

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

In the Matter of the :
Application of Ohio Power :
Company for Approval of : Case No. 14-1694-EL-AAM
Certain Accounting :
Authority. :

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PROCEEDINGS

before Ms. Greta See and Ms. Sarah Parrot, Attorney
Examiners, and Commissioner Asim Haque at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-A, Columbus, Ohio, called at 9:00 a.m. on
Thursday, January 7, 2016.

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VOLUME XXI

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

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APPEARANCES:

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

Porter, Wright, Morris & Arthur LLP
By Mr. Daniel R. Conway
41 South High Street
Columbus, Ohio 43215

Ice Miller
By Mr. Christopher Miller
250 West Street
Columbus, Ohio 43215

On behalf of the Ohio Power Company.

McNees, Wallace & Nurick LLC
By Mr. Frank P. Darr
Mr. Samuel C. Randazzo
and Mr. Matthew R. Pritchard
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. M. Howard Petricoff
Ms. Gretchen Petrucci
and 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, Exelon
Generation, LLC., and Dynegy, Inc.

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APPEARANCES: (Continued)

Carpenter Lipps & Leland LLP
By Mr. Joel E. Sechler
280 North High Street, Suite 1300
Columbus, Ohio 43215

On behalf of EnerNOC, Inc.

Ohio Environmental Council
By Mr. Trent A. Dougherty
1145 Chesapeake Avenue, Suite I
Columbus, Ohio 43212

On behalf of the Ohio Environmental
Council and the Environmental Defense
Fund.

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

On behalf of The Kroger Company.

Ohio Partners for Affordable Energy
By Ms. Colleen L. Mooney
and Mr. David C. Rinebolt
231 West Lima Street
Findlay, Ohio 45840

On behalf of the Ohio Partners for
Affordable Energy.

Carpenter Lipps & Leland LLP
By Ms. Kimberly W. Bojko
Ms. Danielle Ghiloni
and Mr. Ryan P. O'Rourke
280 North High Street, Suite 1300
Columbus, Ohio 43215

On behalf of the Ohio Manufacturers'
Association Energy Group.

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APPEARANCES: (Continued)

Sierra Club Environmental Law Program
Ms. Kristin Henry
and Mr. Tony Mendoza
85 Second Street, 2nd Floor
San Francisco, California 94105

Olson, Bzdok & Howard
By Mr. Christopher M. Bzdok
420 East Front Street
Traverse City, Michigan 49686

Earthjustice
By Mr. Shannon Fisk
Northeast Office
1617 John F. Kennedy Boulevard, Suite 1675
Philadelphia, Pennsylvania 19103

On behalf of the Sierra Club.

Spilman, Thomas & Battle, PLLC
By Mr. Derrick Price Williamson
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, Pennsylvania 17050

Spilman, Thomas & Battle, PLLC
By Ms. Carrie Harris
310 First Street, Suite 1100
Roanoke, Virginia 24011

On behalf of Wal-Mart Stores East, LP,
and Sam's East, Inc.

IGS Energy
By Mr. Joseph Oliker
6100 Emerald Parkway
Dublin, Ohio 43016

On behalf of IGS Energy.

Boehm, Kurtz & Lowry
By Mr. Michael L. Kurtz,
Mr. Kurt J. Boehm
and Ms. Jody Kyler Cohn
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

On behalf of the Ohio Energy Group.

1 APPEARANCES: (Continued)

2 Environmental Law & Policy Center
3 By Ms. Madeline Fleisher
4 21 West Broad Street, Suite 500
5 Columbus, Ohio 43215

6 Environmental Law & Policy Center
7 By Mr. Justin M. Vickers
8 35 East Wacker Drive Suite 1600
9 Chicago, Illinois 60601

10 On behalf of the Environmental Law &
11 Policy Center.

12 Ohio Poverty Law Center
13 By Mr. Michael R. Smalz
14 555 Buttles Avenue
15 Columbus, Ohio 43215

16 On behalf of the Appalachian Peace and
17 Justice Network.

18 FirstEnergy Corp.
19 By Mr. Mark Hayden
20 and Mr. Scott J. Casto
21 76 South Main Street
22 Akron, Ohio 44308

23 Calfee, Halter & Griswold LLP
24 By Mr. N. Trevor Alexander
25 1200 Huntington Center
41 South High Street
Columbus, Ohio 43215

On behalf of the FirstEnergy Solutions
Corp.

Direct Energy
By Ms. Jennifer L. Spinosi
21 East State Street, 19th Floor
Columbus, Ohio 43215

On behalf of Direct Energy Business, LLC,
and Direct Energy Services, LLC.

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APPEARANCES: (Continued)

Bruce J. Weston, Ohio Consumers' Counsel
By Mr. William J. Michael
Mr. Kevin F. Moore
and Ms. Jodi Bair,
Assistant Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

Bricker & Eckler, LLP
By Mr. Dane Stinson
100 South Third Street
Columbus, Ohio 43215-4291

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

Mr. Richard L. Sites
155 East Broad Street
Columbus, Ohio 43215

Bricker & Eckler, LLP
By Mr. Thomas J. O'Brien
100 South Third Street
Columbus, Ohio 43215-4291

On behalf of the Ohio Hospital
Association.

Mike DeWine, Ohio Attorney General
By Mr. William L. Wright,
Section Chief
Mr. Steven L. Beeler
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.

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APPEARANCES: (Continued)

Thompson Hine
By Mr. Michael Austin
41 South High Street, Suite 700
Columbus, Ohio 43215

On behalf of Buckeye Power.

Dickson Wright PLLC
By Mr. Terrence O'Donnell
and Mr. Raymond D. Seiler
150 East Gay Street, Suite 2400
Columbus, Ohio 43215

On behalf of the Mid-Atlantic Renewable
Energy Coalition.

Monitoring Analytics
By Mr. Jeffrey Mayes
2621 Van Buren Avenue
Eagleville, Pennsylvania 19403

On behalf of Monitoring Analytics.

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Thursday Morning Session,
January 7, 2016.

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EXAMINER SEE: Let's go on the record.

Mr. Seryak, I remind you that you continue
to be under oath.

THE WITNESS: Yes.

EXAMINER SEE: Okay. And we will take up
where we ended yesterday evening with
cross-examination by Mr. Conway.

MR. CONWAY: Thank you, your Honor.

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JOHN A. SERYAK

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

CROSS-EXAMINATION (Continued)

By Mr. Conway:

Q. Good morning, Mr. Seryak.

A. Good morning.

Q. When we left off yesterday evening, I was
inquiring of you about your understanding regarding
the extent to which solar and wind nameplate capacity
ratings are discounted for capacity planning
purposes. Do you recall that?

A. I recall.

1 Q. And has your understanding of the extent
2 to which such discounting occurs for wind, on the one
3 hand, and solar, on the other hand, since last we
4 talked?

5 A. So, sure, I think I can give you a
6 response. To my understanding, PJM's treatment of
7 intermittent resources such as wind and solar, if you
8 were to bid those into a capacity auction, say as a
9 capacity performance resource, there's a couple of
10 paths you can go. One would be to treat those
11 resources separately. Another way would be to
12 aggregate them with storage, and PJM's training
13 manuals actually lay forth and encourage those
14 aggregated bits.

15 So I'm testifying on the stipulation and
16 when I look at the stipulation and my testimony, we
17 have wind, solar, and battery storage. So when a
18 question is asked of what is the capacity factor of
19 this stipulation, you know, I think it underscores
20 my -- my testimony that there's not sufficient
21 information.

22 How is AEP going to aggregate storage with
23 wind and solar. Will some of the, say, winter peak
24 energy efficiency be aggregated with solar? To boost
25 those numbers? There is a derating number for wind

1 and solar, but it can clearly be aggregated with
2 battery storage which is in the stipulation. So it
3 could be the full 900 megawatts. It could be less.

4 Q. And if it is less, do you have an
5 understanding of what the derating or the discounting
6 would be?

7 A. You know, I'm testifying on the
8 stipulation that the company put forward. So I don't
9 see anything in the stipulation or any testimony
10 saying how much storage is going to be coupled with
11 these resources.

12 Q. If you put storage -- the storage factor
13 aside, do you have any understanding about, as a
14 general matter, how wind resources, capacity ratings,
15 or solar resources capacity ratings are typically
16 discounted?

