the total, then you would get your allocation by class.

Q. All right. So you take the sum of the peak of all the peaks in the class, take the sum for each class, and that's how you do a pro rata allocation then.

A. That's correct.

Q. Okay. And then within the class it gets assessed on a kilowatt-hour basis.

A. That's correct.

Q. Is it fair to say that that allocation mechanism will result in a different amount paid within each class versus the prior kilowatt-hour allocation?

A. An amount paid or received it would

change, yes.

Q. Okay. In your testimony let's go back to page 14. Now, there is an answer there you give an estimate for an increase for residential rates. I was wondering how did you come up with that 62 cents a month increase in rates for the residentials in lines 18 to 20?

A. And I provided this in response to discovery, but we looked at the elements of the stipulation that have an impact in 2016 and evaluated as compared to current bills what the new rates would be.

Q. Okay. And when you say the impact of the stipulation, what do you mean by that?

A. The $4 million credit for the PPA rider --

Q. Okay.

A. -- would be one element, the allocation of the EE-PDR costs and the IRP costs. Those are the three that come to mind that were the items affecting the rate.

Q. What about the OPAE funding of $8 million, is that included in this cost increase estimate?

A. Those dollars are out of -- 8 million was 2017.

Q. That's correct.

A. So it wouldn't have been included in the calculation but also that would be out of the programs that the company would be doing anyway so it's not an increase in the cost. It's just an assignment of dollars to a specific program.

Q. Am I right about that? So if the -- let me just follow up on that. The -- any portfolio plan costs are recovered through the EE-PDR rider; is that correct?

A. Yes.

Q. Okay. And the way those costs are incurred happens as people avail themselves of the portfolio plan, correct? When I say "people," I mean customers.

A. There's a budget and then there's a true-up depending on how much is actually expended on those programs.

Q. Okay, okay. So that EE-PDR rider could increase the more customers use those programs that are available under the portfolio plan, correct?

A. The company has a budget for that, so the company manages the participation in those programs.

Q. Okay.

A. And so I don't know the details about it, wherever oversubscribed on those programs, but there is a budget for what we have for each one of those programs.

Q. What happens if you are oversubscribed on the programs and you are overbudget?

A. I don't know.

Q. So you can't tell me in regards to future years as specific with the OPAE funding of $8 million whether that would result in an increase to the EE-PDR rider, correct?

A. It would be an element of the portfolio that the company is presenting in the next EE program, so it's not an increase over any number. It's the new level that would be proposed to the Commission, and they can approve it or deny that request.

Q. Okay. So in regards to your answer at 18 through -- 18 through 22, that relates only to 2016, correct?

A. Yeah, the initial expected impact, yes.

Q. Okay. And how did you do the comparison

to the prior year where you concluded that the customer year to year from March, 2015 -- well, let me stop and I just came up with another question. Your footnote 1 on page 15 references the comparison as to March 1, 2015.
A. Yes.
Q. Okay. And my understanding is that the 62 cent increase is -- would be all of 20 -- just for 2016, correct?
A. That would be the impact March 1.
Q. Okay, okay. So January -- okay. When did your analysis -- you said this is a 2016 analysis. When did you assume the stipulation would be approved and the PPA rider would be in effect?
A. For this analysis we assumed that the stipulation would be approved February 10 as requested and so the first full month after that would be March and that's why we used March 1 of 2015 in our comparison.
Q. That's what I needed. Thank you. And did you just simply do a bill run comparing the two periods?
A. We did.
Q. Okay. How much of the $9 reduction is

related to the PPA rider?

A. I don't have the exact number with me, but it's going to be on the order of -- I can't do the math here in my head -- 10 to 15 cents.

Q. Okay. Do you have a feel for what the majority of the -- of what items drove that $9 decrease?

A. Some of the elements are the SSO auctions and the capacity prices that are incorporated into those. Other elements I think there was some adjustments to the FAC recovery mechanisms. It's a whole host of items but I think those were two of the larger ones but we provided in workpapers the complete rundown that can be looked at.

Q. Okay. Thank you. And it's 2:05. I am getting closer. Do you want to take a short break? I still have a little bit to go but.

A. We can finish this one.

MR. SATTERWHITE: Yeah, if you have got a little bit.

MR. SETTINERI: A little but I warned you.

Q. You can take your break as you see fit.

A. I'll break when you have a hard question.

Q. Everyone is a lawyer in this room. Just waiting for Karen to say something.

A. I didn't mean the questions were easy. I just thought a good time to break would be when you get to a hard one.

MR. SETTINERI: Note laughter on the transcript.

Q. I want to talk a little bit about MRO versus ESP.

A. Okay.

Q. And I believe you address that in your testimony. There it is. Let me ask this question, has AEP Ohio conducted any analysis of whether the current ESP coupled with the stipulation is more favorable in the aggregate than an MRO?

A. From a qualitative perspective and quantitative perspective, yes.

Q. Okay. And who performed that analysis?

A. I did.

Q. And when did you perform that analysis?

A. Just over the course of accept -- doing the stipulation, knowing that we are providing additional customer benefits which clearly takes care of the qualitative side of things, and we are providing financial -- quantifiable benefits in the $4 million credit in the PPA rider in the first year, so it clearly passes the test of making it more beneficial than what was just in the ESP that the Commission previously approved.

Q. In regards to the analysis that you did, did you view that analysis from going through the end of the current ESP which would be June of 2018?

A. No. And so, first of all, this stipulation doesn't change the current ESP. The Commission already approved that and did the ESP-MRO test and made that decision.

Q. Okay.

A. What I'm -- you know, when I think about an ESP-MRO test, nothing here has made that worse. It's made it better when we implement the provisions that are elements that were previously approved in that ESP which is the PPA rider produces the quantifiable benefits plus all the quantitative ones we've talked about. When we do an ESP-MRO test related to the other elements of the stipulation that are described in the extension provision, we'll do that calculation in that piece.

Q. Okay. And so those -- anything that's subject to a future proceeding would not have been considered in your analysis regarding whether the stipulation enhances the current ESP versus MRO.

A. First, I don't think we have to do an ESP-MRO test as part of this approval, but it does say that we agree that it enhances and preserves what was in there before.

Q. Okay. Thanks. So quantitatively, how does it enhance it quantitatively?

A. Well, it was a zero rider for customers, and the PPA rider is now a $4 million credit for customers so that's a clear quantitative enhancement.

Q. Okay. But why -- so are you only considering 2016?

A. When I look at the forecast here, it shows the future years will also be benefits to customers so that's a plus, but I'm also looking at the benefits of the price stability and thinking about that as well.

Q. Okay. What I am just trying to understand is, you know, you looked at whether the stipulation enhances the current ESP from an MRO versus ESP perspective and what I am wondering is you mentioned that you did focus on -- you did consider the $4 million credit projected under the weather normalized case. Did you in that consider -- quantitative analysis did you also consider the credit projected for 2017 of 29 million and the credit in 2018 of 9 million?

A. Those would have been included in that analysis.

Q. Okay.

A. Yes. And actually as you start moving out further, you start thinking more of the average high and low load forecast because that's the expected result.

Q. Right. Your analysis when you look at whether the stipulation enhances the current ESP, you didn't include anything that went beyond the current term of the ESP, correct?

A. No. I wouldn't have considered that.

Q. Okay. So quantitatively you have the PPA rider projected credits in the plus column. Is there anything else that you put in the plus column when you considered the quantitative enhancement?

A. I think the rest would fall into the qualitative category.

Q. Okay. What about, for instance -- go

ahead and strike that question.

All right. So qualitatively how -- how does the stipulation enhance the ESP versus MRO on a qualitative basis?

A. On a qualitative basis, instead of having as I described before a blank rider for the PPA, we now have a rider with a PPA in it that employs stabilizing effects for customers. There are other benefits that we describe.

Q. And I will interrupt you. Would it help to just quickly walk through the various sections of the PPA to pick up on what would be a qualitative benefit?

A. I think that would be the primary qualitative benefit I would think of as the price stabilizing effect. There are some other small issues that we're dealing with like CRES consolidated billing may have some benefit but that's not necessarily part of the prior ESP so I think I would limit my discussion of what's in there as to those -- the current ESP the qualitative benefits are really filling the PPA riders so we have price stabilizing effects.

Q. Okay. You indicated earlier you don't believe the Commission should conduct -- correct me if I am wrong, but I thought I heard you say you don't believe the Commission should conduct an MRO versus ESP analysis when it looks at approving the stipulation. Is that a fair -- is that correct?

A. As a nonlawyer, my view is the Commission has already made the determination in the prior ESP. They are approving this stipulation on its own but confirming that it has no negative effect on the ESP-MRO test previously decided. When the company litigates the ESP extension, then the Commission will be writing the ESP-MRO test for that extended period.

Q. Okay. Let me ask you a question, going back to your Exhibit WAA-2, in the -- let's look at that real quick. Again, how -- to the extent that the 5 percent lower -- load forecast is what occurs in the next couple of years, how would that affect your quantitative analysis that the stipulation with the PPA rider enhances the current ESP?

A. The evaluation of an ESP-MRO test is based upon the expected results, and so the expected results would be based upon the weather normalized or average of high and low load forecast cases.

Q. Now, the average is going to take place over a long term, over eight years, right?

A. The expected result is going to be the average of the high and low load forecast case. That's the -- if I were asked what's my expected result, that's the expectation of where it's going to come up over time.

Q. That over time we said earlier was to the end, the eight-year period, right?

A. When I look at the eight-year period.

Q. But short term here when you did your ESP versus MRO analysis, you looked at a short-term period, and my question is in the short term if we have a 5 percent lower load forecast in the first two years, that could change your quantitative analysis, correct?

A. No. I think when I look at the expected results, my expected results are always the average of the high and low load forecast. The difference is as I go out over time further, my confidence level increases.

Q. Okay. All right. So when you did your quantitative analysis, you didn't consider the 5 percent lower load forecast, correct?

A. It's one factor that influences the

average of the high and low load forecast case.

Q. All right. And likewise you didn't consider the -- you didn't consider the 5 percent higher load forecast -- let me rephrase that.

Would your answer be the same as to the 5 percent lower load forecast?

A. Yes, it would.

MR. SETTINERI: Okay. Thanks. I tell you what. I think I'm almost done. I suggest we take a 10-minute break until 2:30, and it will give me a chance to look at some notes.

Go off the record.

(Recess taken.)

MR. SETTINERI: We can go back on the record.

Q. All right. Mr. Allen, just a quick question, in the stipulation I believe there is a phrase "conversion related to the co-firing." And that's at page 19, yeah, part 9a.

A. I'm there.

Q. All right. And the word "conversion," does that really mean that the -- AEP Ohio or AEPGR would be adding natural gas co -- the ability to fire natural gas on the Conesville Units 5 and 6?

A. That's correct. They currently aren't capable of doing that.

Q. Okay. Under the stipulation, are there any caps on the charges or credits under rider PPA that are proposed?

A. No.

Q. Okay. Am I correct that nothing in the stipulation prohibits AEP Ohio from seeking an extension of rider PPA after the end of the term in May of 2024?

A. That's correct.

Q. Would you agree with me that the amended application dealt solely with populating rider PPA?

MR. SATTERWHITE: Clarification, amended application, you are talking May 15, 2015?

MR. SETTINERI: Yes.

MR. SATTERWHITE: Thank you.

A. It dealt with populating the PPA rider and the Commission ruling on the prudence of AEP Ohio entering into the PPA with AEPGR.

Q. Okay. And those were the only two I'll call them items in the amended application, correct?

A. To the best of my recollection, yes.

Q. Okay. Now, how does the stipulation

expand on the amended application?

MR. SATTERWHITE: I will reiterate my objection earlier to the extent it's asking for a legal quantification for how it is an expansion upon an application versus a regulatory sense.

Q. And just to help, Mr. Allen, I will just direct you to page 2 of your testimony. There's a sentence at line 19 that states "The provisions of the Stipulation expand and enhance the benefits to rate payers." So going back to my question is how does the stipulation enhance the amended application?

A. I think those are two different statements. One is my testimony is describing the enhancing the benefits to customers that were in the initial application. The joint stipulation describes all of the additional elements that the company and the other parties are agreeing to as part of the stipulation.

Q. Okay. Let me ask this, are you aware -- you agree with me that the PPA between AEPGR and Ohio Power for these units has not been executed, correct?

A. That's correct.

Q. Is there a -- has a PPA been drafted to the extent you are aware of?

A. Yes.
Q. Okay. And has that document been produced in discovery to the parties to the extent you are aware?
A. If it hasn't already been provided to parties, it's scheduled to be provided to the parties in one of the upcoming data requests that are coming out.
Q. Okay. All right. And you would agree with me that the stipulation presents modifications to what originally was contemplated in the PPA between AEPGR and AEP Ohio, correct?
A. The stipulation describes the changes to the PPA that AEP Ohio and AEPGR have agreed to.
Q. Right. And those changes are specifically a reduction in term and a setting of the return on equity at 10.38 percent, correct?
A. It's a little more extensive than that. They are described in Attachment A of the stipulation, page 40 of 40 of Exhibit WAA-1.
Q. Okay.
A. There are five elements there.
Q. Uh-huh. All right. And let me ask you this, who from -- are you -- were there any

negotiations between AEP Generation Resources and Ohio Power regarding the changes to the PPA?

A. There were discussions between AEPGR and AEP Ohio on changes in whether those changes would be acceptable, yes.

Q. And were you a part of those discussions?

A. I was party to some of those discussions.

Q. Okay. Who from AEP Generation Resources was involved in those discussions?

A. Chuck Zebula would have been the primary party.

Q. And what's Chuck -- how do you spell Chuck's last name?

A. Z-E-B-U-L-A.

Q. And what's Chuck's position? Do you know?

A. I don't know his title. He is the head of AEP Generation Resources.

Q. Okay. And who else -- anyone else -- well, who from Ohio Power was involved in those discussions?

A. It would have been Pablo Vegas.

Q. Do you know who Chuck Zebula reports to by chance?

A. I would be guessing. I'm not positive.
Q. I don't want you to guess. When did those discussions start regarding the changes to the PPA?
MR. SATTERWHITE: And as we get into these questions, just a word of caution not to disclose any confidential settlement discussions between any of the parties that you know about.
MR. SETTINERI: And just to clarify the objection, AEP Gen is not a signatory party to this, so I want to make sure that my understanding -- my expectation of the witness can certainly disclose any discussions, the contents of the discussions, with AEP Generation and Ohio Power.
MR. SATTERWHITE: There is still competitively sensitive potential confidential discussions between AEP Ohio and another party that aren't just available for the public record.
MR. SETTINERI: To the extent you are giving specific capacity -- anything -- I would agree in terms of information that's completely sensitive and confidential, however we frame it, but with regards to negotiations and terms of the PPA, my expectation he certainly can talk about those. We've

got the draft PPA, it's going to be produced anyway, right?