17 A. Yeah. There's a default capacity factor
18 rating that's applied to new resources.

19 Q. And what is that for wind and what is that
20 for solar?

21 A. Is it in the stipulation?

22 Q. I am asking you if you know.

23 A. I do know.

24 Q. And so could you tell me what you know?

25 A. Based on my understanding for wind, it's

1 13 percent and solar it's about 48 percent.

2 Q. And that's the after-discount level you
3 are just quoting, correct?

4 A. That would be for new entrants where
5 there's not a performance record. I believe after
6 three years you start to look at performance of the
7 resource.

8 Q. Sure. So for the wind, you discount the
9 rating by, the nameplate rating, by 87 percent to get
10 the 13 percent; for the solar, you discount the
11 nameplate rating by I believe you said something
12 around 60 percent to get to the approximate
13 40 percent; is that right?

14 A. I think 48 percent.

15 Q. I'm sorry.

16 A. Is my understanding subject to check.

17 Q. So the discount would be 52 percent for
18 the nameplate rating for wind, right?

19 A. Again, it depends on if it's aggregated
20 with other resources like battery storage.

21 Q. But --

22 A. I'm testifying on the stipulation here.

23 Q. I understand that. I was just inquiring
24 about your general understanding about what the
25 discount was from the nameplate rating putting aside

1 the aggregation, putting aside the storage element,
2 what that is, and I just wanted to clarify what you
3 just said is an 87 percent discount for solar and a
4 52 percent discount for wind; is that right?

5 A. That's my understanding and subject to
6 check.

7 Q. Okay. And then I believe that at some
8 point early on in -- earlier on in the
9 cross-examination you agreed that the installed
10 capacity for the PJM region is somewhere in the order
11 of 150,000 megawatts. Do you recall that?

12 A. That sounds about right.

13 Q. Okay. So whatever the discounting would
14 be appropriate to apply to the wind and the solar
15 resources that we are talking here, the 500 megawatts
16 of wind and 400 megawatts of solar, the resulting
17 effective capacity for those -- those two elements,
18 the 500 megawatts of wind, the 400 megawatts of
19 solar, represents a pretty small fraction of the
20 total capacity within the PJM region; would you agree
21 with that?

22 A. If it's uncoupled with the storage, it's
23 as with any generation resources, it's a small
24 percentage.

25 Q. Okay. So it would be a small percentage

1 whether you regarded it as having a value of a total
2 of 900 megawatts on the one hand or a total of, say,
3 whatever the average of the 13 percent of 48 percent
4 is, the current discounted amount, it would be a
5 small fraction in any event, correct?

6 A. Yeah, I think any individual power plant,
7 traditional or under solar, if you divide it by the
8 total load in PJM, it's a relatively small
9 percentage. "Small" is a qualitative term and it
10 depends on what we're talking about for impact, but,
11 yeah, I would call it small.

12 Q. All right. And then these -- these wind
13 and solar resources that we have been talking about,
14 the 500 megawatts of wind and 400 megawatts of solar
15 that the company has committed to attempt to develop
16 as part of the stipulation, do you know when that --
17 those resources, if they are developed, might go into
18 service?

19 A. I do not know exactly when that would be.
20 I think there's supposed to be a future filing that
21 will lay that out. To my understanding there's no
22 specific projects. There seems to be some
23 constraints on the projects, but no, I don't think
24 it's been laid forth.

25 Q. So those resources, if they are developed,

1 they are not going to go into effect as soon as the
2 stipulation is approved by the Commission and the PPA
3 rider goes into effect, correct?

4 A. My understanding is they would not go into
5 effect in that short of a period.

6 Q. And is it your understanding that under
7 the stipulation the commitment by AEP is to try to
8 complete development of those resources by 2021?

9 A. Can you -- can you point to where that is?

10 Q. If you look in Section III.D, I believe
11 it's 13 of the stipulation.

12 A. Do you have a copy?

13 Q. Let me just ask, you are aware of what the
14 commitment is as far as the timing of the deployment
15 of those resources? If you're not, that's fine.

16 A. I'm aware there is a time deadline.
17 Whether it's 2021 or 2019, I would have to -- I would
18 reference the stipulation.

19 Q. Okay. Well, the stipulation, if there is
20 a commitment, the stipulation would indicate what
21 that is, correct?

22 A. Yes.

23 Q. And in any event, whatever impact these
24 resources might have on the PJM markets' wholesale
25 pricing, it's not going to have any impact until they

1 are operational, right?

2 A. That's correct.

3 Q. Okay. And to the extent they do go into
4 operation, would you agree that there is no impact
5 that they would provide to the extent that their
6 power is not being supplied, that they are not in
7 operation?

8 A. Can you rephrase that?

9 Q. Sure. Would you agree that to the extent
10 that the wind and solar resources contemplated by the
11 stipulation do go into service, that they are not
12 going to have an impact on the PJM wholesale market
13 pricing to the extent that they do not operate?

14 A. You're talking about if the -- if AEP
15 builds a wind turbine plant that doesn't function?
16 Can you clarify? What are you talking about, not
17 operate? It's in service but it doesn't work?

18 Q. Primarily what I am referring to,
19 Mr. Seryak, is instances where the wind is not
20 blowing, the sun is not shining, and the plants are
21 not operating as a result of that.

22 A. Yeah, I mean, it's quite reasonable to
23 conclude that wind and solar affect wholesale
24 electric market prices when they are producing power.

25 Q. Okay. So your testimony that these

1 resources are going to have an impact on wholesale
2 prices that the PPA units might receive during the
3 term of the PPA rider is dependent upon the resources
4 being deployed, going into service, and to the extent
5 that they -- once that happens, they are in
6 operation, correct?

7 A. Yes. These would affect the PPA. So you
8 have a deadline to build them. They could be built
9 earlier and I think all the parties would expect that
10 they are functional and produce power and, when they
11 do so, it would affect prices. Now, if you don't
12 build them and they don't work, then, no, it won't
13 affect the power prices.

14 Q. And your estimate that these resources, if
15 they are deployed and to the extent they operate,
16 will have an impact on PJM power prices is a -- is a
17 conclusion you have arrived at just based on the
18 logic of it in your view? It's not based on any
19 other analysis or study that you've conducted about
20 the impact of such resources on power prices within
21 the PJM market.

22 MS. BOJKO: Objection.

23 Q. Such individual resources in the PJM
24 wholesale power price market -- power market? Excuse
25 me.

1 MS. BOJKO: Objection. I think the
2 question might be argumentative but it's also a bit
3 confusing. He asked if it was based on his logic and
4 then said he didn't do an analysis which seems to be
5 inconsistent, but it is argumentative if that's truly
6 what he meant.

7 MR. CONWAY: Your Honor, I don't think it
8 was argumentative. I just asked him to confirm that
9 he hasn't conducted any specific quantitative
10 analysis about the potential impact of deployment of
11 resources of these two -- these two types and the
12 magnitude that's being contemplated on the PJM
13 wholesale power market.

14 EXAMINER SEE: Is that -- are you now
15 asking the witness that particular question that you
16 just expressed?

17 MR. CONWAY: Yes.

18 MS. BOJKO: I'm fine with that question.
19 Thank you.

20 EXAMINER SEE: You can answer that
21 question, Mr. Seryak.

22 THE WITNESS: Can I have it read back?

23 (Record read.)

24 A. My testimony is beyond just logic. I
25 showed that this very Commission's staff has tools

1 and has studies on the price-suppression effect of
2 resources like renewable energy, and my testimony is
3 that no one has done an analysis for this stipulation
4 of how these interact and certainly I have not had
5 the time over the holiday break to do so, but neither
6 have any of the signatory parties or AEP.

7 Q. And that "no one" would include you, you
8 haven't conducted such analysis either?

9 MS. BOJKO: Objection. Asked and
10 answered. He just said he had not had the time over
11 the holiday break to do such analysis.

12 MR. CONWAY: Okay. That's fine. Thank
13 you.

14 Q. Let me turn your attention to page 3 of
15 your testimony at lines 19 through 21, you indicate
16 your disagreement with the proposition that the
17 stipulation is the product of serious bargaining
18 among knowledgeable parties. Do you see that?

19 A. I see that.

20 Q. And the reason for your disagreement is
21 provided, I believe, at lines 21 through 22, which is
22 that negotiating parties were not aware of side
23 agreements that AEP was negotiating. Do you see
24 that?

25 A. Yes.

1 Q. And then later on in your testimony at
2 page 13 you identified the side agreement that --
3 that you apparently had in mind which is the Global
4 Settlement Agreement with the Industrial Energy
5 Users-Ohio; is that correct?

6 A. That's correct.

7 Q. And is it your understanding -- what is
8 your understanding of when the IEU Global Settlement
9 Agreement was disclosed in discovery?

10 A. I don't -- I don't know the exact date.
11 But my understanding is just that it was disclosed in
12 discovery.

13 Q. All right. And do you know when IEU-Ohio
14 submitted its letter indicating its nonopposition to
15 the stipulation?

16 A. I can't recall the exact date.

17 Q. Would you agree, subject to check, that it
18 was December 22, 2015?

19 A. Subject to check, that can be checked. I
20 don't -- I usually don't follow the exact filing
21 dates of different parties' testimony. I focus on my
22 testimony and then go see what's available so.

23 Q. So you don't know when IEU submitted its
24 letter indicating its nonopposition, submitted it to
25 the Commission; is that right?

1 MS. BOJKO: Objection. Asked and
2 answered.

3 MR. CONWAY: I just want to make sure that
4 his testimony is clear on this point, your Honor.

5 EXAMINER SEE: And the witness can answer
6 the question. The objection is overruled.

7 A. Subject to check on the date you put
8 forward, but, no, I don't know exactly when.

9 Q. And do you know whether in the letter that
10 IEU has submitted to the Commission, indicating its
11 nonopposition to the stipulation, that IEU references
12 the Global Settlement Agreement that you have also
13 referenced in your testimony?

14 MS. BOJKO: Objection. At this point I am
15 going to ask if counsel is referring to a particular
16 document. It has been our practice to require the
17 document to be shown to the witness before asking
18 specific questions and language contained therewith.

19 MR. CONWAY: Your Honor, I would like to
20 find out what his understanding is of the timing of
21 the various events and the settlement discussions and
22 the filing of the settlement agreement and the filing
23 of IEU's letter of nonopposition. I would like to be
24 able to inquire about it just based on his knowledge
25 as he sits here today. I think I am entitled to

1 that.

2 EXAMINER SEE: The objection is overruled.

3 Mr. Seryak, you can answer the question.

4 A. Could you rephrase?

5 Q. Let me ask the question again. Are you
6 aware that in the letter that IEU-Ohio submitted in
7 the docket of this case, subject to check, on
8 December 22, that IEU, in that letter, indicated that
9 it had entered into the Global Settlement Agreement
10 that you referred to in your testimony?

11 A. I have not read that letter.

12 Q. And do you know when the company provided
13 in discovery to the parties, including OMA Energy
14 Group, that agreement, that Global Settlement
15 Agreement?

16 A. I received that Global Settlement
17 Agreement recently while I was preparing this
18 testimony. It was very recently, so around the
19 holidays in general.

20 Q. Do you know whether the company provided
21 the Settlement Agreement in discovery to the parties
22 the same day that IEU submitted its letter to the
23 Commission indicating its nonopposition to the
24 stipulation?

25 A. I don't know the exact timing.

1 Q. So you don't know whether the company
2 provided, in its discovery responses to the parties,
3 the Global Settlement Agreement with IEU, the same
4 day that IEU first indicated its nonopposition to the
5 stipulation?

6 MS. BOJKO: Objection. First, it
7 misrepresents the facts in the case. Secondly, the
8 witness has already said that he has not read the
9 letter and we keep asking him questions about the
10 letter that he said he did not read.

11 MR. CONWAY: What is the
12 misrepresentation?

13 MS. BOJKO: The misrepresentation is when
14 parties were notified, the first date that IEU
15 expressed its opposition, and you are claiming that
16 was on December 22, and that can't be possibly true
17 since the Settlement Agreement was signed on
18 December 14.

19 MR. CONWAY: Well, Ms. Bojko, IEU didn't
20 sign the stipulation as a signatory party. That's
21 one of the aspects of the Settlement Agreement.

22 MS. BOJKO: I said the Settlement
23 Agreement, the Global Settlement.

24 MR. CONWAY: Well, I am not sure what your
25 objection is about the misrepresentation of any fact

1 in any manner because there is no misrepresentation.
2 My question simply is, is he aware that the parties
3 were served in discovery with a copy of the IEU
4 Global Settlement Agreement the same day that IEU
5 submitted its letter of nonopposition to the
6 Commission in the docket. Either he is aware or he
7 is not aware.

8 MS. BOJKO: And, your Honor, that's a
9 different question and I am fine with that question.
10 There was a question -- the question actually posed
11 was did he give it to the parties the exact date that
12 IEU first gave its opposition and that's a different
13 question.

14 EXAMINER SEE: And the witness can answer
15 the question.

16 A. I am not aware.

17 Q. And were you involved in the settlement
18 negotiations directly regarding the stipulation?

19 A. No, I was not.

20 Q. So you didn't attend any of the meetings
21 that were held regarding the settlement?

22 A. I did not.

23 Q. Okay. And do you know whether OMA Energy
24 Group relied on any other party in this case to reach
25 its decision regarding whether it would oppose the

1 stipulation?

2 MS. BOJKO: Objection. Objection to the
3 extent it calls for privileged communications between
4 counsel and the witness.

5 MR. CONWAY: Which it does not.

6 EXAMINER SEE: Let's make sure.

7 Mr. Seryak, if you believe that you are going to be
8 revealing confidential information, I would ask that
9 you not do that and answer the question very
10 carefully.

11 A. Can you rephrase?

12 Q. Sure. Do you know whether OMA Energy
13 Group -- Energy Group relied upon any other party in
14 this case to reach its decision regarding whether it
15 would oppose the stipulation?

16 A. When you say "any other party," are you
17 referring to other intervenors?

18 Q. That's correct.

19 A. Not to my knowledge.

20 Q. To your knowledge was OMA Energy Group in
21 opposition to the stipulation before it knew about
22 the Global Settlement Agreement with IEU?

23 MS. BOJKO: Objection. Relevance as well
24 as trial prep, work product. It's all privileged.

25 MR. CONWAY: I am not asking for any

1 privileged information, but I am trying to inquire as
2 to whether or not the witness knows if OMA Energy
3 Group's position has changed before it knew about the
4 Settlement Agreement and after the settlement --
5 after knowledge of the Settlement Agreement with IEU.

6 A. You are asking me if OMA --

7 MS. BOJKO: Wait, there is an objection.

8 EXAMINER SEE: Mr. Seryak, there is an
9 objection to the question pending.

10 MR. CONWAY: Let me try it a different
11 way, your Honor. I'll start over.

12 Q. (By Mr. Conway) Mr. Seryak, to your
13 knowledge was OMA Energy Group in support of the
14 stipulation prior to the submission of IEU's letter
15 of nonopposition?

16 MS. BOJKO: Objection. The witness stated
17 he didn't read the letter of nonopposition. The
18 witness stated that he didn't know when it was filed.
19 So there's no foundation for this question.

20 MR. CONWAY: Well, I don't think -- I
21 think the question was whether the witness knows if
22 OMA Energy Group's position was one of support for
23 the stipulation before it found out about the IEU
24 Settlement Agreement.

25 MS. BOJKO: That's a different question.

1 I'm fine with that question.

2 MR. CONWAY: We will try that one.

3 Q. Can you answer that one?

4 A. Can you repeat it? Sorry.

5 Q. Do you know whether OMA Energy Group was
6 in support of the stipulation before it found out
7 about the IEU Global Settlement Agreement?

8 A. My involvement with OMA Energy Group is as
9 a consultant and I am part of the discussions with
10 members, staff, and counsel where, you know, pros and
11 cons of a proposal or a stipulation are discussed.
12 From the beginning, my understanding of OMA Energy
13 Group's position is that they have been litigating
14 this case and I -- the whole way through.

15 Q. All right. Let me turn your attention to
16 another aspect of your testimony regarding the
17 streamlined opt-out provisions of SB 310 and
18 expansion of that opportunity to mercantile
19 customers. Do you recall that part of your
20 testimony?

21 A. Yes. Can you -- can you direct me to the
22 page you are referring to?

23 Q. I really wasn't referring to a particular
24 page of your testimony. I just wanted to know if you
25 recall that aspect of your testimony.