MR. SATTERWHITE: Right. But what went into some of that is potentially not subject to public disclosure.

MR. SETTINERI: All right.

A. The discussions would have occurred primarily in November and early December.

Q. Okay. What part of November? Before Thanksgiving?

A. I think they would have been before Thanksgiving, yes.

Q. And what were the nature of the discussions, first of all? Were they discussions in person?

A. The discussions I was present at were by teleconference.

Q. Okay. And just so I know, is Mr. Zebula's office, is his office in the -- this building we are in today which is what, 1 Riverside Plaza otherwise known as 1RP?

MR. MICHAEL: Or the T of P.

A. I think he has an office in this building, but he also has an office in one of our satellite offices a couple of buildings away.

Q. Are you aware -- are you aware of any in person discussions?

A. I don't know if there were or were not.

Q. And do you recall how many phone conferences you attended?

A. I participated on at least two or three of those discussions.

Q. Okay. In the course of those discussions, did AEP Generation Resources make any kind of counteroffer to what AEP Ohio was proposing?

MR. SATTERWHITE: I am just going to object to the one on relevance. I don't think AEPGR's offers for a contract that's not subject to the Commission's review is really a subject for this and, two, to the extent it's part of back and forth of negotiations with another party, just walk lightly again.

A. They were discussions around some of the commitments that AEPGR would be making.

Q. What commitments would those be?

MR. O'ROURKE: Can I have his last answer read back?

(Record read.)

Q. I'm sorry, there was a question pending.

THE WITNESS: So can you reread the question, please.

MR. SETTINERI: Yeah. Can you reread the question, please.

(Record read.)

MR. SATTERWHITE: Can you just rephrase what you are referring to there?

Q. Sure. If I recall your last answer, Mr. Allen, you mentioned that AEP Generation had discussed certain commitments they would have, and I am asking you as a follow-up to that to delve down on it what commitments was AEP Generation referring to in that discussion?

MR. SATTERWHITE: And to be clear that's the discussion -- the commitments are the ones that are in the PPA agreement that are between AEP Ohio --

MR. SETTINERI: Let's just go back. I'm sorry to do this to you, Karen. If you could reread the last full answer from Mr. Allen, that would be helpful.

(Record read.)

Q. So just to follow up, Mr. Allen, my question is again to follow up to your answer, what commitments was AEP Generation Resources referring to in that discussion?

A. So just to be clear when we are talking about the revisions to the affiliated PPA, I wasn't part of a discussion that debated some of these specific issues. I was in discussion where AEPGR was accepting of kind of the final set of items included here. I wasn't party to the earliest discussions where there may have been some pushback and some give and take between the two parties between AEP Ohio and AEPGR. The commitments I am discussing are other commitments that are being made such as the co-firing of the Conesville facility, so I want to separate those two. The costs flow through the PPA, but they are not commitments directly within the four corners of the PPA itself.

Q. All right. Thank you for that clarification. That's very helpful. Are you aware -- going back to the negotiations to the discussions that were regarding the changes to the PPA, did AEP Ohio make any offer to AEPGR that was different than what is now summarized on page 40 of the stipulation as Attachment A?

MR. SATTERWHITE: Objection, relevance.

Go ahead if you know anything.

A. I don't know if there was a different offer along the way.

Q. Okay. Are you aware of any counteroffer from AEP Generation Resources to AEP Ohio?

MR. SATTERWHITE: Same objection on relevance.

A. Not with regard to the specific elements described on page 40.

Q. Okay. Did AEP Generation Resources make a counteroffer in other areas related to the stipulation?

MR. SATTERWHITE: Objection, relevance.

A. I don't know that I would call them -- I would call them counteroffers. There were discussions around what commitments AEPGR was able to make as part of the -- that ultimately reside within the stipulation.

Q. Okay. As we sit here today, are you aware of any concerns that AEPGR has with any provisions in the stipulation?

MR. SATTERWHITE: Objection.

A. AEPGR was a willing participate in agreeing to the final draft PPA and agreeing to the description of the summarized changes in the Attachment A and they were -- and they are a willing participant in the commitments that are described really to things like the co-firing in the stipulation.

Q. So as you sit here today, you are not aware of any concerns AEPGR has with the provisions of the stipulation.

MR. SATTERWHITE: Same objection.

A. I am not aware of any concerns.

MR. SETTINERI: Okay. All right. Well, thank you, Mr. Allen. I appreciate it, Mr. Satterwhite. I have no more questions.

\- - -

CROSS-EXAMINATION

By Mr. Michael:

Q. Bill, I am going to jump around at first because I want to do some follow-up questions from those that Mr. Settineri asked you. So if you'll bear with me, I would appreciate it, and I will bear with you as you find out where we're going. All right?

A. Okay.

Q. I want to start off with Paragraph 9b of the stipulation, please.

A. What page are you on there? Make it easier.

Q. I have to find it, Bill. It has to do with the co-firing. Yeah, it starts on page 19.

A. Okay. I'm there.

Q. My recollection of your discussion with Mike was that there was natural gas available there to fire 50 percent of the plants, is that correct, Conesville 5 and 6?

A. Yes.

Q. On the top of page 20 the stipulation mentions that this annual MMBtu limit is 37.5 percent of the unit's design level. Do you see that?

A. I do.

Q. And the 37.5 percent has to do with coal fire, right?

A. That's correct.

Q. So is -- how will the difference between the 50 percent that natural gas can fire and the 37.5 percent that you are going to use coal for be made up, if at all?

A. The 37-and-a-half percent is an annual number, so it reflects 50 percent coal burn at a

75 percent annual capacity factor.

Q. Okay. So those units then will be running at a 75 percent capacity factor after conversion to co-firing.

A. Not necessarily. That's a limitation on the MMBtu based on the assumption of a 75 percent capacity factor and 50 percent gas co-firing.

Q. Okay. You had mentioned a term with Mike in his questions of you about "CT." Do you recall referencing that?

A. Yes.

Q. What is that?

A. A combustion turbine.

Q. Turn to page 15, Paragraph e, please.

A. Okay. I'm there.

Q. You had stated in response to a question from Mike that AEP Ohio would not be seeking recovery of costs as a result of a reduction in the alternative feed service in this proceeding; is that correct?

A. That's correct.

Q. Will you seek cost recovery in a future proceeding?

A. The way alternative feed service works is that -- and any recovery associated with costs therein, in the company's next base distribution rate case the company will evaluate all of our costs and we will propose new rates and one of the offsets to those rates will be revenues that we receive from alternative feed service and so there's a potential in a future proceeding if this rate stays at $2.50 per kW month, that the delta between what the company is collecting today and what the company will collect under this $2.50 per kW month, those revenues would be collected from other customers.

But nothing in this document prohibits the companies from presenting a rate based upon the costs that exist at the time the next distribution case from alternate feed service customers. So nothing in here is asking for recovery, and we wouldn't deal with these lost revenues until the next distribution case.

Q. At which point in time you will be dealing with the lost revenues, correct?

A. We may or may not be dealing with the lost revenues. The company can propose new rates for alternative feed service at that point in time.

Q. Okay. On page 15, Bill, Paragraph 3 in the provisions relating to the CAP program and OPAE. Mike had asked you a question about how many man hours might be involved in managing the program. Do you recall those questions?

A. I do.

Q. And my recollection of your response was that OPAE is -- you didn't know because OPAE is not currently managing the system; is that correct?

A. I don't think that's exactly what the discussion was. The discussion was dealing with the -- the management fee described later in there and the man hours. That's where that -- that discussion was had.

Q. Okay. And to the degree that's true, my recollection of your response is you didn't know how many man hours would be involved because OPAE is not currently managing the program, correct?

A. It's true that OPAE isn't managing the program today. That's not the reason I don't know what the man hours are.

Q. Okay. Can you -- did OPAE manage that program in the past?

A. Yes.

Q. Okay.

A. Or a similar program, yes.

Q. Or a similar program. Give me, for example, a year where they managed that program.

A. It's been recently. I don't recall the exact year, but it would have been 2010 through '12 were possibilities. I just don't recall the exact year.

Q. Okay. Let's assume it's some year or all years between '10 and '12. Do you know how many man hours they devoted to managing the program at that point in time?

A. We would think of it in terms of full-time equivalence as opposed to man hours. I don't know how many individuals they had managing the program at that time, and it would also depend on the size of the program. If the program was smaller, you would have smaller FTs.

Q. If you would turn to page 3 of the stipulation, please, Bill.

A. Page 3?

Q. Yes.

A. I'm there.

Q. And I wanted to draw your attention and -- to the provisions regarding the authority to determine the retail rate treatment of the revised affiliate PPA. Do you see that provision, the last?

A. The last whereas clause, I see.

Q. And you had a discussion with Mike about the source of that authority and the nature of that authority. And you had indicated that, you know, in the past the PUCO like other commissions have had authority over the retail treatment of PPA contracts. Do you recall that discussion you had?

A. Yes.

Q. For those PPA contracts that you had in mind, the attributes subject to the PPA were sold to the EDU's customers, correct?

A. They would have been sold to the EDU's customers or sold in the wholesale markets. Ultimately all power is dispatched into the PJM markets and netted on a financial basis to serve retail customers so there's really no difference between how it's done under the PPA proposal we have here and how it's dealt with in full regulated states.

Q. Sure. But in those instances you were referring to the reason for entering into the PPA contract was to have a sufficient amount of whatever the attributes were to serve the load that the EDU had, correct?

A. Entering into those PPAs isn't always used to solely serve the retail customers. There are times when those PPAs serve well in excess of the needs of customers that are sold into the wholesale markets.

Q. Right. But the purpose of the PPAs wasn't to sell into the PJM market. It was to serve their customers, and to the degree there was excess then that would be sold on the PJM markets, correct?

A. Before the company joined PJM, I would agree with that. Now that the company has joined PJM and has been in PJM for a number of years, people may talk about serving customers with generation when we enter into PPAs, but the effect is always that it's presenting a financial hedge to customers to avoid the volatility of the wholesale markets.

Q. How does that work? Explain that to me.

A. We always procure power for customers from PJM as a member of PJM. All of the power that we use to serve our customers is purchased from PJM. All of the output of our units is sold into the PJM markets. The net revenues from the sale of the power into the PJM markets as compared to the variable cost of the output of those units is used as a credit to reduce customer rates.

Q. Okay. But the reason why you enter into the PPA in the first place is to make sure you have enough energy capacity and ancillary services to serve your load, correct?

A. Well, people talk in those terms. The reality is that it provides stability from customers. It's a financial transaction at the end of the day.

Q. Who are the people that talk in those terms?

A. You hear it from a lot of individuals that are, you know, commissions, other folks that deal in the regulated area that have been doing it for a long time. As we have been working with commissions and other parties in recent years though, we have been changing how we describe that because it really is a more accurate way to describe any of these transactions that we are entering into.

Q. If you would please turn to page 16 of the stipulation, Bill, and specifically Paragraph No. 4.

A. I'm there.

Q. Does the Ohio Hospital Association have any transmission or subtransmission voltage customers?

A. I don't know but I wouldn't expect that they would.

Q. Okay. How about OPAE?

A. OPAE doesn't have any customers.

Q. Okay. But customers was the wrong description on my part. Any members of OPAE.

A. OPAE has a fairly diverse membership group. Maybe if we -- low income residential customers that OPAE represents would not be transmission and subtransmission customers. The membership of OPAE is a different set of individuals.

Q. Okay. So would that reallocation of the 50 percent from EE-PDR to EDR, would that reallocation have any influence on the customer impacts as a result of the funding under the EE-PDR for OHA and OPAE?

A. No. As we -- what Paragraph 4 is describing is the recovery of costs, not the funding of the programs. And the funding of the programs for OPAE and OHA are described in the prior paragraphs.

Q. Okay. So the fact that the 50 percent has shifted for the recovery of costs is not affected by the funding of the OPAE and OHA programs; is that what you are saying?

A. Yeah. They are separate elements, yes.

Q. Okay. If you would please turn to page 5 of the settlement and specifically Paragraph 3.

A. I'm there.

Q. I believe you characterized the credits as additional incentives to AEP Ohio to maximize market profitability and ensure that the PPA units are managed efficiently, correct?

A. That's generally what I described, yes.

Q. Okay. And those additional incentives, therefore, are not there in the first four years of the PPA rider, correct?

A. The normal incentives to do all these things exist in the first four years. There are additional incentives in the outer years under this stipulation.

Q. So there's less incentive for the first four years for AEP Ohio to manage the PPA efficiently, correct?

A. I wouldn't say less incentive. I would say there are additional incentives in the outer years.

Q. And there's less incentive in the first four years to maximize market profitability, correct?

A. I would say there is additional incentive in the outer years.

Q. If you will please turn to page 7, specifically paragraph 5a.

A. I'm there.

Q. And the compliance reviews, those reviews will be made regarding compliance with what? I am uncertain about that.

A. Those are annual reviews similar to what the Commission does in the FAC today where they review the actions taken by the company in procuring fuel and operating the units.

Q. Okay. But in order for there to be a compliance review, there has to be something that the Commission is reviewing the compliance with.

A. It's the second part of that sentence, they are ensuring that the actions taken by the companies when selling the output from the generation units into the PJM market were not unreasonable. That's what they are reviewing.

Q. Okay. And so they would be reviewing

compliance with whether or not AEP Ohio would be complying with PJM performance requirements?
A. No. It's an annual compliance review, that's the proceeding, is the way we would describe that. And what they are going to look at when they do that review is whether or not the company sold the output in a manner that was not unreasonable.
Q. Okay. So you had mentioned to Mike that AEPGR would be offering the attributes into the PJM market, correct?
A. Yes, that's correct.
Q. At AEP Ohio's direction.
A. That's correct.
Q. Okay. Would AEPGR be able to ignore AEP Ohio's direction?
A. I think that's described in the PPA document, but AEPGR would need to follow the direction of AEP Ohio.
Q. So there -- because Mike asked you if there was going to be some sort of contract regarding the directions, and my recollection is your response was you weren't sure, but are you now saying that the PPA will include a provision about obligating AEPGR to follow AEP's Ohio direction?

A. It would describe those at a very high level. My expectation whether it's a contract or a -- I am trying to think of the right word for it. But there may be a document that's a guide and principles document, a document that's drafted to describe to AEPGR how to bid the units.

Q. Okay. Would that document be legally -- or let me backtrack. Would that document carry with it enforceable rights in AEP Ohio to your understanding?

MR. SATTERWHITE: Same objection. I think you are asking his understanding but preserve the objection.

A. Yeah. It's a hypothetical. I haven't seen the document, so I can't tell you what rights would be included in that document.

Q. Okay. But so by the same token right now you can't tell me whether or not AEPGR could ignore AEP Ohio's direction, correct?

A. I mean, I think we have to recognize they are affiliates, so my expectation would be AEPGR would be following the direction of AEP Ohio.