1 A. I do recall.

2 Q. Okay. And is it your understanding that
3 AEP Ohio has agreed, as part of the stipulation, to
4 support efforts to obtain enactment of legislation
5 that would -- let me backtrack.

6 Is it your understanding that AEP Ohio has
7 agreed to support efforts to obtain enactment of
8 legislation that would make the streamlined opt-out
9 provisions of SB 310 available to mercantile
10 customers?

11 A. That's my understanding.

12 Q. And that's in the IEU AEP Ohio Global
13 Settlement Agreement, correct?

14 A. Yes.

15 Q. Okay. Now, if expansion of the
16 streamlined opt-out provisions of SB 310 does occur,
17 it will have to be accomplished through new
18 legislation enacted by the Ohio legislature, correct?

19 A. That's my understanding.

20 Q. And so if that does occur, that expansion
21 of the streamlined opt-out opportunity for those
22 additional customers, those mercantile customers,
23 that will be the official policy of the State of Ohio
24 when that happens, right?

25 A. If there -- if the General Assembly passes

1 a new law, then, yes.

2 Q. Okay. And so if that happens, while any
3 such new legislation remains in effect, the expansion
4 of streamlined opt-out for mercantile customers will
5 officially be a good thing in Ohio, right?

6 MS. BOJKO: Objection. First of all, I am
7 assuming counsel's questions are based on a
8 layperson's opinion or regulatory opinion, not a
9 legal opinion.

10 MR. CONWAY: Absolutely.

11 MS. BOJKO: Thank you for that
12 clarification.

13 EXAMINER SEE: You can answer the
14 question, Mr. Seryak.

15 A. Will it be a good thing for Ohio?

16 Q. It will be officially a good thing for
17 Ohio because the legislature will have directed that
18 it be done.

19 A. I think policy is often set with an
20 objective in mind. Will it reduce costs for Ohioans?
21 Is it going to improve reliability? Will it help
22 manufacturers? What good are we talking about here?

23 Q. We are talking about the expansion of the
24 streamlined opt-out provision and the fact that the
25 legislature has adopted new legislation and whether

1 or not that indicates that it has been determined by
2 the legislature that it's a good thing for Ohio?

3 MS. BOJKO: Yeah, I am going to object at
4 this time, your Honor. He can't say what the intent
5 of the legislature is, and I guess I would also
6 surmise many people think that not every law passed
7 by the General Assembly is a good thing.

8 EXAMINER SEE: You want to rephrase that,
9 Mr. Conway?

10 MR. CONWAY: Sure, your Honor.

11 Q. (By Mr. Conway) Would you agree that if
12 such legislation is enacted to allow for the expanded
13 opportunity for streamlined opt-out for mercantile
14 customers, that that will be -- that will mean that
15 the legislature has determined that it's in the
16 public interest?

17 MS. BOJKO: Objection. He can't speak to
18 the intent of the legislature and all legislators
19 regarding hypothetical law.

20 MR. CONWAY: I didn't ask for his
21 understanding of what individual legislators might
22 have intended.

23 Your Honor, I'll just leave it there.
24 I'll withdraw the question.

25 EXAMINER SEE: Thank you.

1 MR. CONWAY: That's all the questions I
2 have, your Honor.

3 EXAMINER SEE: Mr. Beeler?

4 MR. BEELER: No questions, thank you, your
5 Honor.

6 EXAMINER SEE: Ms. Bojko.

7 MS. BOJKO: If I may have just 2 minutes,
8 please?

9 EXAMINER SEE: Sure.

10 (Discussion off the record.)

11 EXAMINER SEE: Let's go back on the
12 record.

13 Ms. Bojko.

14 MS. BOJKO: Thank you, your Honor. I do
15 have a few redirect questions.

16 - - -

17 REDIRECT EXAMINATION

18 By Ms. Bojko:

19 Q. Mr. Seryak, do you remember a discussion
20 yesterday with Mr. Darr regarding your services that
21 you offer to your clients which are manufacturing
22 customers?

23 A. Yes, I do.

24 Q. And do you assist those manufacturing
25 customers with self-direct as well -- self-direct

1 opt-out as well as Senate Bill 310 opt-out?

2 A. Yes, if requested by the manufacturer we
3 will assist them in streamlined opt-out or
4 self-direct or rebate application.

5 Q. And do you assist manufacturers with
6 energy efficiency projects that are outside utility
7 programs as well?

8 A. Yes, we do.

9 Q. What is your concern -- you had some
10 discussion with Mr. Conway today as well. What is
11 your concern with regard to expanding the energy
12 efficiency Senate Bill 310 opt-out to all mercantile
13 customers and that affect on the stipulation
14 provisions?

15 A. My concern is that expanding the
16 streamlined opt-out would greatly reduce the amount
17 of energy efficiency that AEP would be able to
18 deliver and that undermines several of the provisions
19 in the stipulation.

20 Q. And do you recall discussions yesterday
21 from Mr. Conway about WAA-2 and the forecasts --
22 well, actually strike that.

23 Do you recall discussions from Mr. Conway
24 regarding PJM forecasts versus AEP's forecasts?

25 A. Yes, I do.

1 Q. And to produce the WAA-2 which is the cost
2 estimate document attached to Bill Allen's testimony
3 in -- about the stipulation, do you know what
4 forecasts AEP used?

5 A. My understanding is that they relied on
6 the AEP's 2013 fundamentals forecast which itself, in
7 turn, relies on EIA energy forecasts.

8 Q. So do you know what the fundamental
9 forecast used with regard to a load forecast, which
10 was the discussion Mr. Conway had with you?

11 A. Presumably it would -- it would be the
12 2013 fundamentals forecast which would rely on the
13 EIA forecast, which my concern with it, is it
14 significantly, the EIA data significantly
15 overestimates load.

16 Q. So when Mr. Conway was asking you whether
17 you've read the most recent revision or whether there
18 was a change, or we're not sure exactly what AEP has
19 or has not done with regard to a load forecast, is
20 that relevant to your testimony and the discussion
21 that you had with Mr. Conway?

22 MR. CONWAY: I'll object. I object to the
23 form of the question, your Honor. The statement
24 about we're not sure exactly what AEP has or hasn't
25 done with regard to a load forecast part of the

1 question. There's no basis for that -- for that
2 statement being stuck in the middle of this redirect
3 question.

4 MS. BOJKO: Actually, I think that was the
5 confusion about a half hour of discussion yesterday
6 but I can rephrase if you would like.

7 EXAMINER SEE: Yes. Go ahead and rephrase
8 it, Ms. Bojko.

9 Q. (By Ms Bojko) Okay. Mr. Conway tried to
10 ask you if you had looked at the most recent AEP
11 forecast or any change to AEP's forecast.

12 MR. CONWAY: That's -- I'm sorry,
13 continue. I'll let you finish.

14 Q. Do you recall Mr. --

15 MS. BOJKO: I'll rephrase, Mr. Conway.

16 Q. Do you recall Mr. Conway asking you if you
17 knew when AEP or whether AEP had done a change in its
18 load forecast?

19 MR. CONWAY: And I'll object to the form
20 of the question. My inquiry to this witness was
21 whether he was aware of when AEP had done an -- AEP
22 Ohio had completed a load forecast for AEP Ohio. Not
23 whether there had been a load forecast done for AEP.
24 It's different. The AEP system is different than AEP
25 Ohio.

1 MS. BOJKO: My intent was AEP Ohio. I
2 will rephrase.

3 MR. CONWAY: We have to be careful about
4 this, your Honor, because my questions were
5 specifically directed at AEP Ohio load forecast, not
6 the AEP system load forecast, not at the PJM load
7 forecast, not the national level load forecast. It's
8 very important.

9 EXAMINER SEE: Okay. Could you rephrase
10 your question, Ms. Bojko.

11 MS. BOJKO: Yes, your Honor.

12 Q. (By Ms. Bojko) With the clarification by
13 Mr. Conway, when he was asking you about an AEP Ohio
14 load forecast, did -- is that relevant to your
15 criticisms in your testimony regarding WAA-2 and the
16 forecast that was used therein?