Q. Okay. Who from AEP Ohio would be giving those directions?

A. The directions would be provided by Pablo Vegas or an individual that he designates.

Q. I am going to draw your attention to the last sentence in 5a, please, Bill. In discussions with Mike you had indicated that it's at least a potential that the PPA units won't clear a BRA auction, correct?

A. That's correct.

Q. Okay. Under what circumstances would the PPA units not clear the BRA auction?

A. If the price offered into the BRA auction was higher than the clearing price.

Q. Okay. So what would happen if that were to occur as it relates to the cost passthrough and the PPA rider?

A. The revenues received would be less than they would be had the unit cleared in the auction.

Q. Okay. And in point of fact there might be no revenue if they don't clear the BRA auction, correct?

A. The capacity revenues could be zero if they didn't clear in the auction but there would still be energy revenues for the unit and there could be capacity revenues if the company entered into a bilateral agreement.

Q. So in acknowledging, Bill, that it's at least possible that the PPA units wouldn't clear the BRA auction, is it safe to say that AEP Ohio is conceding that it will not bid the PPA units in the BRA auction in such a way to ensure that they do clear?

A. The company is not making a commitment about the bidding strategy that we will undertake.

Q. Well, I mean, actually you are because you say you are going -- you are going to try to maximize market profitability, right?

A. That's correct. That's the objective is maximizing market profitability.

Q. Okay. And market to which you are referring is the PJM market in the first instance, right?

A. Yes, it is.

Q. Okay. So you are making some representations about how you are going to bid the PPA units, right?

A. We are describing the outcome we are seeking as we develop the bidding strategy for the units.

Q. Sure. And to the degree it's at least possible that the PPA units don't clear as you acknowledge, then you also have to acknowledge you are not going to bid the PPA units in such a way that they actually clear the BRA auction, correct?

MR. SATTERWHITE: Could you reread that for me, please.

MR. MICHAEL: Can you read it back, please, Karen.

(Record read.)

A. I'm not aware of a profit maximizing approach to bidding the units that guarantees the units would clear the BRA auction.

Q. Okay. But you are aware of a way in which the cost/credit to customers could either reduce the costs or increase the profit, you are aware of a bidding strategy that you could do that in a BRA auction, correct, and that's bid as a price taker?

A. Not necessarily, no.

Q. Okay. Give me the circumstances under which that would not occur.

A. Sure. If you bid a unit -- if you are a price taker and you bid zero and you -- and the auction cleared at $60 and you incurred capacity performance penalties such that the net revenues were actually negative from the unit, you would have been better off not clearing the auction.

MR. MICHAEL: Could you read back that answer, please.

(Record read.)

Q. How would you have incurred capacity penalties under that?

A. If the unit doesn't perform, you would incur those penalties and exceed the revenues you receive in the market.

Q. Okay. But at the time you -- the offer is made and there is an acceptance, you don't know whether there is going to be capacity penalties or not, right?

A. That's right but I have to factor in the risk of those penalties when I make my bids.

Q. Okay. So how would you know what -- how would you analyze that risk when you make your bids?

A. You're analyzing the probability of unit outages during those yet-to-be-known hours where there may be performance penalties assessed to units that don't operate in those hours.

Q. Are you -- based on the track record of the PPA units, are you anticipating that, in fact, there will be outages? Is their track record such that that's a reasonable conclusion to reach?

A. No unit has 100 percent availability so there are units that are within PJM that could be very good performers that are going to have, you know, a failure of a pump or whatnot and they are not going to be operating in one of those critical hours and they are going to incur penalties. That's going to exist for every unit in PJM no matter how reliable they are.

Q. Okay. And quantify that penalty that you are describing for me, if you can, even on a ballpark basis.

A. I haven't quantified what the potential penalties are for the units. You have to look at how much are you bidding in for the fleet of units, how much are you committing that -- at those prices so that you can mitigate the risk there. There are some fairly complex strategies that are -- that can be undertaken to mitigate those risks.

Q. Okay. Is there any track record with any of the PPA units of incurring capacity penalties?

A. They don't exist yet.

Q. Right.

A. So you can't have penalties. You can only look back at historic data and make some pretty rough assumptions because the whole point of the PJM capacity performance construct was to incent different behaviors by units. So you can't just look at today's rules and apply them to historic performance and come up with estimates.

Q. Okay. So you're saying that the historical outages of the PPA units provide no guidance on how frequently they will be out on a going-forward basis and thus incur capacity penalties; is that correct?

A. You can use them as a data point, but you have to be very careful in how you look at that data and understand how unit operation is being changed as a result of the new market that exists in PJM.

Q. Well, AEP Ohio in this case though has characterized these PPA units as efficient, well run plants that will enhance reliability, correct?

A. That's correct.

Q. Okay. And if that's the case, then the likelihood that they will incur capacity performance

penalties is comparatively low, correct?
A. Over time you can make the conclusion that you expect those penalties to be low. I don't know what hours PJM is going to identify as those critical hours ahead of time, so it's a challenge to model that, and people are working on it trying to understand that and how best to bid units in and mitigate the risk of losses.
Q. So it's highly unlikely that if AEP Ohio were to bid the PPA units as a price taker, that the capacity and performance penalties would outweigh the revenue generated from the sale, isn't it?
A. I don't think I can agree to that.
Q. Why not?
A. Without more information.
Q. What? What information would you need?
A. I need to know what the clearing price any tier in each year is going to be. I am going to have to understand how many hours PJM is actually calling. There are a lot of issues I would have to look at.
Q. If you would please turn to page 19 and specifically Paragraph 9a.
A. Okay.

Q. I am going to draw your attention to the discussion you had with Mike with the provision regarding subject to approval for cost recovery. You had indicated that AEP Ohio wouldn't proceed with the conversion unless full cost recovery was approved, correct?

A. That would be my expectation, yes.

Q. Okay. And the document itself, in fact, does not say that, discuss full cost recovery. It just talks about approval for cost recovery, correct?

A. Approval for cost recovery implies full cost recovery.

Q. Okay. Couldn't it -- why doesn't it equally apply some portion of cost recovery?

A. Cost recovery means 100 percent cost recovery.

Q. That's not what it says, right?

MR. SATTERWHITE: Objection.

A. It does say that. It doesn't say partial cost recovery. It says cost recovery.

Q. Now, Bill, you had -- Mike asked you a lot of questions about would the Commission be quote-unquote bound by this provision or that provision. Do you recall those questions?

A. I do.
Q. And you would generally respond by saying that the Commission would be accepting these provisions if the stipulation was approved, correct?
A. Yes.
Q. Is there -- are you drawing a distinction in your own mind between bound by and accepting?
A. I think bound is a legal term.
Q. Okay.
A. But from a regulatory perspective the Commission is accepting that this is what they are going to do if they approve the stipulation.
Q. Okay. So you are not offering any view as to whether they would be bound as a legal matter by the provisions in the stipulation that Mike asked you about?
A. I am not offering a legal conclusion, that's correct.
Q. For WAA-2, Bill, why didn't you use the 2015 fundamentals forecast that Mr. Bletzacker discussed during the hearing?
A. The companies have not run an analysis of these units using the 2015 forecast.
Q. Yes, I understand that. I am asking you

why they haven't.

A. I think as I described in the hearing the company presented its case based on the forecast that was available at the time we filed the case, and it does not aid judicial efficiency to continue to update data and forecasts throughout a proceeding. You'll never get done with the proceeding because parties will need more time to look at the new data and then by the time they have looked at the new date there's new data they can look at and you will never get done.

Q. Okay. Has there been a for -- a fundamentals forecast finalized and utilized by AEP Ohio since Mr. Bletzacker's testimony about the 2015 fundamentals forecast during the hearing?

A. Not that I am aware of.

Q. Please turn to page 6, Bill, of the settlement.

A. Okay.

Q. And I want to draw your attention to the $4 million credit for 2016 annualized subject to reconciliation under Paragraph 4. Do you see those comments?

A. I do.

Q. When we say subject to reconciliation, does that mean in any one quarter the value of the PPA rider will be adjusted on customers' bills?

A. The over/under mechanism will begin to kick in during 2016, yes.

Q. Okay. So the rider might start out with a $4 million credit to customers. But as the reconciliation process goes forward, it could go down or up from that dollar figure, correct?

A. That's correct. Just like it can in the remainder of the years, yes.

Q. Bill, what I am going to do is hand you a complete version of AEP Ohio's responses to our discovery requests, and consistent with my discussion with your counsel, I am going to direct you to certain of the discovery responses within that packet. We can pull them out and mark them as exhibits and discuss them, okay?

A. Okay.

Q. So I would first like to draw your attention, Bill, to Interrogatory S1-034. And we will mark that as OCC Exhibit 1, if we can. They should be in numerical order.

MR. SETTINERI: 34?

MR. MICHAEL: Yes, sir.

MR. SATTERWHITE: If we could be off the record for one second?

(Recess taken.)

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. (By Mr. Michael) Bill, I wanted to -- you have been handed what was marked as OCC Exhibit 1, and I am going to ask you questions in connection with that exhibit as it relates to page 1, line 16 of your direct testimony.

A. I'm there.

Q. Okay. So can you identify what we've marked as OCC Exhibit 1, please?

A. Yes. It's a response to Interrogatory S1-034 from the OCC.

Q. And you're the witness identified on the response to the interrogatory, correct?

A. I am.

Q. And as part of your response, you refer to OCC's Interrogatory 35, correct?

A. Yes, I do.

Q. Okay.

MR. MICHAEL: Mr. Settineri, if you would please hand to Mr. Allen what -- 35, Interrogatory

35.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Allen, I think you have been handed what we had marked as OCC Exhibit No. 2, correct?

A. Yes.

Q. And can you identify that document for me, please?

A. It's the company's response to the Consumers' Counsel Interrogatory S1-035.

Q. Okay.

MR. SATTERWHITE: Can you give me a second to review the objection on here before you ask questions?

MR. MICHAEL: Sure.

MR. SATTERWHITE: Okay. Can you give him the whole -- did you say there were no attachments to it, to the one you marked?

MR. MICHAEL: Is there a reference to an attachment in here, Matt?

MR. SATTERWHITE: Yeah.

MR. MICHAEL: Oh, okay. Give him the attachment, Mike, definitely, absolutely.

MR. SATTERWHITE: It should be the next thing in the stack.

MR. MICHAEL: Yeah.
MR. SETTINERI: 1 through 3.
MR. SATTERWHITE: Thank you.
MR. SETTINERI: Do you want to add that?
MR. SATTERWHITE: Yes, to the exhibits.
Q. (by mr. Michael) Bill, I want to draw your attention to the response about midway through where it begins quote-unquote serious bargaining. Do you see that?
A. I do.
Q. Okay. Now, for serious bargaining to occur, each party has to have equal bargaining power, correct?
A. I don't think I would agree with that.
Q. So serious party -- or, pardon me, serious bargaining can occur even between parties with unequal bargaining power according to your understanding of serious bargaining?
A. Yes.
Q. Continuing on with that part of the response, Bill, when you say that serious bargaining refers to a process undertaken by the parties to jointly develop and negotiate a settlement, that process must involve each party and apply to each

provision, correct?

A. It deals with all parties and the settlement as a whole. I can't look at any individual provision in isolation.

Q. Okay. And explain to me a little bit about why you describe it that way.

A. Well, at the end of the day all of the parties are looking at the package of a settlement and determining if that's a package that they can accept. There are different provisions with a settlement that have greater or lesser value to each of the parties in a case.

Q. Okay. So it's at least conceivable then based on your definition that a particular provision could be negotiated between particular parties, and yet they are nonetheless in serious bargaining?

MR. SATTERWHITE: Can you reread that for me, please?

(Record read.)

MR. SATTERWHITE: I guess I am going to object to form. I am not sure. Are we talking about this stipulation or in general serious bargaining?

MR. MICHAEL: I am happy to go specific to this one. I don't want to draw any objections.

MR. SATTERWHITE: I understand. It's kind of a dangling end to this. I'm not sure.

MR. MICHAEL: I mean, he testified to what he thinks serious bargaining is, and I am just trying to explore that.

MR. SATTERWHITE: Are you going to put in a multi-signatory party stipulation?

MR. MICHAEL: Yes.

A. So in that context two parties can discuss a specific element of a stipulation that has value to those two parties. The agreement on that provision then would end up in the overall package. All of the parties then could look at that element and then make a determination about whether or not when that new provision is included in the document if they're still willing to accept the settlement package as a whole. Each and every party in a case is able to look at all of the elements of a stipulation, make comments on those, and decide whether or not they are willing to sign the stipulation with that provision in it.

Q. Okay. Would that explanation, Bill, apply if a given provision were nonnegotiable?

A. No. I think there can be nonnegotiable provisions in a stipulation, but the totality of the stipulation can be bargained by -- you can have serious bargaining around all the other elements including this element, and parties can decide whether they are willing to accept that provision. Parties do have bottom lines.

Q. Okay. Now, you referenced, Bill, in what we have marked as OCC Exhibit 2 the ability to weigh pros and cons of a particular provision. Do you see that in your response right there?

A. And just for reference it doesn't have a prepared on this, but it was prepared by counsel as 35 is my understanding.

Q. But in the previous interrogatory that you did --

A. I refer to it. That's fine. I want to make clear --

Q. I am not going to ask you about the objections or any specifics that caused your counsel to object; but, you know, when we asked you in No. 34 about serious bargaining, you referred to 35 so that's why I am asking you questions about 35.

A. That's fine. I am willing to answer questions.

MR. SATTERWHITE: I think just object or further that point his point is all the language in here is counsel's language and he was referring to taking advantage of counsel that provided this, so if you get into specific language, he may not be able to answer I believe is the point.

MR. MICHAEL: Yeah. But he adopted it in 34. That's why I started with 34 so that's why I am asking questions.

MR. SATTERWHITE: Relying on what counsel provided here.

Q. Okay. Well, you wouldn't rely on it if you didn't believe it, right?

A. I believe it's accurate from our counsel's perspective, yes.

Q. Well, it's accurate from your perspective too because you adopted it in response to Interrogatory 34.

A. Yeah. I don't disagree with what's in here.

Q. Okay. We are talking about the pros and cons provision. Do you see that in there?

A. Yes.

Q. Okay. Now, and the statement says "With each new version, all parties have an opportunity to probe the potential pros and cons of a particular provision, negotiate changes to each provision, and weigh specific provisions against each other and against the entire package of provisions contained in the draft of the settlement." Did I read that correctly?

A. Yes.

Q. If a provision is nonnegotiable, that sentence doesn't apply, correct?

A. I don't think that's accurate. If a party negotiates a change to a provision, they can propose changes, but other parties may be unwilling to change those provisions. That's a negotiation still so I think this still applies.

Q. So if one party says a provision is not negotiable, it's still not subject to negotiation; is that what you are saying?

A. The stipulation as a package is.

Q. Okay. But this particular sentence that we read, Bill, says all parties have an opportunity to probe the potential pros and cons of a particular provision, negotiate changes to each provision, correct?

A. You can negotiate changes to a provision. It doesn't mean they will be accepted by the other parties in a negotiation.

Q. If a provision is nonnegotiable, you can't negotiate the provision, right?

A. Without having a specific, I can't tell you if something is nonnegotiable. Generally everything has -- with the right other changes something could be negotiable.

Q. Okay. Is it -- is it possible that there could be an element of a settlement that is so crucial, all right, that the ability to negotiate on things other than that one element creates an environment where the stipulation as a whole is not subject to serious bargaining?

A. I don't know that I would agree with that general conclusion. There are -- no party has veto authority over a stipulation so if a party is unwilling to settle, if I think of a regular rate case that I deal with, if a party is unwilling to accept any rate increase, I can still have serious negotiations with all of the parties in the proceeding. Just because that one party is unwilling to sign any stipulation with the rate increase

doesn't mean that serious bargaining didn't occur.
Q. And that's in part a function of our prior acknowledgment that at least in your opinion serious bargaining can occur even if the parties are of unequal bargaining power, correct?
A. It happens all the time.
Q. Okay. Sticking with that, if we can, please, Bill, serious bargaining between knowledgeable parties can't occur when the implications of a particular provision being negotiated are unknown, right?
A. You know, I think as we describe in this answer, parties have the ability to ask questions to understand the implications of provisions of a stipulation.
Q. Sure. But there are some provisions in this stipulation the implications of which are simply unknown because they are subject to a future filing, correct?
A. I wouldn't agree with that.
Q. Okay. Tell me why you wouldn't.
A. A provision in the stipulation, to give you a general example, that commits the company to make a filing related to energy efficiency, we will

use that as an example, the implications of the stipulation are known by the parties. The implication of the settlement is that the company will make the filing. The companies still retain the rights to litigate that proceeding for that proceeding to go forward and see what the costs are of that separate proceeding. But the only implication of this stipulation would be that the companies would file an energy efficiency filing.

Q. So let's take an example to explore this a little bit and we'll use the conversion of Conesville 5 and 6, okay? So the conversion of Conesville 5 and 6 is subject to a future filing, correct?

A. That's correct.

Q. Cost recovery for conversion is subject to that future filing, correct?

A. That's correct.

Q. Okay. Now, that future filing may be rejected by the Commission, correct?

A. Yes.

Q. And full cost recovery also might be rejected by the Commission, correct?

A. That's possible, yes.

Q. Okay. So you can't look at the conversion of Conesville 5 and 6 and seriously negotiate the stipulation and that provision of the stipulation with knowledgeable parties when you don't even know if the conversion is going to be approved.

MR. SATTERWHITE: Objection. I think it misrepresents. The whole basis is misrepresenting.

A. The stipulation doesn't require the conversion of Conesville 5 and 6. It doesn't require cost recovery of the conversion of Conesville 5 and 6. What it requires is the company to make a filing to request the conversion. All the parties know 100 percent what the implications of the stipulation are. The implications are that the company is going to make that filing. There are no other implications of that element of it.

Q. Well, there is going to be -- once you make the filing there is going to be cost recovery through the PPA rider if it's successful, right?

A. That's -- and that's the subject of a separate proceeding which the parties have a right to weigh in on.

Q. Okay. So --

A. Signatory parties and nonsignatory

parties.

Q. So at the time the parties -- the signatory parties sign the application, they don't know the cost implication of conversion of Conesville 5 and 6, right?

A. The cost of Conesville 5 and 6 isn't a necessary element of the negotiation. The parties aren't agreeing to the recovery of that. All that they are agreeing to is that the company is making a commitment to make that filing so everything that is required in the stipulation the parties in that regard when we are talking about the Conesville 5 and 6 conversion, the parties know what the implications are.

Q. The parties can't be knowledgeable though about the conversion when they don't know what the cost of the conversion will be, correct?

MR. SATTERWHITE: Objection. You are just arguing with him.

A. The stipulation doesn't describe that there is going to be a conversion of 5 and 6. What the stipulation commits to is the filing to convert the units.

Q. Okay. So let's -- let's talk about this line of questioning in the context of the public interest prong of the three-prong test. You are aware of that prong of the three-prong test, right?

A. Yes.

Q. When the Commission evaluates the stipulation as a package, because it doesn't know if conversion is going to occur or the cost implications of it, they can't include that as part of the package in their analysis of whether or not the stipulation as a package is in the public interest, correct?

A. No, I don't agree with that.

Q. Okay. Is AEP's commitment to file alone in the public interest then according to your testimony?

A. It's an element that the Commission can consider in determining if the stipulation as a whole is in the public interest, yes.

Q. Okay. Is it a fact that the Commission does not know the cost of the conversion, an element that it can consider when doing its public interest analysis?

MR. SATTERWHITE: Objection, from a regulatory point of view.

MR. MICHAEL: Uh-huh.

A. When the Commission is making its decision about public interest, it can weigh all of the facts that are before it, both the commitment to make a filing and also the benefit to the public interest of signing the settlement is if you don't know a cost that we're putting that forth in a future proceeding before the Commission so they can weigh that so the fact that there's a separate proceeding to fully evaluate that in the Commission's view may add to their view of this stipulation being in the public interest.

Q. Okay. But at least as it relates to its public interest analysis of the stipulation in and of itself, at this point in time the stip -- the Commission cannot consider anything other than AEP Ohio's commitment because that's all that's provided for in the stipulation, correct?

MR. SATTERWHITE: Same objection.

A. Yeah. I think the Commission can consider both AEP Ohio's commitment as well as the potential benefits that could occur as a result of that commitment to make the filing.

Q. Okay. But there is no concrete benefits because they don't even know if they are going to approve the conversion of Conesville 5 and 6, correct?

MR. SATTERWHITE: Objection. He gave you his answer. Now, you are arguing again.

MR. MICHAEL: What was his answer?

MR. SATTERWHITE: That the Commission can consider what it wants. It can consider the aspect of how it turns out. The Commission has everything before it.

THE WITNESS: Can I have the question reread.

(Record read.)

A. No, I wouldn't agree. There's a concrete benefit in that there's an option being presented to the Commission that wouldn't be presented to the Commission but for the stipulation.

Q. And that's the commitment to file is what you are referring to?

A. The option is that Conesville 5 and 6 can be converted to gas absent the stipulation that may never occur.

Q. Okay. I want to draw your attention, if I can, please, Bill, to still on what we marked as OCC Exhibit No. 2. It provides "As such, there is no single party and no specific subset of parties to whom attribution is given for a particular section, provision, or sentence within the Stipulation." Do you see that?

A. I do.

Q. And did I read that correctly?

A. Yes.

Q. If I could draw your attention in connection with that provision, Bill, to the first page of the stipulation.

A. Okay.

Q. And specifically footnote 1.

A. So you are on the second page of the stipulation?

Q. Yes, sir. Did I say first page? I apologize.

A. Okay. I see that.

Q. Footnote 1 states "The Sierra Club, Direct Energy, and Interstate Gas Supply, Inc. agree not to oppose this provision," correct?

A. Correct.

Q. So there is a specific subset of parties as it relates to the footnoted sentence and that subset excludes Sierra Club, Direct, and IGS, correct?

A. I don't know that it excludes them. It states what it states, that they agree not to oppose this provision.

Q. Okay. Well, if it included them, there would be no need for that footnote, correct? They would have just signed the stipulation.

A. I don't know why they requested that footnote to be included.

Q. Okay. But you're -- you've been in this regulatory business for what, 20 years now or more?

A. Yes.

Q. And this wouldn't be your first rodeo as far as this PPA rider proceeding, correct?

A. I've done negotiations before and stipulations.

Q. And you know that the parties that sign the stipulation support the entire stipulation, right?

A. Generally, yes.

Q. And, in fact, you have a provision in here that says the signatory parties won't oppose the stipulation, and they will support the stipulation, correct?

A. There's a provision that says they won't oppose it. I think there is some language about how they need to support it from a legal and cost perspective.

Q. Okay. So, again, I get back to my point that there is a subset of parties as it relates to the sentence with the footnote that excludes these three because if they were included in supporting that provision, there would be no need for the footnote.

MR. SATTERWHITE: Objection.

A. Based on my experience in, you know, multiple jurisdictions in dealing with lots of settlements, when parties choose to footnote out of specific sentences or provisions it may have, and I am not agreeing they are footnoting out of this provision when I describe it, this is more generally when parties include footnotes describing their support or nonopposition to provisions oftentimes it's related to a party's position that they may be taking in other proceedings or concern that their signature at just the end of a document may be used against them in other proceedings so they request specific footnotes in order to protect themselves in other proceedings if a document like this is put in front of their witnesses.

Q. Yeah. They don't want to be perceived as supporting the stipulation as a whole.

MR. SATTERWHITE: Objection, if you are asking about the settlement discussions with the parties.

MR. MICHAEL: I'm talking about the response he just gave, and he gave reasons why in his experience people foot -- provide these footnotes to not oppose. I am just exploring his response to that.

MR. SATTERWHITE: I just want to make sure it's clear he is discussing his opinion of what might happen in other jurisdictions.

A. Yeah. In general, not related to this stipulation, but it's not that they are necessarily opposed to a provision. They are signing onto the entirety of the stipulation. A great example in a base rate proceeding we'll have parties that don't want to sign the stipulation that has an explicit ROE included in that stipulation because they don't want somebody to point to it and say, oh, you agreed to a 10.5 ROE in this case so they may file another letter in the docket saying that they support the stipulation as a whole so their name isn't even on the document so if somebody brings the stipulation, it doesn't show up there or they may put a footnote that says they take no position on that provision. There is lots of ways they are agreeing. It doesn't mean they don't agree with the provision. It's concern for how it will be used in other proceedings.

Q. Okay. So help me understand that then. Take a party like OEG, for example. They signed the stipulation, correct?

A. OEG signed the stipulation.

Q. And there's no footnotes in the stipulation related to OEG, correct?

A. Other than the one where they say it's subject to filing a letter later.

MR. MICHAEL: While he is looking can we go off the record for a second, please?

MR. SATTERWHITE: Yeah.

(Discussion off the record.)

Q. (By Mr. Michael) Did you need the question read back, Bill?

A. The only footnote for OEG that I saw in the document was on page 38 which was just a signature stating they hadn't had final client approval when they signed.

Q. Sure. And so but they did later file a letter in the docket approving, correct?

A. That's my recollection, yes.

Q. Okay. So when it comes to a party like OEG, they support the entirety of the stipulation, correct?

A. I think all of the parties support the entirety of the stipulation is my understanding, but the document speaks for itself.

Q. Okay. Turn to page 36 of the stipulation, please, Bill.

A. Yes.

Q. Footnote 16, do you see that?

A. I do.

Q. In fact, not all of the parties support the stipulation in its entirety, correct?

A. Once again, as a nonlawyer and not reading into the minds of the parties that requested that footnote, but my reading of a footnote like that is that if the stipulation is contested, that the -- these three parties aren't obligated to support the stipulation through additional legal filings. You know, one of the main points behind settlement is to limit the litigation costs and an element like this would help to limit the litigation costs for these three parties because they are not obligated to support the stipulation if contested.

Q. Okay. So are you saying that as a hypothetical, or are you saying that's why they included this provision?

A. No. That's generally a hypothetical and why you would put a footnote in on an element like this.

Q. Okay. But are you testifying at -- in making that comment are you testifying that's the reason behind footnote 16 in the stipulation?

MR. SATTERWHITE: I'll object to the extent he is asking you to divulge conversations between the parties. He can testify to what this part means as it's here or not but not any conversation that happened between parties.

MR. MICHAEL: Yeah. I am just talking about the meaning of this provision.

MR. SATTERWHITE: Thank you.

A. So I can't tell you why these parties chose to have this provision put in here and how they view it but my -- but I described what my understanding of this provision is and what the parties that have footnoted on this section what costs they are avoiding through that footnote.

Q. Okay. I want to draw your attention, if I can, Bill, to stay on page 2 of the stipulation and the sentence that states "For purposes of resolving the issues raised by these proceedings, the Signatory Parties agree to fully support the adoption of the stipulation without modification in this proceeding." Do you see that sentence?

A. I do.

Q. And the footnote -- footnote says the stipulation -- "Sierra Club agrees not to oppose this provision." Do you see that?

A. I do.

Q. So as it relates to that provision, there is a subset of parties that excludes the Sierra Club from supporting that provision, correct?

MR. SATTERWHITE: Objection.

A. I think the footnote speaks for itself, "The Sierra Club agrees not to oppose this provision."

Q. Okay. And I am just trying to understand the meaning. I understand your assertion that it speaks for itself, but the document can't talk, and you are the company's sponsoring witness, so I am just trying to understand the meaning behind that provision. So you assert in response to Interrogatory 35 that there is no single party and no specific subset of parties to whom attribution is given for a particular section. Yeah, refresh your recollection on that part.

A. And that's in response to the listing of the Sections A1 through L and Sections IVA and IVJ of the stipulation, yes.

Q. Okay. So would the meaning of serious bargaining change based on what provision we are talking about then?

A. No.

Q. Okay. So your statement about subset of parties is equally applicable to the sentence we were just talking about with the footnote 2, correct?

A. I think what you can attribute the footnote to, No. 2, is to the party Sierra Club because it's there. For the ones you have listed I can't attribute that to any specific party, the ones you've listed in Interrogatory S1-035.

Q. Right. And I am just trying to explore, Bill, and try to understand your assertion that you can't attribute any provision to a subset of parties, okay? And there's a number of footnotes in here that parties either state that they don't oppose or they are not participating and don't oppose. You are familiar with those footnotes, correct?

A. I am.

Q. And as a result, as to those footnoted provisions, there is a subset of parties to which those provisions apply because you have parties that have dropped these footnotes and say they don't oppose or participate or both, right?

MR. SATTERWHITE: Objection.

A. The parties have agreed to the stipulation in total, and they've requested footnotes in specific sections for reasons that are only known by those parties. But the other parties to the stipulation were also willing to sign the stipulation as a whole with these footnotes included.

Q. Okay. So but Sierra Club you're comment you just made can't be applicable to the sentence we just read because Sierra Club specifically says they don't oppose this provision, so they are not -- they aren't signed off on that provision like, for example, OEG did, correct?

MR. SATTERWHITE: Objection. That's not a fair comparison. They say they don't oppose. It doesn't say what you stated.

A. I think it's clear what it says in footnote 2. Sierra Club does not oppose that provision of the stipulation.

Q. Okay. Let's say I were to agree with you it is clear, and I think it means they don't support that provision; would you agree with that?

A. I don't think it says that they don't support that provision.

Q. Okay. So it may not be as clear as you say it is, correct?

MR. SATTERWHITE: Objection. Now, you are arguing.