17 A. The relevancy was that he was asking about
18 changes and there -- if there have been changes in a
19 new forecast and if it has taken into account EIA's
20 retrospective that they overestimate their load. We
21 don't know that because they are still using the 2013
22 load forecast that relies on EIA data to
23 overestimate. So I don't -- I couldn't answer the
24 question on changes because that information hasn't
25 been updated by AEP if they have even done a new load

1 forecast.

2 Q. And so when you were asked a comparison
3 between PJM's change and AEP's -- for AEP Ohio's
4 forecast change, how does PJM's updated forecast
5 affect the AEP's capacity forecast included in -- AEP
6 Ohio capacity forecast included in WAA-2?

7 A. Well, it would directly affect their
8 forecast of revenue from the capacity auctions in out
9 years. So whether they rely on PJM data or not for
10 their load forecasts, if PJM has revised their load
11 forecast for the capacity market will directly impact
12 AEP's capacity revenue forecast.

13 Q. And that capacity revenue forecast, is
14 that depicted on WAA-2 attached to Bill Allen's
15 testimony?

16 A. It would be inclusive in the revenues,
17 yes.

18 MS. BOJKO: That's all I have. Thank you,
19 your Honor.

20 EXAMINER SEE: Mr. Petricoff.

21 MR. PETRICOFF: No questions, your Honor.

22 EXAMINER SEE: Mr. Michael.

23 MR. MICHAEL: No questions, your Honor,
24 thank you.

25 EXAMINER SEE: Mr. Mayes.

1 MR. MAYES: No questions, your Honor.
2 EXAMINER SEE: Mr. Kurtz.
3 MR. KURTZ: No questions.
4 EXAMINER SEE: Mr. Darr.
5 MR. DARR: No questions.
6 EXAMINER SEE: Mr. Olikier.
7 MR. OLIKER: No, thank you, your Honor.
8 EXAMINER SEE: Ms. Spinosi.
9 MS. SPINOSI: No questions.
10 EXAMINER SEE: I'm sorry, I left you,
11 Ms. Fleisher.
12 MS. FLEISHER: That's okay. I am hiding
13 here in the corner. No questions, your Honor.
14 EXAMINER SEE: And Mr. Conway.
15 MR. CONWAY: Thank you, your Honor. Just
16 a few.

17 - - -

18 RE-CROSS-EXAMINATION

19 By Mr. Conway:
20 Q. Mr. Seryak, do you understand or do you
21 have any knowledge about whether the load forecast
22 that's used to -- by Mr. Bletzacker to generate a
23 wholesale pricing forecast for the country and for
24 PJM is a different load forecast than the AEP Ohio
25 load forecast that's used to determine how the AEP

1 PPA units are going to dispatch? Do you have any
2 understanding that there might be a difference
3 between those two load forecasts?

4 A. My understanding is that AEP's load
5 forecast and the modeling takes into account, you
6 know, surrounding territories when they are looking
7 at pricing, so if you are doing something different
8 for the region and something -- if there is a
9 difference between what you're forecasting for the
10 region and how you treat AEP Ohio, that modeling
11 should be -- my understanding was the modeling was
12 taking those interactions into effect because AEP
13 Ohio pricing isn't in a bubble, so I don't understand
14 if there would be a difference, but I'm not aware if
15 there would be or not.

16 Q. So as far as you know, there could be a
17 difference, there could be a load forecast used,
18 that's a national-scope load forecast used to produce
19 a power price forecast that Mr. Bletzacker might have
20 did, might have done, on the one hand, and a load
21 forecast that AEP Ohio prepared that Mr. Pearce and
22 now Mr. Allen has relied upon to determine how much
23 load -- how much load is being -- is being generated
24 in the AEP Ohio area?

25 A. My understanding, from the testimony and

1 depositions, that these are plugged into a model
2 where they interact. I mean, there is generation
3 that can -- that can come from one territory to
4 another depending on transmission, and that modeling
5 is also looked at -- used to look at transmission
6 planning. So I don't understand how the two would be
7 disaggregated in your modeling. They would affect
8 each other.

9 Q. So you are not aware whether there is a
10 load forecast that's used for purposes of generating
11 wholesale power prices in the PJM market or
12 nationally, on the one hand, and a separate forecast
13 that could be -- that could be used to determine what
14 AEP Ohio's internal load is?

15 A. I think it's logical to conclude that AEP
16 would have regional load forecasts as part of their
17 macro load forecast.

18 MR. CONWAY: No further questions, your
19 Honor.

20 Thank you, Mr. Seryak.

21 EXAMINER SEE: Mr. Beeler?

22 MR. BEELER: No questions, thank you.

23 EXAMINER SEE: Ms. Bojko.

24 MS. BOJKO: Thank you, your Honor. At
25 this time we would like -- or we would move again or

1 renew our motion to renew Mr. Seryak's testimony
2 which has been marked as OMAEG 30, the errata sheet
3 which is 31, and then the attached JAS-3 which is
4 OMAEG Exhibit 32.

5 EXAMINER SEE: Are there any objections to
6 the admission of OMAEG Exhibits 30, 31, and 32?

7 MR. DARR: No objection.

8 MR. CONWAY: No, your Honor.

9 EXAMINER SEE: OMAEG Exhibits 30, 31, and
10 32 are admitted into the record.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER SEE: Mr. Darr.

13 MR. DARR: I move the admission of IEU
14 Exhibit 19, please.

15 EXAMINER SEE: Are there any objections to
16 the admission of IEU Exhibit 19?

17 IEU Exhibit 19 is admitted into the
18 record.

19 (EXHIBIT ADMITTED INTO EVIDENCE.)

20 EXAMINER SEE: Thank you, Mr. Seryak.

21 MR. MICHAEL: Your Honor, if I might at
22 this time, re-move for the admission of OCC Exhibit
23 30, please.

24 EXAMINER SEE: Are there any objections to
25 the admission of OCC Exhibit 30? Hearing none, OCC

1 Exhibit 30 is admitted into the record.

2 (EXHIBIT ADMITTED INTO EVIDENCE.)

3 EXAMINER PARROT: Mr. Mayes, I believe you
4 have our next witness.

5 MR. MAYES: Yes, your Honor. First of all
6 I would enter, because we are in a new year, 2016, I
7 would like to enter my appearance for this year. I
8 am Jeffrey Mayes, General Counsel of Monitoring
9 Analytics, acting in its capacity as the Independent
10 Market Monitor for PJM, PHV No. 56762016. And the
11 Market Monitor would like to call Dr. Bowring to the
12 stand.

13 (Witness sworn.)

14 EXAMINER PARROT: Thank you.

15 - - -

16 JOSEPH E. BOWRING

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

19 DIRECT EXAMINATION

20 By Mr. Mayes:

21 Q. Dr. Bowring, do you have a copy of the
22 document filed by the Market Monitor in this
23 proceeding on December 28, 2015, the First
24 Supplemental Testimony of Joseph E. Bowring on behalf
25 of the Independent Market Monitor for PJM?

1 A. Yes.

2 Q. And is this testimony prepared by you?

3 A. Yes.

4 Q. And is this testimony the same testimony
5 that you would make today as you would when it was
6 filed?

7 A. Yes.

8 Q. Do you have any corrections to the
9 testimony?

10 A. No.

11 MR. MAYES: Your Honor, I would ask this
12 document be marked as IMM 2.

13 EXAMINER PARROT: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MR. MAYES: Your Honor, I would like to
16 make Dr. Bowring available for cross-examination.

17 EXAMINER PARROT: Thank you, Mr. Mayes.

18 Ms. Fleisher, any questions?

19 MS. FLEISHER: No questions, your Honor.

20 EXAMINER PARROT: Mr. Michael.

21 MR. MICHAEL: No questions, your Honor.

22 EXAMINER PARROT: Ms. Bojko.

23 MS. BOJKO: No questions, your Honor.

24 EXAMINER PARROT: Mr. Petricoff.

25 MR. PETRICOFF: No questions, your Honor.

1 EXAMINER PARROT: Mr. Darr.

2 MR. DARR: No questions, your Honor.

3 EXAMINER PARROT: Mr. Kurtz.

4 MR. KURTZ: Thank you, your Honor.

5 - - -

6 CROSS-EXAMINATION

7 By Mr. Kurtz:

8 Q. Good morning, Dr. Bowring.

9 A. Good morning.

10 Q. First of all, I just want to recap a
11 little bit the first part of your testimony which is
12 very similar to what you have already filed. It's
13 correct, isn't it, that in your opinion there are two
14 broad paradigms that can result in a sustainable
15 market design?