A. When you review a stipulation or a contract, you have to look within the four corners of the document, and the words that are here are very clear.

Q. What about if the -- you made the assertion so I am going to follow up with a little bit about it. When you say you have to look in the four corners of the document, what if the four corners of the document is unclear?

A. I think in this provision it's clear what Sierra Club is stating.

Q. For the purposes of my question what if it was unclear? What would you look at to determine the meaning of the provision?

MR. SATTERWHITE: Objection.

A. That's a hypothetical. I would have to see the item in question to understand where to go to understand more.

Q. Okay. So let me give you an example then. Stick with footnote 2 and it says "The Sierra Club agrees not to oppose this provision," correct?

A. That's what it says.

Q. Okay. And then, for example, in the first whereas clause under "Recitals," there is not a similar footnote, correct?

A. That's correct.

Q. Okay. And then just to pick another provision, in the paragraph above where it says "This Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and, though not binding, is entitled to careful consideration by the Commission." Do you see that provision?

A. I see that sentence, yes.

Q. And there's no footnote to that particular sentence, correct?

A. That's correct.

Q. Okay. So one cannot conclude, therefore, that the Sierra Club does not oppose the provisions which don't contain that footnote, right?

A. Sierra Club's position on the stipulation is documented in the stipulation. Where there is a footnote, the footnote means what it means.

Q. Okay. And what about when there is not a footnote? What does that mean?

A. That means that there's no additional context to that sentence.

Q. No additional context to that sentence. So the conclusion is that they support the provisions that aren't footnoted?

A. They sign the stipulation. That means that they support the totality of the stipulation as a whole.

Q. Okay. But they don't support particular provisions within the stipulation, namely, the ones where they footnote out of.

MR. SATTERWHITE: Objection. That's not what it states. You keep trying to go back to that exact same point. Eventually I am going to tell him to stop answering because he said what it says they agree not to oppose, and you are trying to take that into an opposition. That's not what it states.

A. Nowhere in the document does it say the Sierra Club opposes a specific provision of the stipulation.

MR. MICHAEL: Can you read that back to me one more time, the answer.

(Record read.)

Q. Okay. So turn to page 37 of the stipulation for me, please, Bill.

A. Okay.

Q. And footnote 17. Are you with me?

A. I'm there.

Q. Okay. And it states "Sierra Club and its counsel are not obligated to support the reasonableness of this Stipulation before the Commission," correct?

A. Yes, that's a portion of the statement, yes.

Q. Okay. And that footnote relates to a sentence that obligates the other signatory parties to support the stipulation, correct?

A. Without knowing what Sierra Club's reasoning for wanting that provision, what that -- sorry. Without identifying why Sierra Club or knowing why Sierra Club wanted that specific footnote included in the stipulation, my understanding as a nonlawyer is that that allows a party to avoid the legal costs associated with supporting the stipulation in an appeal or future proceedings, so a provision like this is really a cost saving element for a party.

Q. Okay. But just to be clear that explanation isn't specific to this; you are talking generally, correct?

A. Generally that's what --

Q. Okay.

A. -- would happen if you are not required to support an element like what's in Paragraph H.

Q. The next sentence in that footnote says "Sierra Club and its counsel agree not to oppose the Stipulation before the Commission." Did I read that correctly?

A. It says "The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible."

Q. I'm sorry, Bill. I was sticking with footnote 17.

A. Sorry.

Q. No, that's all right. And I was reading the next sentence. It says "Sierra Club and its counsel agree not to oppose the stipulation before the Commission." Do you see that?

A. I do.

Q. Okay. And I am trying to figure out why when I am analyzing the meaning of the document that footnote appears to say that Sierra Club doesn't oppose the stipulation in its entirety before the Commission. Is that your understanding of that particular sentence?

A. My understanding of that sentence is a -- it's a follow on to the prior statement. So in a provision like this what it's stating is that a party is avoiding the cost of supporting the stipulation in the future if it's appealed, but it's also saying that in addition to not expending resources to support the stipulation, a party also is agreeing not to oppose the stipulation.

Q. So if that's true, how should -- why -- why are the other footnotes in there? Because this footnote says they are not going to oppose the stipulation period, but then you have other provisions where there's footnotes where a party says they are not going to oppose particular provisions. And when I am trying to understand the meaning of the document, it would seem to me having both of those would be unnecessary, and only the blanket one in 17 would be necessary.

MR. SATTERWHITE: Reminder again to the extent it gets into conversations with Sierra Club or any party where footnotes were included, you can't answer that for negotiations.

MR. MICHAEL: For purposes of this deposition I am going to, you know, concede that point, but I am trying to understand the meaning of the document, okay?

Q. So on the one hand, I have a footnote 17 that says a party is not going to oppose the stipulation before the Commission, correct?

A. The words in the footnote state what they state. What you have to understand you can't just read the words in the footnote. You have to look at the paragraph and understand what the paragraph is intended to do so paragraph 8 -- paragraph H, I'm sorry --

Q. Okay.

A. -- is talking about parties supporting the reasonableness of the stipulation before the Commission and to cause its counsel to do the same, and in any appeal it participates in from the Commission's adoption or enforcement of the stipulation so those could be Supreme Court appeals and the like and so a party that would state that they are not financially supporting those appeals, that's what it's stating is a party can avoid that financial impact.

Q. Okay, okay. Just to be clear then so based on what you just said, it would be inappropriate to read the sentence "Sierra Club and its counsel agree not to oppose the stipulation before the Commission" to mean that Sierra Club agrees not to oppose the stipulation in its entirety. It only refers to the sentence to which it's attached.

A. That sentence relates to the sentence that the footnote is attached to.

Q. Okay, okay.

MR. MICHAEL: Interrogatory No. 8.

MR. SETTINERI: Okay.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. OCC Exhibit 3, can you identify what we've marked as OCC Exhibit 3, please?

A. Yes. It's the company's response to the Consumers' Counsel Interrogatory S1-008 which was prepared by myself.

Q. You identify in that interrogatory specific elements proposed to be approved in this proceeding, correct?

A. Yes, that's what it states.

Q. Okay. And those elements are the PPA rider transferring 50 percent of EE-PDR rider to the EDR rider and transfer of 50 percent of IRP credits to the EDR rider, correct?

A. Yes, that's what it states.

Q. Okay. So the signatory parties aren't knowledgeable about the rate impacts associated with the stipulation except for those three items, correct?

A. The rate impacts with the other elements aren't known with certainty at this time, but the parties to the settlement and other parties to the negotiations were made aware of other potential rate impacts of the proceedings that could occur in the future as a result of the stipulation being approved and if those subsequent proceedings are approved.

MR. MICHAEL: I want to introduce Interrogatory 48, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, we've handed you what's been marked as OCC Exhibit No. 4. Can you identify that document?

A. Yes. It's the company's response to Consumers' Counsel INT-S1-048 that was prepared by myself.

Q. And that response confirms that the company hasn't performed any calculation or study about the costs of converting Conesville 5 and 6, correct?

A. That's right. The companies have not identified the costs of converting Conesville Units 5 and 6.

Q. Okay. And, therefore, the signatory parties and no other party knows what the rate impacts of converting 5 and 6 is going to be, right?

A. I wouldn't say that the signatory parties don't know what the rate impacts of that would be. The signatory parties would have been made aware of costs to do conversions of other facilities in the AEP system. Some of the attorneys have participated in cases in other proceedings and are well aware of the types of costs that would be incurred to do a conversion like this.

Q. Those prior projects may or may not be the same as Conesville 5 and 6, right?

A. They wouldn't be the same, but they would be informative.

Q. Okay.

MR. MICHAEL: Interrogatory No. 47, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, we have handed you what has been marked as OCC Exhibit 5. Can you identify that document, please?

A. Yes. That's the company's response to Consumers' Counsel Interrogatory S1-047 that I prepared.

Q. Okay. And the interrogatory asks for the responder to identify the annual cost impact on residential consumers of the two-year pilot supplier consolidated billing program, correct?

A. That's correct.

Q. And the interrogatory doesn't identify the annual cost, does it?

A. The cost that would be eligible for recovery in a future distribution case can't be known until the company identifies a test year for that distribution case.

MR. MICHAEL: Request for production 1-004 and 1-019.

(EXHIBITS MARKED FOR IDENTIFICATION.)

Q. Bill, we handed you what's been marked as OCC Exhibits 6 and 7. Could you please identify what has been marked as OCC Exhibit 6.

A. OCC 6 is the -- is the company's response to Consumers' Counsel Interrogatory S1-004 that was prepared by counsel.

Q. Actually on my -- make sure you are looking at the right one, 004, the RPD.

A. RPD.

MR. SATTERWHITE: Making the witness work.

A. Were both RPDs?
Q. Yes, RPD-4 and RPD-19.
A. OCC 6 is the company's response to Consumers' Counsel RPD-S1-004 which I prepared.
Q. Okay. And your response to that RPD refers to the company's response to OCC-RPD-1-019, correct?
A. Yes, that's correct.
Q. Okay. And do you have -- can you identify OCC Exhibit 7 for me, please?
A. OCC 7 is RPD -- is the company's response to Consumers' Counsel RPD-S1-019 prepared by myself.
Q. Okay. And it asks for the production of documents related to the assertion that the stipulation preserves and advances positive results of the MRO versus the ESP, correct?
A. That's correct.
Q. And you refer in the response to WAA-2, correct?
A. That's correct.
Q. So WAA-2 and the associated workpapers are the documents relied on to support the assertion regarding the preservation and advancement of the dispositive results under the MRO versus the ESP,

correct?

A. Those are the documents showing the additional benefits. There's also the assertion that it doesn't -- that it preserves the results so there is nothing detrimental so that would be looking at the other elements of the stipulation.

Q. Okay. But WAA-2 and the associated workpapers doesn't include the costs of converting Conesville 5 and 6, right?

A. That's correct.

Q. And WAA-2 and the associated workpapers don't include the costs to develop the solar and wind power projects, correct?

A. That's correct.

MR. MICHAEL: RPD-1-006, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, we handed you what's been marked as OCC Exhibit 8. Can you identify that document for me, please?

A. Yes. OCC Exhibit 8 is the company's response to Consumers' Counsel RPD-S1-006 which I prepared.

Q. And I want to draw your attention first, if I could, Bill, to response Item b. Do you see that?

A. I do.

Q. Is the -- the $500,000 is an annual cap per participating customer, correct?

A. That's not a per customer cap. That's a total cap --

Q. Total cap.

A. -- on an annual basis.

Q. I want to go back, if we can, to the stipulation, what was marked as Exhibit 2 by Mr. Settineri and specifically Section C of the stipulation.

A. Do you have a page reference?

Q. I will in a moment. 10.

A. Okay. I'm there.

Q. And this describes the extension of the ESP III term through May 31, 2024, that's going to be subject to a future filing, correct?

A. That's correct.

Q. And AEP Ohio makes certain commitments about various programs that it is going to include in that future filing, correct?

A. That's correct.

Q. Okay. So no guarantee that that filing is going to be approved by the Commission, correct?

A. That's correct.

Q. Okay. So when the Commission analyzes the degree to which the stipulation as a package including Section C is in the public interest or not, they can't consider Section C because we don't even know if any of the provisions in Section C are going to come to fruition, right?

MR. SATTERWHITE: Objection.

A. I wouldn't agree with that.

Q. Okay. Again, is it the intent to file alone a sufficient thing for the Commission to consider in its public interest analysis according to you?

A. The commitment to file a long-term ESP with the breadth of elements that are described here I think are benefits that the Commission could look at in determining the public interest.

Q. Okay. But they are not going to have any information regarding these specific provisions when they're valuating the stipulation, right?

A. What the Commission can consider as they are looking at the stipulation is that there are commitments by the company to file an ESP with certain provisions that could not exist without the company's willingness to present them and so there are benefits in the company's commitment to make these filings.

Q. But the only certain commitment -- or the only certain potential issue that the Commission could consider is the commitment because, as you acknowledged earlier, the future filing might be rejected in its entirety, right?

A. The Commission could reject it but there are commitments to make beneficial enhancements to the ESP to the benefit of customers.

Q. But the details of none of those commitments are known yet because you have reserved providing those details until the time a future filing is made, right?

MR. SATTERWHITE: Objection. Now, we are just asking the same question over and over again.

A. The information that we presented -- the detail information will be presented to the Commission in the separate filing, but the stipulation provides commitments with a level of specificity about what those elements will look like, what the objectives are, so there is some element that's in here about what those provisions that the Commission will see in the future are.

Q. Bill, I want to direct your attention, if I could, please, to what was previously marked as Exhibit 2, the stipulation, and specifically page 23, Item b, 12b.

A. I'm there.

Q. Is it an AEP entity that the stipulation is proposing is exclusively owning the co-owned units potentially?

A. I'm sorry. Can you repeat that question again?

Q. Sure. Let's focus on the language first. It says AEP Ohio -- pardon me, "AEP will report and document in this docket the steps it has taken to consolidate ownership interest so that the co-owned units are exclusively owned by a single entity." Did I read that correctly?

A. Yes.

Q. Is that single entity an AEP entity?

A. One of the entities could be an AEP entity like AEPGR.

Q. When you say one of the entities, are there potential other entities in which ownership would be consolidated?

A. Well, when you look at consolidating ownership of the joint owned units, and so we are looking at the co-owned PPA units, there is Dynegy, Dayton, and AEPGR, if they transfer ownership shares in specific units such as they consolidated ownership, you will have ownership in the units by three entities, AEPGR, Dayton Power and Light, and Dynegy. So the single entities can be any one of those three or entities that they choose to sell those units to.

It's not stating that all of the units will be owned by one entity. So the example that's probably the simplist to think about is Stewart Units 1 through 4 which are joint owned among those three entities. AEPGR has approximately 25 percent ownership in all four of those units. Consolidating ownership could result in AEPGR owning 100 percent of unit 1 and units 2 through 4 being owned by the other joint owners.

Q. Drawing your attention to page 28, Paragraph E, please, Bill, the carbon emission reduction plan.

A. Okay. I'm there.

Q. Will the carbon emission reduction plan discussed in that paragraph be binding on AEP Ohio?

A. The filing of a plan is binding upon AEP Ohio.

Q. Okay. But that which is in the plan, will that be binding on AEP Ohio?

A. No. It's a document describing what AEP Ohio is doing to reduce carbon emissions and what AEP Ohio's affiliates are doing.

Q. Okay. So there will be no binding carbon emission reduction attributes in that filing then, correct?

A. There may be some carbon reduction commitments that are binding that are described within that document so the document won't make additional commitments but there may be binding commitments that are described within that document.

Q. Okay. Please turn to page 34 of the stipulation and specifically Paragraph IV.A.

A. Okay. I'm there.

Q. Is the modified ESP that ESP that will result if the future filing is approved; is that what you are referring to there?

A. The modified ESP is the future filing described earlier in the document.

Q. Okay.

A. Yes. It's the April 30 ESP extension filing.

MR. SETTINERI: Could I have that question and answer reread, please, if you don't mind.

(Record read.)

Q. If you turn the page, Bill, to page 35, Paragraph D.

A. Okay.

Q. And you are welcome to read the entire paragraph, of course, but I want to draw your attention about midway down where it says -- talks about remedy to cure the deficiency. Do you see that?

A. Yes.

Q. Okay. What happens if the court determines the deficiency cannot be cured?

MR. SATTERWHITE: Objection to the extent it calls for a legal conclusion.

A. Without making a legal determination, I think if the remedy is not cured -- yeah, I don't think I can make a recommendation on what that would be. I think that would be for the lawyers to decide.

Q. Okay.

MR. O'ROURKE: Can I have that question and answer read back, please.

(Record read.)

Q. Now, it also says there, Bill, in that sentence I drew your attention to, it talks about a reasonable remedy, right?

A. Yes.

Q. And I was going to ask you who decides whether or not it's a reasonable remedy to cure the deficiency?

A. I think each party can make their own determination. As a nonlawyer, there's a statement later in that paragraph that talks about a signatory party may choose to oppose and express any concern with the modified PPA rider to the Commission. So I think if a party doesn't believe that it's a reasonable remedy, that would be their avenue.

Q. Okay. And if they come to that conclusion, however, that party will forfeit its stipulated provisions, correct?

A. That's what it states, yes.

Q. Okay. So in order for that to be the

case and for that language to have meaning, then AEP Ohio knows that there are certain provisions within the stipulation that apply to specific parties, right? Because otherwise they wouldn't be able to say they forfeited their stipulated provision, right?

A. I don't know how we would -- what the definition of that term is. You know, an example though would be the OHA provisions, if they opposed the provisions that provide benefits to OHA through energy efficiency, those would be forfeited.

Q. Okay. So there are other provisions in there and according to the language that says the signatory party will forfeit its stipulated provisions, correct?

A. That's what the document states.

Q. Okay. So the OHA provision isn't the only provision in the stipulation to which you can attribute to a specific party, correct? Otherwise this provision that we are talking about would be unenforceable, right?

A. I think we have to be clear it's not a -- it's provisions that benefit that party directly.

Q. Correct.

A. It's not a provision that is only their provision. All of the parties signed the stipulation as a package, so all the parties agreed to all of the provisions, but those types of elements like the OHA or the OPAE one would be one example where that right would disappear.

Q. Okay. So we could sit down and go through the stipulation provision by provision and pick out the signatory party that benefits -- is benefited by that particular provision, couldn't we?

MR. SATTERWHITE: I'll object as that relates to this question.

A. I think it would be a challenge to do that undertaking in my -- my guess would be that if we ended up in this unlikely scenario here, that there would be debate among the parties about which provisions could terminate and which provisions couldn't terminate.

Q. If you would please turn to page 37 of the stipulation, Bill, and specifically Paragraph I. Again, you are welcome to read the whole thing, but I am going to draw your attention to the language in the middle describing an adversely affected signatory party.

A. I see that.

Q. Okay. Who is going to decide what is an adversely affected signatory party?

MR. SATTERWHITE: Renew my objection. This is sort of the legal section of this. He can't give a legal answer.

MR. MICHAEL: I would never ask him to give that, Matt. Don't worry.

MR. SATTERWHITE: You spend a lot of time in the legal section so.

A. I think the signatory parties that felt they were adversely affected by the rejection of the provision would let AEP Ohio and the other signatory parties know that they believe they were adversely affected.

MR. MICHAEL: Would you read that answer, please.

(Record read.)

Q. Okay. So it's the signatory -- any given signatory party can unilaterally decide whether or not they were adversely affected?

MR. SATTERWHITE: Same objection.

A. Yeah. We rarely run into these situations, but generally if a stipulation is modified or rejected by a Commission, and in this case if that future provision were modified or rejected, the parties would work together typically -- typically in a collaborative fashion to identify how best we can get back to the, you know, values that parties felt they had from the original stipulation they signed.

Q. Okay. Doesn't this provision confirm that we could walk through the stipulation and pick out provisions and say exactly which signatory party benefits from that particular provision?

A. No. I don't think we can do that.

Q. Then you wouldn't be able to determine who was an adversely affected signatory party then if a particular provision wasn't approved in the future ESP filing?

MR. SATTERWHITE: Objection. That's inconsistent with his prior answer where the parties will let AEP know.

A. Yeah. Based on my experience, when we deal with issues like this, if a provision is rejected, the various parties to the stipulation will get together to try to find out how best we can have the stipulation go back to a condition that was similar to what the parties had agreed to.

Q. Okay. Go a little bit further down that same paragraph, Bill. You'll see an equivalent value, very last sentence.

A. Yes.

Q. Who determines what is equivalent value?

A. In this case the signatory parties would petition the Commission for appropriate relief limited to the equivalent value. The equivalent value is obviously going to be a somewhat subjective analysis. Individuals can present, you know, calculations, whatever they think they need to do to show that they are looking for that same value.

Q. Okay. I am going to hand to you what's going to be marked as OCC Exhibit 9.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. It's Interrogatory S10.

A. Okay. I have that.

Q. And can you identify that document, please, Bill?

A. That's the company's response to Consumers' Counsel Interrogatory S1-010 which I prepared.

Q. Okay. And you'll see that it states "The initial PPA Rider rates (credits) are provided below." Do you see that?

A. I do.

Q. And I just -- there's nothing provided below so I was wondering what you were referring to.

A. There should be a table that goes in there.

MR. MICHAEL: Okay. Is that something, Matt, that you could get to us, please?

MR. SATTERWHITE: Yeah.

A. Probably got lost when we converted.

MR. SATTERWHITE: Converted it over?

MR. MICHAEL: I would appreciate that. Thank you.

MR. SETTINERI: Will you serve that on all parties?

MR. SATTERWHITE: Yes.

A. And it should also be included in the workpapers as well, but we can give you the table that was intended to be there.

Q. Okay. That would be great. I would appreciate it.

MR. MICHAEL: Okay. S-26, Interrogatory 26.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, we have handed you what was marked as OCC Exhibit 10. Can you identify that document, please?

A. Yes. That's the company's response to Consumers' Counsel Interrogatory S1-026 that was prepared by myself and counsel.

Q. Okay. And I want to draw your attention, if I could, please, to the very last sentence. And it states "Employee incentive for AEP Ohio witnesses are not directly tied to the Commission adopting the Joint Stipulation and Recommendation," et cetera.

A. That's correct.

Q. Okay. Thank you. And I was wondering are employee incentives indirectly tied to the adoption of the stipulation --

MR. SATTERWHITE: Objection.

Q. -- with respect to those identified witnesses that testified?

A. I can only generally describe how employee incentives are identified for the vast majority of those employees listed there. They perform work for entities that cross the company's 11 states, and their performance is evaluated against the work they do in all of those 11 states as well as the Federal Energy Regulatory Commission, you know, financial outcomes of the company and the like.

Q. Including the outcome of a regulatory proceeding in Ohio?

A. Generally, incentives aren't tied to the results of regulatory proceedings. They are more tied to an employee's performance in advocating for those positions.

Q. Okay. And the way you measure performance in advocating those positions is whether you win or lose, right?

MR. SATTERWHITE: Objection.

A. Not in the regulatory world. If I could --

Q. I wish it was that way in the legal world.

A. And win every case that I presented the best case possible and every issue, that would be great but that's not how the regulatory world works. It's very subjective. But those are only elements that are considered or the employees' performance in those regards for most of the individuals listed here were in management roles so we are managing individuals. Our performance is measured upon, you know, how we are managing those individuals, so it goes well beyond the outcome of any specific case.

Q. But it includes the outcome of this specific case, correct?

MR. SATTERWHITE: Objection.

A. I don't think -- I am not expecting that the outcome of this case is going to impact my bonus one way or another.

Q. Okay. Are you in a position to answer the same question regarding any one of the other identified individuals?

A. I described generally how bonuses are determined, incentives, just overall pay, all of those aspects. They look at the totality of the work the individual does. It's not focused on one specific outcome.

MR. MICHAEL: Interrogatories 28 and 29.

(EXHIBITS MARKED FOR IDENTIFICATION.)

Q. Bill, we've handed you what has been marked as OCC Exhibits 11 and 12. Can you identify what was marked as OCC Exhibit 11, please?

A. OCC 11 is the company's response to Consumers' Counsel Interrogatory S1-028 that I prepared.

Q. And identify what was marked OCC Exhibit 12 for me.
A. OCC Exhibit 12 is the company's response to Consumers' Counsel Interrogatory S1-29 that I prepared.
Q. Okay. So in light of those documents, Bill, it's true, correct, that PJM capacity performance penalties will be passed through the PPA rider, correct?
A. Costs and credits associated with participating in the PJM capacity market will be included in the rider subject to the conditions described in Section IIIA5.
Q. Okay. So the PJM capacity performance penalty would be a cost, correct?
A. I don't -- we hear a lot of people refer to them as penalties. They're -- I think of them as charges under the agreement.
Q. Okay. So would charges under the agreement be passed through the PPA rider?
A. They would be subject to the provisions in A5a, so to the extent that the actions of the company were not deemed unreasonable by the Commission, then they would flow through the rider.

Q. Okay. So are you saying there are circumstances where AEPGR could incur a capacity performance penalty that would be reasonable?

A. Oh, absolutely.

Q. Okay. And give me an example.

A. If a unit had a forced outage due to a valve failure, that would be a very reasonable outage. And it's due to no failure of AEPGR to, you know, appropriately maintain the unit; and in that case, you know, my view would be that would be a reasonable -- it wouldn't be an unreasonable action and it should be passed through.

Q. Okay. Are capacity performance penalties included in WAA-2?

A. I don't think that the companies included any additional penalties based upon how the company bid the units into the auction.

Q. Okay.

MR. O'ROURKE: Can I have that question and answer read back.

(Record read.)

MR. MICHAEL: Is that good, Ryan?

MR. O'ROURKE: Yeah, that's good. Thanks.

Q. Okay. Give me an example of something happening where you would incur a capacity performance penalty and that would be an unreasonable incurrence of that penalty?

MR. SATTERWHITE: Objection. Go ahead.

A. I think the easiest way to describe that I'll go to an extreme. The reason that you could determine that to be unreasonable would be if the company chose not to spend any maintenance dollars on a plant, and as a result of not spending maintenance dollars on the plant, it had significant outages that caused penalties to be incurred.

Q. Okay.

MR. MICHAEL: Interrogatory 31, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, we have handed you what has been marked as OCC Exhibit 13. Can you identify that document, please?

A. Yes. That's the company's response to Consumers' Counsel INT-S1-031 that I prepared.

Q. Okay. My question to you, Bill, is if there were a longer-term capacity product in market enhancement, PJM could implement that product, right?

A. PJM could petition the FERC to approve a tariff that included a longer-term capacity product, yes.

Q. Okay. Have you been involved in any conversations with PJM as to why they haven't implemented a longer-term capacity product?

A. I have not personally been involved in that, but I know that there have been discussions over time with stakeholders in PJM discussing the pros and cons of a longer-term capacity product.

Q. And do you know what PJM's feedback has been in response to those discussions?

A. I don't know what their specific feedback was. I know what the tariff is that exists today as a result of those discussions and what FERC was willing to accept.

Q. And those pro -- tariffs --

A. Let me correct that.

Q. Please.

A. FERC accepted based upon PJM's filing.

Q. Sure. And I take it just based on your, you know, your testimony that you would not -- you think there could be an even longer-term capacity product than what PJM's tariff provides for?

A. I think PJM's tariff provides a very

short-term capacity product, so it's a one-year product. That's about as short as you can get unless you are in MISO.

MR. MICHAEL: Interrogatory 38 and Request for Admission No. 6.

MR. SETTINERI: If we can just go off the record for a second.

(Discussion off the record.)

(EXHIBITS MARKED FOR IDENTIFICATION.)

Q. Bill, we have handed you what has been marked as OCC Exhibits 14 and 15.

MR. SATTERWHITE: Since he found them, could you identify which one is 14 and which one is 15?

MR. MICHAEL: Sure. 14 is Interrogatory 38, and 15 is Request for Admission 6.

Q. Bill, can you please identify what has been marked as OCC Exhibit 14?

A. Yes. OCC 14 is the company's response to Consumers' Counsel Interrogatory S1-38 that I prepared.

Q. Okay. And that's an interrogatory in response you refer OCC to Request for Admission 6, correct? Can you identify -- in interrogatory 38 you refer OCC to Request for Admission 6, correct?

A. Yes.

Q. Okay. And can you identify what was marked as OCC Exhibit 15, please?

A. Yes. That's the company's response to Consumers' Counsel RFA-S1-006 that I prepared.

Q. Okay. And there's no explanation in response to Request for Admission No. 6, correct?

A. That's correct.

Q. Okay. So you didn't provide the explanation in response to the interrogatory? You referred OCC back to the admission, so I wanted to give you this opportunity to explain, if you can, the denial and Request for Admission No. 6, please?

A. Sure. I think the way I would view the balanced outcome is that it's a -- the stipulation provides benefits for all classes of customers in a variety of constituency groups, and so I think it provides a balanced outcome for both signatory parties and nonsignatory parties.

Q. Okay.

MR. MICHAEL: Interrogatory 39 and Request for Admission No. 7, please.

(EXHIBITS MARKED FOR IDENTIFICATION.)

Q. Bill, can you please identify what has been marked as OCC Exhibit 16?

A. Yes. It's the company's response to Consumers' Counsel Interrogatory S1-39 that I prepared.

Q. And in response to that interrogatory you refer OCC to RFA-007, correct?

A. That's correct.

Q. And can you identify what was marked as OCC Exhibit 17, please?

A. Yes. That's the company's response to Consumers' Counsel RFA-S1-007 that I prepared.

Q. And that -- that response is "Deny. The non-signatory parties have not filed positions with regard to the Stipulation." Did I read that correctly?

A. That's correct.

Q. Okay. At that point in time you responded to this request for admission you took the position that because nobody had filed yet you couldn't tell whether or not there was a broad and diverse group of stakeholders opposing the stipulation, correct?

A. That's correct.

Q. Okay. Now, the nonsignatory parties have filed positions with regard to the stipulation, correct?

A. They have.

Q. Okay. And I wanted to give you this opportunity to change your response to request for admission. Would you now admit given that nonsignatory parties have filed their positions, that a broad and diverse group of stakeholders oppose the stipulation?

A. I think the filings in the docket speak for themselves. As far as the parties that oppose the stipulation, my memory is that the -- there is no industrial opposition to the stipulation. The actual CRES providers that participated in the case are not opposing the stipulation so that's a couple of groups that aren't opposing it so I -- how broad and how diverse that group is that's opposing it I don't know. I haven't done a thorough review of that.