16 A. Yes.

17 Q. The first being the market paradigm and
18 the second being the quasi-market paradigm?

19 A. Yes.

20 Q. And the quasi-market paradigm includes an
21 energy market based on LNP, but addresses the need
22 for investment incentives to be a long-term -- to be
23 of the long-term contract model or the
24 cost-of-service model; is that correct?

25 A. Yes.

1 Q. In your opinion, the PPA here is not
2 consistent with the market paradigm.

3 A. Correct.

4 Q. Okay. Now, the quasi-market paradigm,
5 that would include all of the municipal utilities
6 located within the 13-state PJM footprint?

7 A. Yes.

8 Q. Including AMP-Ohio?

9 A. Yes.

10 Q. Okay. The quasi-market paradigm would
11 include all of the rural electric cooperatives
12 located throughout PJM?

13 A. Yes.

14 Q. Including Buckeye Power here in Ohio?

15 A. Yes.

16 Q. Okay. And it would also include
17 investor-owned utilities that operate under the
18 traditional integrated cost of service model in
19 Virginia, West Virginia, Kentucky, Indiana, North
20 Carolina, Tennessee, and Michigan, correct?

21 A. Yes.

22 Q. And the market paradigm would be the other
23 investor-owned utilities in Pennsylvania, Maryland,
24 New Jersey, those -- those utilities that operate in
25 the fully deregulated markets?

1 A. It includes them but it is not limited to
2 them, yes.

3 Q. Okay. Now, you assumed, when you filed
4 your testimony here today -- well, when you filed
5 your original testimony, it was your belief that AEP
6 Ohio is under the market paradigm; hence, that's why
7 the PPA is inconsistent with the market paradigm.

8 A. Yes. Yes.

9 Q. And when you filed your initial testimony
10 in the case, you had not reviewed the ESP statute?

11 A. Yes.

12 Q. And you were not aware that distribution
13 utilities in Ohio including AEP Ohio can own
14 generation resources if approved by the Commission?

15 A. I believe what my answer was that while I
16 hadn't reviewed it, I also was not aware of the last
17 time those provisions were actually employed.

18 Q. Okay. And when you filed your original
19 testimony, you were not aware that distribution
20 utilities like AEP Ohio could get a construction
21 work-in-progress surcharge for new construction of
22 generation?

23 A. And, again, I believe my answer was while
24 I hadn't read it, I was also not aware of the last
25 time it had been actually used.

1 Q. Okay. And also you were not aware that a
2 distribution utility like AEP Ohio could get a fuel
3 adjustment charge for generation that it owns?

4 A. Again, my answer was that while I hadn't
5 read it, I was not aware of the last time that actual
6 provision had been used.

7 Q. And you were not aware that under Ohio
8 law, the Commission can put limitations on shopping.

9 A. Correct.

10 Q. Now, I want to turn to your new testimony,
11 really page 6, the last two Q and As. Let me know
12 when you get there.

13 A. Okay.

14 Q. Okay. It's your testimony here that the
15 minimum offer price rule, the MOPR, needs to be
16 expanded to address all cases where subsidies are
17 given for generation.

18 A. Yes.

19 Q. Okay. And you interpret the PPA to be a
20 subsidy.

21 A. Yes.

22 Q. Okay. Now, do you intend to make the
23 proposal to expand the MOPR to include all units that
24 are -- let me ask you this, would you -- do you -- do
25 you mean that a unit that's in rate base, cost of

1 service rate base, that unit is receiving a subsidy?

2 A. Yes.

3 Q. Okay. So do you intend to make a proposal
4 to expand the MOPR to include all cost of service
5 generation if the -- if this case is denied or if the
6 Commission approves the PPA? Are you going to do it
7 in any event or only if the PPA here is approved?

8 A. I don't know.

9 Q. Okay. Now, the existing minimum offer
10 price rule only applies to new gas generation
11 receiving "subsidies," correct?

12 A. Yes.

13 Q. And the minimum offer price rule would
14 require those cost of service subsidized new gas
15 units to bid into the base residual auction at no
16 lower than net CONE?

17 A. No. I don't believe I said that.

18 Q. I thought you said cost of new entry.

19 A. Do you want to point me to where you are
20 talking about?

21 Q. Line 20, page 6.

22 A. So that describes the current rule. I
23 thought you were talking about the proposed rule.

24 Q. Well, no. The current rule requires gas
25 units that are in rate base to bid into the BRA at no

1 lower than net CONE; is that correct? The current
2 MOPR.

3 A. No. Not really.

4 Q. Okay. But that's what you would propose
5 for a change to MOPR?

6 A. That's not what I said.

7 Q. Okay. Let me -- page 6, line 18, "PJM
8 rules currently include a MOPR designed to address
9 the impact on competitive markets of subsidies to
10 most new gas-fired generating units by requiring that
11 such new units with subsidies offer at a level no
12 lower than the cost of new entry." Is that -- is
13 that the current rule, the current MOPR requirement?

14 A. Yes.

15 Q. Okay. So new gas units covered under the
16 existing MOPR have to bid in no lower than net CONE.

17 A. New units, subject to the MOPR, have to
18 bid an offer in no less than net CONE, that's right.

19 Q. The net CONE, if you know, for the AEP
20 zone in the 2018-'19 planning year is \$263 a
21 megawatt-day?

22 A. I will assume you are correct.

23 Q. And so if these new gas units had to bid
24 in these cost of service, regulated gas units had to
25 bid in at \$263 a megawatt-day, that they would not

1 include the BRA as is the -- for the AEP zone, at
2 least based upon all the historic auctions; is that
3 correct?

4 A. So your question is if the -- under the
5 existing MOPR, if an existing unit, subject to that
6 MOPR, were to offer in at \$263, more or less, would
7 that have cleared, the answer is no.

8 Q. So they would receive no capacity revenue
9 at least in the base residual auction?

10 A. Correct.

11 Q. Would it be allowed to bid into the
12 incremental auctions?

13 A. Yes.

14 Q. Would the same net CONE requirement apply?

15 A. Yes.

16 Q. So -- so, at least under past auction
17 clearing prices, bidding in at net CONE means that
18 the new unit would not clear the BRA or any of the
19 three incremental auctions?

20 A. Depends on the auction and depending on
21 the location.

22 Q. But for the AEP zone, the rest of RTO?

23 A. Yes.

24 Q. And the existing minimum offer price rule
25 does not apply to existing units, correct?

1 A. Yes.

2 Q. And the current rule does not apply to
3 coal units?

4 A. It applies to gas units only. I think
5 we've established that.

6 Q. Okay. And so the existing MOPR does not
7 apply to renewable energy resources either, correct?

8 A. Yes.

9 Q. Okay. Now, if the MOPR was changed and it
10 applied to the AEP here, how would we calculate
11 the -- the capacity revenue that would be lost if the
12 units did not clear the auctions?

13 A. I'm not sure what you mean by that.

14 Q. Would we take the UCAP, unforced capacity,
15 times the -- times the BRA clearing price 365? In
16 other words, I want -- if your recommendation comes
17 to pass that the MOPR would be expanded to these PPA
18 units and the PPA units did not clear, I want to try
19 to get a handle on how much money would be lost.

20 A. Okay.

21 Q. So we would take the UCAP times an assumed
22 auction clearing price times 365?

23 A. If you know the capacity of the unit,
24 UCAP, and you know what the price was, you also need
25 to account for what the price would have been had it

1 cleared, but if you know what the price is, then you
2 multiply it by the capacity, yes.

3 Q. Okay. So if we assume a UCAP of -- the
4 nameplate capacity is 3,100 megawatts. Do you know
5 that to be the case?

6 A. Nameplate capacity of?

7 Q. Of the PPA units.

8 A. Okay.

9 Q. And let's assume a UCAP of 2,700 megawatts
10 and if we assumed an auction price of \$150 a
11 megawatt-day, that would be 2,700, times 150, times
12 365, equals 148 million?

13 A. Assuming you are doing the math right.

14 Q. Okay. So if the units did not clear the
15 auction, \$148 million of additional costs would be
16 imposed on consumers?

17 A. No. Under the current situation that
18 would be absorbed by shareholders.

19 Q. Well, if the PPA is approved and if the
20 MOPR is changed and if the units don't clear, there
21 will be \$148 million of less -- less market revenue.

22 A. It also depends on how the -- sorry. Also
23 depends on how the Commission interprets its
24 reasonableness review of the offering actions of AEP.

25 Q. If they are required to offer in at net

1 CONE, \$263 dollars, and under a changed MOPR, and the
2 units simply don't clear, what could AEP Ohio have
3 done?

4 A. First of all, you are mischaracterizing my
5 proposal for the new MOPR.

6 Q. Well, how so, please?

7 A. Well, I did not say the offer -- the
8 required offer for a new existing unit would be net
9 CONE.

10 Q. Okay. That's the existing MOPR. I see.
11 Have you made a recommendation as to what the bid
12 floor would be under an expanded, new, newly-changed
13 MOPR?

14 A. Right. So what I said if you go to the
15 next Q and A in the testimony.

16 Q. Okay.

17 A. 27, lines 27, 28, and 29, what I say there
18 is "if the MOPR were expanded to include all new or
19 existing units receiving subsidies, it would require
20 AEP to make competitive offers in the PJM Capacity
21 Market rather than offering at levels below the
22 competitive offer level including offers at or close
23 to zero."

24 Q. Okay. So the only thing we know at this
25 point is offering at or close to zero would be

1 prohibited but we don't know what the actual floor
2 would be?

3 A. Nothing is prohibited. The offer level
4 has to be competitive. So, at times, historically,
5 competitive offer levels have been at or close to
6 zero. But it would have to be competitive.

7 Q. So it wouldn't -- it would not be net CONE
8 as the existing MOPR is. It would be some, I guess,
9 undefined competitive offer?

10 A. No. I don't think it's undefined. I
11 think competitive offers are defined in both the
12 current and the capacity performance RPM design.

13 Q. Well, what's the definition then? What's
14 the definition of a competitive offer?

15 A. A competitive offer is based on avoidable
16 costs and it's also based on a multiplier called "B"
17 which has to do with the ratio of load to available
18 resources times net CONE.

19 Q. So this was -- this was the proposal of
20 the PJM witness, Mr. Bresler, that was not admitted.
21 Is your --

22 A. I'm sorry. What was the proposal?

23 Q. That there would be a price, that the
24 definition of reasonableness, there would be a cap or
25 floor on the bid at the units's cost, not the net

1 CONE calculation for the system.

2 A. Right.

3 MR. McKENZIE: I'm sorry, Dr. Bowring. I
4 would object to the extent that Mr. Kurtz is trying
5 get to this witness to elicit the testimony that was
6 not permitted in the record by PJM.

7 MR. KURTZ: I'll rephrase.

8 Q. Again, I am just unclear as to, tell me
9 again the definition you would use in an expanded
10 MOPR for the definition of a reasonable offer.

11 A. Sure. It's basically -- it would be based
12 on the unit-specific avoidable costs and the
13 unit-specific revenues and a combination of that and
14 "B" times net CONE which is the current cap for
15 offers.

16 Q. So would it be something like the sort of
17 the standard cost of service calculation, net book,
18 times the return, plus --

19 A. No.

20 Q. -- expenses? Avoidable cost, is this a
21 marginal-cost concept?

22 A. Yes. It's well defined in the PJM tariff.
23 You can think of it as a marginal cost of capacity.
24 It's the annual avoidable cost of capacity.

25 Q. Okay. What would it be for these units?

1 A. I don't know off the top of my head.

2 Q. So would --

3 A. Substantially less than embedded fixed
4 costs.

5 Q. Okay. So -- so it wouldn't be -- I am
6 trying to understand if you were -- if you change the
7 MOPR the way you are saying or if the MOPR is changed
8 the way you are suggesting, would these units clear
9 if they bid in at that formula, that rate?

10 A. I don't know. The point is that -- the
11 point is there is a risk associated with making
12 competitive offer and the question here is who is
13 bearing that risk. Is it the shareholders or is it
14 the customers.

15 Q. Now, when AEPGR, Generation Resources,
16 owns the units, they can bid in at zero and make sure
17 that the units clear, correct?

18 A. They can. The question is whether that's
19 a rational offer if they are actually bearing those
20 risks, but they can do that, yes.

21 Q. But if your proposal is adopted by the
22 PJM, AEP Ohio, the utility, could not bid in at zero
23 to ensure that the units clear.

24 A. If the PPA were in place and net avoidable
25 costs were greater than zero, that's correct.

1 Q. So now, your proposal, if it's adopted,
2 would add an element of risk, a new element of risk
3 to this deal, this PPA proposal, the rider the
4 Commission is considering?

5 A. I don't think it adds -- I don't think it
6 adds a new element of risk. It simply makes it
7 explicit what the risk is.

8 Q. Well, if you change -- if there is no MOPR
9 on existing coal units, and the MOPR is expanded to
10 apply to existing coal units including these units,
11 you don't think that would add risk to the deal for
12 consumers?

13 A. Sure. So given the structure of the PPA
14 and given that the intent of that is to require
15 customers to pay all their costs of the units, offset
16 by any net revenues from the market, if units are
17 required to offer competitively and they don't clear,
18 then the offset will be less, by definition, and the
19 question is who has to bear that risk.

20 Q. Okay. Well, if there will be risk into
21 the deal, either the utilities or customers will
22 bear, if the MOPR is changed as you're explaining it.
23 Would you agree?

24 A. Given the PPA, somebody has to bear that
25 risk, yes, and the question is whether it's the

1 customers or the shareholders.

2 Q. Okay. Now, this is the first that I've
3 heard, I think anybody has heard, about this. This
4 proposal certainly was -- came in after the
5 stipulation was signed. Did you review the
6 stipulation?

7 A. Yes.

8 Q. And that's -- and the issue you are
9 addressing, a change to the MOPR, was certainly not
10 envisioned or addressed in the stipulation, was it?

11 A. My testimony here was a response to the
12 stipulation.

13 Q. Okay. Now, let me ask you, now, you
14 cannot, as a market monitor, unilaterally change the
15 PJM rules, correct?

16 A. Correct.

17 Q. It has to go through a stakeholder
18 process?

19 A. Not necessarily. I mean, ultimately FERC
20 has to approve rule changes.

21 Q. Okay. But wouldn't -- tell me the PJM
22 process for proposing something to FERC. Would that
23 not have to go through a stakeholder process?

24 A. No.

25 Q. So PJM can just sort of unilaterally make

1 a proposal to change the MOPR?

2 A. Yes.

3 Q. And your role is that you are going to
4 recommend that PJM make such a proposal, correct?

5 A. Yes.

6 Q. Okay. And it would apply to all units
7 that are cost of service, all units that receive a
8 subsidy?

9 A. Yes.

10 Q. So it would apply to the units of the
11 municipal utilities, the cooperative utilities, the
12 utilities in the seven or so states, Virginia, West
13 Virginia, Kentucky, North Carolina, Tennessee,
14 Indiana, Michigan, it would apply to all of those
15 utilities as well?

16 A. If it were expanded to include all new or
17 existing units receiving subsidies, yes, that's what
18 would happen.

19 Q. Okay. And it would be expanded to include
20 all renewable projects as well. All means all?

21 A. Yes.

22 Q. Okay. Have you had any discussions with
23 PJM as to whether they would consider proposing this
24 to FERC?

25 A. No.

1 Q. Would you envision that this would be a
2 controversial proposal?

3 A. Almost everything in the markets these
4 days is controversial, so I expect it would be.

5 Q. You use the word "market." This -- this
6 whole -- could the MOPR rule change be the result of
7 the stakeholder process even though it doesn't have
8 to? Could it be through a stakeholder process?

9 A. Yes.

10 Q. How does the stakeholder process work? I
11 mean, how many stakeholders are there in PJM that
12 would vote on something like this?

13 A. I don't remember how many members there
14 are. It's north of 600.

15 Q. So is there -- when there is a stakeholder
16 meeting, is there a conference room that holds 600
17 people or do people dial in, is it done by telephone
18 conference, video conference? How does a stakeholder
19 meeting work?

20 A. Pretty much the way meetings work
21 everywhere; all those options are possible.

22 Q. And this would be multiple stakeholder
23 meetings of the 600 or so PJM members to discuss
24 something like this if it went through -- if it went
25 through the stakeholder process, I assume there would

1 be multiple meetings?