Q. Okay. Is Ohio Manufacturers' Association Energy Group, aren't they -- are you drawing a distinction between manufacturing and industrial?

A. Yeah. I would view industrial as being the large energy users as opposed to the mid-size energy users which are the manufacturers.

Q. Okay. So OMAEG is a middle-sized group by that definition?

A. It's a middle-sized group, and it's a -- I would say it's a middle-sized group.

Q. Isn't RESA -- you're familiar with what RESA is, correct?

A. I am.

Q. Don't -- isn't RESA made up of a number of CRES providers?

A. I apologize. I have been busy preparing for this. I don't know if RESA filed testimony opposing the stipulation.

Q. Okay. If they did, then you would alter your response to my question when you pointed out some of the CRES providers aren't opposing the stip, correct?

A. No.

Q. Why not?

A. I view it very differently between individual entities that have real business interests making decisions about whether or not they want to participate in the stipulation and a group that purports to represent the interests of those same individuals. I view them very differently.

Q. Okay. I'll let Mr. Settineri follow up on that, but in the meantime I'll ask you what kind of real business interests are you talking about?

A. Actual businesses that serve customers in the State of Ohio which would be the CRES providers that have signed the stipulation.

Q. Okay.

MR. MICHAEL: Interrogatory No. 40, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Bill, can you identify what has previously been marked as OCC Exhibit No. 18?

A. OCC 18 is the company's response to Consumers' Counsel Interrogatory S1-040 that I prepared.

Q. Okay. And the interrogatory asks AEP Ohio to describe why it will not provide credits to customers in the first four years of the PPA, correct?

A. That's what's requested in that interrogatory, yes.

Q. Okay. And your response is that the credits are part of an overall package, correct?

A. That's correct.

Q. And you also refer to Interrogatory 35, correct?

A. I do.

Q. Okay. So I don't understand how your statement that it's part of an overall package describes why AEP Ohio will not provide credits to the customers in the first four years of the PPA. So I was wondering if could you explain that for me.

A. I think, as we've described previously, we're not going in -- we can't discuss the motivations of parties and the value they ascribe to each element of the stipulation. And so what the company has agreed to is what's in the stipulation and that's providing potential credits in the last four years of the PPA.

Q. Okay. So I'm still not clear because you are the one that responded to the interrogatory that's part of an overall package, and because that's unclear I would like to know what it means and so because the fact that it's part of an overall package doesn't describe why AEP Ohio won't provide the credit in the first four years and --

A. The company agreed to a stipulation that included credits in the last four years of the term of the PPA.

Q. Was that provision subject to negotiation?

MR. SATTERWHITE: Objection. I think he already gave you his answer this was the result. You have the stipulation in front of you. I think he said that's part of the overall package and that's how you should judge it, not the materials that lead to that. That's the terms that's in the stipulation.

Q. Okay. But you assert in your testimony that was -- the stipulation was subject to serious bargaining, correct?

A. I do.

Q. Okay. And here you say that a particular provision was part of the overall package so I'm trying to understand is that provision part of the overall package that was subject to serious bargaining, okay?

A. The stipulation as a whole was subject to serious bargaining.

Q. Okay.

A. This is one element of the stipulation.

Q. And is it one element of the stipulation that was subject to serious bargaining?

MR. SATTERWHITE: Objection. I think he has answered that. You are trying to paraphrase and change his answer. He is telling you that the stipulation as a whole was serious bargaining. He is not going to parse through and say whether one part was talked about by four parties or five parties or two parties. He's answering questions on the stipulation as a whole and there was serious bargaining involved.

MR. MICHAEL: Are you instructing him not to answer?

MR. SATTERWHITE: I am objecting to the question. He has answered it multiple times.

MR. MICHAEL: Okay. I disagree but.

A. The credits weren't included in the companies' initial proposal. They are included in the final stipulation. It's a concession of the company, so it's an element that was negotiated as part of the stipulation.

MR. MICHAEL: Interrogatory 62.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Can you identify what's been marked as OCC Exhibit 19, please?

A. OCC 19 is the company's response to Consumers' Counsel Interrogatory S1-062 that I prepared.

Q. Are these principles hierarchical which is to say is one more important than another?

A. No.

Q. Okay. How is economically efficient as you are using it here measured?

A. Economically efficient would look at a couple of things as do the rates produce the right price signals for customers is one way you can look at economically efficient.

Q. What does that mean, produce the right price signals for customers?

A. That it indicates to a customer that as they create more costs for the system, that their rates should be higher, that their costs on a monthly basis should be higher so that could be economically efficient.

Q. So that's cost causation?

A. That's one way of looking at it is cost causation is one element of economically efficient.

Q. Okay. What's another element?

A. The other element is the element that I just described is designing rates to align the pricing with the costs that customers cause to the system.

Q. Okay. I understood cost causation and what you just described to be one and the same thing. Are you telling me they are different?

A. Cost causation, I think of that as really assigning costs to the right class of customers, the right groups of customers. What I described otherwise is more of the rate design aspect of it.

MR. MICHAEL: Interrogatory No. 74, please.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. We marked a document as OCC Exhibit 20, Bill. Can you please identify that document?

A. Yes. That's the company's response to Consumers' Counsel INT-S1-074 that was prepared by counsel.

Q. Okay. Have you reviewed this interrogatory before today's deposition?

A. There have been about 250 of them so I don't know if I have reviewed -- if I have reviewed this specific one before today.

Q. Okay. It states in there generally if a party is not participating in a provision, that party is not affirmatively joining in the statement or declaration made in the provision. Do you agree with that description of what a party, nonparticipating party is?

MR. SATTERWHITE: Objection.

A. I don't disagree with the statements that were prepared by counsel here.

Q. Okay. Would you adopt that description as your own?

A. I don't know that I would state it exactly this way so I don't know that I would adopt it as my own but generally this is a reasonable interpretation of what that -- what that language means. In any specific document though the meaning could -- has to be interpreted individually. So this is a general statement about what that means.

Q. Okay. So the general statement about what that means could be different than the meaning in any particular specific document, correct?

A. Or the intent of the party in requesting that that type of statement be included.

Q. Okay. So is a not participating party, is that the same based on this definition right here as not supporting?

MR. SATTERWHITE: Objection. He didn't provide this language so.

MR. MICHAEL: Did you?

MR. SATTERWHITE: It's by counsel.

MR. MICHAEL: You got like an Army of them so.

THE WITNESS: Can I have the question reread, please.

(Record read.)

A. I don't know.

Q. Okay. Can a party not participating take action in opposition to a provision in which they are not participating?

MR. SATTERWHITE: Objection. Calls for a legal conclusion.

A. I don't know.

Q. Okay. I want to move on to the next sentence. It says "Likewise, if a party agrees not to oppose a provision, that party is constrained from taking action in opposition to the provision." Did I read that correctly?

A. You did.

Q. And is that description of what is a not

to oppose a description that you would agree with?
A. That's a reasonable definition, yes.
Q. Okay. Would -- wouldn't a signatory party be constrained from taking action in opposition to a provision?
A. It depends on the language of the specific stipulation.
Q. Okay. So let's take the language of this provision. Ohio Hospital Association is a signatory party, correct?
A. They are.
Q. Okay. So would they be constrained from taking action in opposition to a provision?
A. Obviously that would require a legal conclusion. But my general understanding is that OHA would be -- as a signatory party would not be opposing the stipulation itself.
Q. Okay. So all -- all the signatory parties to this stipulation, are they constrained from taking opposition to provisions within the stipulation?
MR. SATTERWHITE: Objection.
A. I don't want it to be a legal conclusion, but I think the agreement is that they won't oppose

the stipulation.

Q. Okay.

A. None of the signatories would oppose the stipulation.

Q. If that's true, why did IGS, Direct, and Sierra Club have to drop footnotes specifically saying they are not going to oppose certain provisions?

A. I think we described this a while ago. It may be related to generally when people ask for footnotes like this, it may be related to positions they are taking in other proceedings or that they want to protect themselves from somebody pointing to their agreement to a specific provision within a stipulation.

Q. Yeah, but based on your description of what signatory parties are prohibited from doing, which is taking opposition, there's no reason for the footnotes then --

MR. SATTERWHITE: Objection.

Q. -- correct?

MR. SATTERWHITE: Objection. You are trying to get into why some party during the negotiations wanted to include something and that's a settlement term, settlement discussion.

MR. MICHAEL: I am just trying to understand the meaning of a vague document, and as Mr. Allen testified to earlier, you need to evaluate the intent of the parties regarding the meaning of a vague document.

MR. SATTERWHITE: Well, then you are just arguing with him because he already said the words speak clearly for themselves, and you are calling it vague. He is not calling it vague.

MR. MICHAEL: He just got done telling me in response to my questions of the interrogatory No. 74 that the specific provisions of not oppose and in a specific document could be different than the general description as stated in Interrogatory 74. So that means it's inherently vague.

MR. SATTERWHITE: I believe he was telling you in this answer that he didn't write, counsel did, talks -- it answers the question up top and then has a general statement so everything after that is talking generally.

MR. MICHAEL: Correct. So that's why we need to get down to the specific. If generally was different from the specific, that means the terms are vague.

MR. SATTERWHITE: But you asked him questions about the individual footnotes, and he responded to those. Now, you are trying to take it to a level separate from that.

MR. MICHAEL: No. I am still talking about the individual footnotes.

MR. SATTERWHITE: Right. As a whole in general, he has talked to you about the individual footnotes. I don't know why we are back to a global discussion when you have already had a discussion on the individual footnotes you wanted to talk about and what those meant. He has provided that testimony.

MR. MICHAEL: Okay. We will stick with the cross-examination, if we can. And, again, I am trying to understand the meaning of the document.

Q. Bill, you said signatory parties in this stipulation agreed not to take opposition to the stipulation. And I am trying to understand if that's the case, what is the meaning of the footnotes because there would be no need for the footnotes if what you just told me was true?

A. What I described previously, and I can't tell you why a specific party requested a specific footnote in the document, but parties in other proceedings request that footnotes be placed in so that if a document is laid in front of their witness in another state a year or two from now, an attorney can't come up to them and say you agreed to this provision in this stipulation even though we all know that at the end of a stipulation there's always language that says this isn't precedential, you are agreeing to a complete package, and so parties oftentimes ask for this language to provide extra protection for their witnesses in other proceedings. That's one of the reasons people ask for footnotes like this. I can't explain to you why -- for each one of these specific footnotes why a party requested it.

MR. MICHAEL: Okay. Let's take a break, if we can, for like 10 minutes.

(Recess taken.)

Q. Bill, I wanted to direct your attention to what was marked as Exhibit 2, page 7, specifically Paragraph 5a.

A. Okay.

Q. And I want to focus on the reasonableness determination, and I wanted to ask you if a PPA unit doesn't clear more than once in a BRA, would that be indicative of an unreasonable action by the utility?

A. No.

Q. Why not?

A. There could be legitimate reasons why the unit didn't clear in two consecutive auctions.

Q. Okay. Give me an example of one of those legitimate reasons.

A. The clearing price and the auction was less than the -- than what the risk adjusted price that the unit thought was prudent -- or that the company thought was prudent to bid the unit in at.

Q. Okay. Under that scenario though 100 percent of the cost would still flow through the PPA rider, correct?

A. That's correct.

Q. But there would be no PJM BRA auction revenue to offset those auction -- or that -- those costs, correct?

A. That's correct.

Q. So what -- what would AEP Ohio do under those circumstances if a unit is offered into the BRA auction doesn't clear, what does AEP Ohio do with the attributes for that unit that doesn't clear?

A. As I answered in one of the discovery responses, we would likely offer that unit into a supplemental auction, and to the extent that the unit didn't clear in the supplemental auctions, the companies would likely seek to enter into a bilateral contract to sell that capacity to another entity.

Q. Are there any other options at that point in time for that unit that doesn't clear?

A. Until we get to that position I don't know what all the other options would be. Those are the two options that are the most obvious that come to mind. Remember, that there are multiple supplemental auctions as well, not just one.

Q. Does the stipulation require AEP Ohio to offer nonclearing units into the supplemental auctions?

A. It doesn't explicitly require the company to do that. It requires that the company takes actions that are not unreasonable.

Q. Okay. Does the stipulation require AEP Ohio to try and enter into bilateral contracts when a unit doesn't clear an auction?

A. It's the same answer to the prior question.

Q. Okay. Are the units required to run even if they don't clear as an energy or ancillary services provider under the stipulation?

A. There's not an explicit requirement in the stipulation but the same review to make sure that the units weren't -- that the company wasn't acting in an unreasonable fashion would apply, and operating the units when they are profitable in the energy markets would be a reasonable thing to do.

Q. Okay. We were talking a little bit earlier, Bill, about price taker, and I had a couple of follow-up questions to that. The stipulation doesn't require AEP to bid in the BRA auction as a price taker, correct?

A. That's correct.

Q. Under the stipulation are there circumstances under which it would be unreasonable for AEP Ohio not to bid as a price taker?

THE WITNESS: I'm sorry. Can you read that question back.

(Record read.)

A. Yes.

Q. Okay. And give me an example.

A. I think we talked about this before, but it would be the case where the expected or the potential penalties could exceed where the clearing price of the units was.

Q. Okay. But that was -- that was where it would be unreasonable for them to bid as a price taker. My question is the opposite of that. Are there circumstances under which it would be unreasonable for AEP not to bid as a price taker?

A. I don't know. I would have to see a specific example.

Q. Are you familiar, Bill, with the concept of economic withholding in the PJM market?

A. I'm not familiar with the term specific to the PJM market. I'm familiar with it as a general economic term in economic markets.

Q. Okay. And that's not clearing at the unit costs or below the BRA price, right?

A. I don't know if that's -- PJM is defining economic withholding in the BRA in that sense, but generally economic withholding is withholding generation with the goal of driving up overall market prices.

Q. Okay. So it's -- your understanding of economic withholding isn't -- doesn't deal with the relation between the units not clearing if costs are below the BRA clearing price then; is that correct?

A. Yeah. I am not familiar with how PJM defines economic withholding in the context of the BRA.

Q. Okay. Bill, are you -- did you read PJM's testimony that they filed recently?

A. As far as I am aware, they haven't docketed their testimony yet, so I haven't read it.

Q. You are aware though that PJM filed a motion to intervene?

A. I am aware that they filed an extremely late motion to intervene, yes.

Q. Okay. Assume for the purpose of my question, Bill, that PJM in its testimony recommends that the PUCO should clarify that it would consider it reasonable for the company to bid its units into the PJM BRA auction at their actual cost, okay?

A. Okay. I understand the statement.

Q. Okay. Would you agree with such a recommendation were it to be made by PJM?

MR. SATTERWHITE: Objection.

A. I don't think that PJM should be directing how an entity in the market bids its units.

If PJM wants to put restrictions on how units are bid, they have a perfectly good avenue which is to file a tariff change and go to FERC.

Q. Don't they have rules though that essentially do direct how units are bid into the PJM market?

A. And those rules are approved by FERC.

Q. Right. Okay. Let's say that the PUCO were to stick with my first hypothetical question, that PJM recommended that it would consider it reasonable for a company to bid its units into the PJM BRA, assumption No. 1. Are you with me?

A. Okay.

Q. Assumption No. 2, PUCO adopts that recommendation in connection with the stipulation. Okay?

A. Okay.

Q. Would that change how the PPA would otherwise function under the settlement agreement?

MR. SATTERWHITE: Objection.

A. I don't -- first, I don't know if the Commission can direct how the company bids its units into -- into the markets. But the way you've described it is it would only be part of the reasonableness review that the Commission would be undertaking, so their reasonableness review doesn't change the function of the PPA or the PPA rider.

Q. Okay. But just to clarify the point, make sure we are talking about the same thing, if the recommendation from PJM that it would consider reasonable for the company to bid its units into the PJM BRA at their actual cost which is to say if you bid below cost, it would be unreasonable for purposes of my hypothetical question, okay? Would that affect how the PPA rider would work?

A. That wouldn't change how the rider would work. It would only change the standard of review that the Commission was using in determining the reasonableness of the company's actions.

Q. So that recommendation were it to be made by PJM wouldn't have any effect on how the stipulation operates, is that correct, in your judgment?

A. I think those are two different things. What I was describing is how the PPA and the PPA rider would work.

Q. Okay.

A. It would be changing -- if the Commission were to adopt something that is different than what -- then what was agreed to in the stipulation, by definition it would be changing the stipulation.

Q. Okay. But it wouldn't change the way the PPA works.

A. That's correct.

Q. Okay. Did you know that AEP Ohio is opposing PJM's intervention into the case?

A. Yes. Their intervention was extremely late.

Q. Okay.

A. I don't know that they are an affected party.

Q. If -- if the PPA -- functioning of the PPA and the PPA rider wouldn't change, is AEP's opposition to PJM's entrance into the case strictly a function of timing of when they are getting in? Do you know?

MR. SATTERWHITE: Objection. I will instruct you not to answer to the extent it comes from conversations with counsel and legal strategy.

A. The company's opposing the intervention of PJM for the reasons that are identified in our motion.

Q. I haven't had the good fortune or time.

MR. SATTERWHITE: It's prose.

MR. MICHAEL: I look forward to it.

A. Make sure you get the amendment first. There is a correction to it.

MR. SETTINERI: Yeah.

MR. MICHAEL: I don't have any further questions at this, Bill. Thank you for your time.

THE WITNESS: Yes.

MR. SATTERWHITE: Ryan, you are batting cleanup.

MR. O'ROURKE: All right. Thanks.

- - -

CROSS-EXAMINATION

By Mr. O'Rourke:

Q. Mr. Allen, you previously made mention that OMAEG is a middle-sized group of energy users. What do you mean by middle-sized group of energy users?

A. They are not small energy users like residential customers, and they are not large energy users like refiners and the like, steel mills, things of that nature. I would call those large energy users.

Q. If you could turn to page 36 of the stipulation.

A. I'm there.

Q. Okay. I am going to be at Part G, and it says "This Stipulation is conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification." Did I read that correctly?

A. You did.

Q. Okay. Now, to flip back to page 35 --

MR. SATTERWHITE: Are you there, Ryan? Are you there, Steve? So no further questions?

(Discussion off the record.)

Q. (By Mr. O'Rourke) It will be at the very bottom, "No amounts collected shall be refunded as a result of this severability provision." Did I read that correctly?

A. Yes, you did.

Q. Okay. So on the understanding that you are not an attorney, I am asking you as a regulatory person, if the Commission issued an order authorizing retail rate recovery under the PPA rider but made those amounts collected subject to refund during any pendency of an appeal, would you view that as a

material modification of the stipulation?
A. I think my answer would be I'm not the final decider of whether or not that's a -- whether the company as a whole would view that as a material modification. But that would definitely be a change that I personally think would rise to a level that we may consider a material modification.
Q. Can you pull up WAA-2 Modified Exhibit KDP-2?
A. I have that.
Q. Okay. You are the sponsoring witness for this exhibit, correct?
A. That's correct.
Q. And then so Dr. Pearce previously sponsored an exhibit entitled KDP-2, correct?
A. That's correct.
Q. And it had similar features that reassembled what is shown on Settlement Exhibit WAA-2, correct, in terms of structure? Perhaps not in terms of the numbers but in terms of the structure?
A. Yes. That's why the title of the document is it's a Modified Exhibit KDP-2, yes.
Q. Right. So why was Dr. Pearce -- why is

he not the witness that's sponsoring this exhibit?

A. I'm the company's witness supporting the stipulation, and the agreements included in that stipulation as well as the modifications to the PPA that the companies and AEPGR have agreed to.

Q. Let me ask it this way, so for KDP-2 when Dr. Pearce sponsored that exhibit, would it be fair to say that he sponsored that exhibit because he had training, experience, and qualifications that the company thought would enable him to put forth an exhibit that the Commission would find reliable in AEP Ohio's view?

MR. SATTERWHITE: Objection.

A. When the company identifies witnesses to sponsor elements of a case, the company chooses those witnesses because we believe them to be individuals that the Commission can rely upon to present that information and to answer necessary questions.

Q. And so is it your position that you have the same type of training, experience, and qualifications that Dr. Pearce has that enables you to sponsor Settlement WAA-22?

MR. SATTERWHITE: Objection.

A. I think I have the appropriate

experience, knowledge, and qualifications to sponsor Settlement Exhibit WAA-2.

Q. And did you have any discussions with Dr. Pearce about the preparation of Settlement Exhibit WAA-2?

A. Yes.

Q. And what was the content of those conversations? I'll condition that question please do not get into anything where counsel was present.

A. I don't recall all of the discussions that I had with Dr. Pearce regarding Exhibit WAA-2. But some of the discussions that I had with Dr. Pearce or members of his staff were direction to update the data that had been presented in Exhibit KDP-2 to reflect the modifications to the PPA that are described at the top of the exhibit as well as how I would like that information presented on the document to make it understandable for the Commission and other parties to the proceeding.

Q. And did you have a conversation with anybody else about the preparation of this exhibit?

A. I would have had discussions with counsel and other individuals from AEP Ohio in the service corp. about their views on a -- the best way to present the information.

Q. And I believe you answered one of the earlier questions that this document was prepared by someone else at your direction; is that correct?

A. It was prepared at my specific direction, yes.

Q. And who actually did the preparation of this document?

A. The -- it would have been James Martin that I asked to make specific changes to the model to reflect the changes in the PPA.

Q. What's James Martin's title?

A. I don't know his exact title. He works in the regula -- regulatory department like myself. He reports to Dr. Pearce.

Q. And you mentioned the model in your previous answer. What model were you referring to?

A. It's the Excel spreadsheets that were provided as workpapers that I provided I think on December 15 to the parties in this case.

Q. So was there any additional modeling software that was used to generate the numbers that are shown on Settlement Exhibit WAA-2?

A. Exhibit -- and I've answered this in

discovery as well, but Exhibit WAA-2 modifies Exhibit KDP-2 for the specific elements that are described at the top of the exhibit and all of those changes are very straightforward and only needed to be incorporated into the Excel models that the company used after incorporating PLEXOS data, so the same PLEXOS data is underlying data in the model but these changes described here only show up in the Excel files.

Q. So let me see if I understand. PLEXOS was not used to generate any data that is shown on Settlement Exhibit WAA-2?

A. The PLEXOS data that was included in Exhibit KDP-2 that we discussed at the -- at the hearing, that same PLEXOS run sits underlying this data. No changes were made to that. The only updates that were made were related to the return -- the ROE, removing 2015, ending the PPA at May 31, 2024, so we shortened the period in the 2024 column, and we included the results of the PJM capacity performance auctions for planning years through 2019, 2018-19.

Q. I'm sorry.

A. Planning years 2018-19.

Q. And you would agree that in KDP-2 it did not include projections associated with PJM capacity performance, correct?

MR. MICHAEL: Could I have that question read back to me real quick, please? Sorry, Ryan.

(Record read.)

MR. MICHAEL: Thank you.

A. That's correct. That's why the -- this document updates KDP-2 to reflect the results of the capacity performance auctions.

Q. And what was the motivation for including projections associated with the PJM capacity performance auction?

A. The reason for including that was that that data was provided on the stand in the case to my recollection, and so it made sense to update the exhibit to the same data that had been discussed during the proceeding.

Q. And are the -- do we know the actual numbers for revenues associated with PJM capacity performance for any of the years that are shown on Settlement Exhibit WAA-2?

A. Yes.

Q. And for which years are those?

A. It would be through planning year '18-19.

Q. Okay. So for starting in year 2020, how did you arrive at a projection associated with PJM capacity performance?

A. We didn't modify the capacity performance values for periods beyond the dates when those results were known.

Q. I'm still struggling to understand your answer. So let's look at the average of high load and low load forecasts. Let me know when you are there.

A. I'm there.

Q. Okay. So let's look at that row that says PJM revenues including PJM capacity performance, and I believe you stated that for year 2019 there's a figure there that says these are expressed in millions of dollars but 1,171; is that correct?

A. For 2019, that's correct.

Q. Okay. And that's an actual fixed number, that's not a projection, correct?

A. It's a projection of the total revenues. The results of the capacity performance auction are included in that number.

Q. Okay. And what would that number be?

A. It's in the workpapers. I don't have it in front of me as we sit here today, and it's not a --

Q. It's not the $43 figure?

A. None of the capacity performance auctions cleared at $43 a megawatt-day.

Q. I believe you said that projections associated with PJM capacity performance penalties are not shown on Settlement Exhibit WAA-2, correct?

A. What I stated was that there are no penalties included there based on the bidding strategies that the companies employed.

Q. Does AEP Ohio expect any of the units that are shown on Settlement Exhibit WAA-2 to incur PJM capacity performance penalties up through May 31 of 2024?

A. I think we answered this earlier, but the expectation is that most, if not all, units within PJM will experience some level of capacity performance penalties over a period of that length, and you have to recognize there are also bonuses for overperformance of units, and so you have to combine those two elements as you are evaluating the net impact.

Q. Did AEP Ohio have the capability to make projections associated with potential PJM capacity performance penalties up through May 31 of 2024?

A. The company can make informed judgments about the expected net impact of PJM's capacity performance product.

Q. Would inclusion of projected PJM capacity performance penalties give the Commission a more accurate picture of the costs and credits that customers may bear under the PPA rider?

A. What the company is presenting in Exhibit WAA-2, Settlement Exhibit WAA-2, provides that information to the Commission.

Q. So you're saying Settlement Exhibit WAA-2 shows projections associated with PJM capacity performance penalties?

A. It reflects the company's expectation of the net impact of the PJM capacity performance products. Part of that capacity performance product is -- includes capacity performance penalties as well as bonuses.

Q. Have you taken any classes on forecasting power market revenues in PJM? And when I say "power," I'm using your earlier definition of capacity, energy, and ancillary.

A. In my 20 some years I may have taken a class or two on that, but I was previously the director of financial forecasting, and evaluating the market revenues would have been part of my responsibilities in that role.

Q. So have you previously forecasted power market revenues in PJM aside from this proceeding?

A. I have been a witness in numerous cases where I was responsible for the forecasting of market revenues within PJM.

Q. Have you studied methodologies and procedures for developing power market revenue forecasts in PJM?

A. Based on my experience, I'm familiar with those methodologies, yes.

Q. What might those methodologies be?

A. The methodologies are utilizing dispatch models, looking at the costs of unit operation, and comparing those costs to the market prices in any given hour. You dispatch the unit if it's profitable over a period of time, when considering startup costs and shutdown costs, you do that modeling, and you -- after you do the dispatch you do the delta, and you see what the market revenues are over whatever period of time you are considering.

Q. Have you taught any courses on methodologies and procedures for developing power market revenue forecasts in PJM?

MR. SATTERWHITE: Just object to what do you mean teach, took, taken, whatever the proper.

Q. I think the question said taught any courses.

MR. SATTERWHITE: I missed that.

A. I have not --

Q. Okay. Have you published any --

A. -- with that specific topic, but I have given, you know, presentations explaining to individuals how those types of forecasts will incorporate into fuel adjustment clause mechanisms and the like.

Q. And would this have been instruction to -- would this have been internal instruction to AEP Ohio employees?

A. It would be to AEP Service Corp. employees generally or individuals at any of the number of operating companies that AEP has.

Q. Aside from the groups you just mentioned have you taught any courses on methodologies and procedures for developing power market revenue forecasts in PJM?

A. I have not taught courses in developing power market forecasts within PJM.

Q. Have you published any books, articles, treatises, or dissertations on the methodologies and procedure for developing power market revenue forecasts of PJM?

A. I have not.

MR. O'ROURKE: Give me a second. Just looking over my notes.

Q. Did you personally verify the accuracy of any of the inputs that were used to develop the figures shown on Settlement Exhibit WAA-2?

A. I reviewed the changes that I requested to be made to develop Exhibit WAA-2 as a modification to Exhibit KDP-2. And I looked at the -- I did some independent review of what my expectations of the impacts would be and confirmed that they were in line with my expectations.

Q. What were your expectations?

A. Things like the impact of the reduction in the ROE, did a simple calculation to verify what I believe to be the impact of reducing the ROE to 10.38 percent and confirmed that the results shown on Exhibit WAA-2 were consistent with that.

MR. O'ROURKE: Thank you. That's all I have.

MR. SATTERWHITE: All right. Steve, you don't have anything, right? Anybody else on the phone?

MR. YURICK: This is Mark Yurick. I don't have any.

MR. DARR: Frank Darr, I don't have anything either.

MR. SATTERWHITE: So we'll read it.

(Thereupon, the deposition was concluded at 6:35 p.m.)

- - -

State of Ohio :
: SS:
County of ___________________ :

I, William A. Allen, do hereby certify that I have read the foregoing transcript of my deposition given on Wednesday, December 30, 2015; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

____________________________
William A. Allen

I do hereby certify that the foregoing transcript of the deposition of William A. Allen was submitted to the witness for reading and signing; that after he had stated to the undersigned Notary Public that he had read and examined his deposition, he signed the same in my presence on the ________ day of ______________________, 2016.

__________________________
Notary Public

My commission expires _________________, ________.

- - -

CERTIFICATE

State of Ohio : 
: SS:
County of Franklin :

I, Karen Sue Gibson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named William A. Allen was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 31st day of December, 2015.

________________________________
Karen Sue Gibson, Registered
Merit Reporter and Notary Public
in and for the State of Ohio.

My commission expires August 14, 2020.

(KSG-6132)

\- - -