2 A. There could be.

3 Q. And is it a majority vote through the
4 stakeholder process?

5 A. The stakeholder process requires
6 particularly a super majority.

7 Q. And how is that defined?

8 A. It is, I believe it's the aggregate, three
9 out of the five sectors.

10 Q. And what are the five sectors?

11 A. Now you are definitely testing me. So
12 it's generation, distribution, other marketers, I
13 don't remember all five. Transmission is the fourth
14 so I am forgetting one.

15 Q. Is there a consumer part of the five?

16 A. Not per se.

17 Q. Does AEP get the same vote as a small
18 municipal utility? Is its vote weighted the same?

19 A. It depends on what sector they are in.

20 Q. Does it strike you -- we talked about the
21 PJM capacity markets and there's a 600 member
22 stakeholder process that votes and super majorities
23 and, you know, it sounds more like a big, negotiated
24 deal than a market. Does that strike you as being
25 odd that the "market" is a result of a process that

1 looks more like a, you know, UN, United Nations
2 meeting?

3 A. I don't agree with your characterization.

4 Q. You think -- is this -- can you -- can you
5 name another market that has -- that changes its
6 rules through this type of process?

7 A. The -- ultimately, the Commission, the
8 Federal Energy Regulatory Commission decides on
9 rules. So it's not -- it's not really entirely about
10 the stakeholder process, and as I indicated to you
11 before, rule changes do not actually have to go
12 through the stakeholder process.

13 Q. Okay, okay. Because you are going to
14 recommend that PJM make this change, this MOPR rule
15 change, we don't know if PJM is going to accept your
16 recommendation or not, but is that -- if they did
17 accept your recommendation, would that be significant
18 in the PJM world?

19 A. Would a change to the MOPR rule along
20 these lines be significant? Yes.

21 Q. Okay. If you were advising that -- do you
22 think that that's something -- potential for such a
23 change is something the Commission should consider
24 here? I assume you want the Commission to consider
25 it, that's why you are telling the Commission; is

1 that right? You think that needs to be factored into
2 their decision-making here?

3 A. Well, what's happened is the proposed
4 settlement has forced the issue, and one of the
5 potentials is that if this is accepted and passes
6 whatever legal challenges there are, then it could
7 create a precedent for other -- other utilities in
8 other states to do exactly the same thing, which
9 would have very significant consequences, additional
10 incremental consequences for the way the markets
11 work. In fact, potentially a threat to the way
12 competitive markets work entirely. So, yes, I think
13 that is something the Commission should think about.

14 Q. And depending how a reasonable offer is
15 calculated, it could have the effect, as you state in
16 your testimony, of resulting in zero capacity
17 revenues from these PPA units. That's a possibility?

18 A. If the PPA were in place and units made
19 competitive offers that did not clear, there would be
20 no net revenues from those units at least from the
21 capacity side.

22 Q. They would still be able to get energy
23 revenue.

24 A. Yes.

25 MR. KURTZ: Okay. Thank you, Dr. Bowring.

1 THE WITNESS: Thank you.

2 EXAMINER SEE: Ms. Spinosi.

3 MS. SPINOSI: No questions, your Honor.

4 EXAMINER SEE: Mr. Oliker.

5 MR. OLIKER: No, thank you, your Honor.

6 EXAMINER PARROT: Mr. McKenzie.

7 MR. MCKENZIE: Yes, your Honor.

8 - - -

9 CROSS-EXAMINATION

10 By Mr. McKenzie:

11 Q. Hello again, Dr. Bowring.

12 A. Good morning.

13 Q. Mr. Kurtz covered a lot of the ground that
14 I was going to cover so I will try not to duplicate.
15 But I do want to drill down to specifics in a couple
16 of areas that he talked about.

17 But, first of all, Dr. Bowring, this is --
18 your supplemental testimony is the second testimony
19 you filed in this proceeding, correct?

20 A. Yes.

21 Q. You filed your first testimony in
22 September, 2015, correct?

23 A. Yes.

24 MR. MCKENZIE: Your Honor, may we
25 approach?

1 EXAMINER PARROT: You may.

2 Q. Dr. Bowring, my colleague is going to hand
3 you what I have marked AEP Ohio Exhibit 54.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. This is a cross exhibit that I have
6 prepared. What I have done is I have took your
7 supplemental testimony and I have highlighted, the
8 yellow highlighting is language that appeared
9 verbatim in your initial testimony. And the blue
10 highlighting is new language that wasn't in your
11 initial testimony.

12 Now, I provided a copy of this to your
13 counsel yesterday so you could both review this in
14 advance. Did you review this exhibit?

15 A. Yes.

16 Q. And is the highlighting accurate in the
17 sense that the yellow highlighting is language that
18 appeared in your initial testimony?

19 A. I would say it's not accurate to the --
20 particularly to the extent that one of the things you
21 did not flag were things that were in the original
22 testimony that I deleted.

23 Q. That's a fair point. So let me clarify
24 that the yellow is simply language that appears
25 verbatim. If there was something that was in the

1 initial testimony that was deleted, that is not
2 reflected here. Putting that aside, is there
3 anything -- anything else that's inaccurate about it?

4 A. I didn't check every last detail, but I
5 noticed that there was that, certainly that
6 difference to start with so.

7 Q. Well, would you accept this subject to
8 check?

9 A. I don't think so. I mean, I am not sure
10 what the point is but we have -- we can do a detailed
11 redline if you are interested. I am not quite sure
12 what you are --

13 Q. Well, mostly I would like to focus on the
14 new parts. So -- I will ask you again, is there
15 anything about the yellow highlighting that's
16 inaccurate and, if you want to sit there and review
17 your initial testimony, that's fine. We can wait.

18 A. I don't really want to, but if you want me
19 to, I can.

20 Q. Do you need to do that to answer my
21 question?

22 A. Apparently, yes.

23 Q. Okay.

24 A. I don't have a copy of my original direct
25 with me.

1 Q. I have a copy.

2 MS. BOJKO: Your Honor, I am going to
3 object to the extent this doesn't accurately reflect
4 all the other items that are not in here, so it
5 doesn't reflect the items that have been deleted, so
6 it's not a true representation of a comparison of the
7 two testimonies.

8 MR. MCKENZIE: Your Honor, I have made
9 very clear that that's the case. That's not what I
10 am representing this as. I am simply trying to show
11 that the yellow language was verbatim in his initial
12 testimony. So if Dr. Bowring --

13 MS. BOJKO: I would object to relevance
14 and as well as misleading with regard to putting this
15 document into evidence.

16 MR. MAYES: Your Honor, I would also
17 object because this is going to take considerable
18 time. I am not sure what the purpose is.

19 MR. MCKENZIE: Well, your Honor, that's
20 why I gave it to him yesterday.

21 EXAMINER PARROT: Let's go off the record.

22 (Discussion off the record.)

23 EXAMINER PARROT: Let's go back on the
24 record.

25 Mr. McKenzie, with that, I think I am

1 going to sustain the objections I heard, and I think
2 we have a proposal to go about this perhaps in a
3 different manner, so I turn it back to you,
4 Mr. McKenzie.

5 MS. BOJKO: Thank you, your Honor.

6 MR. MCKENZIE: All right.

7 Q. (By Mr. McKenzie) Let's go to page 2 of
8 your supplemental testimony, please, line 2. Here
9 you say that "The purpose of my testimony is to
10 explain why the terms and conditions included in the
11 December 14th Stipulation modifying the initially
12 filed PPA are not cause for any change to my prior
13 testimony that inclusion of these costs in the
14 proposed PPA would constitute a subsidy which is
15 inconsistent with competition in the PJM wholesale
16 power market." Did I read that correctly?

17 A. Yes.

18 Q. So it's fair to say your essential
19 conclusions regarding the PPA remain the same as they
20 were the last time you were here; is that correct?

21 A. Well, no. I think you have
22 over-interpreted it a little bit, so it says -- and
23 you just read it correctly. It says "are not cause
24 for any change to my prior testimony" and then
25 characterizes the part of the testimony to which it

1 was not changed. I also added some things to the
2 testimony relative to the December 14 settlement
3 stipulation.

4 Q. Why don't you point me to that in your
5 testimony.

6 A. So one particular area is the area towards
7 the end, where we were just talking about, about
8 MOPR.

9 Q. Right.

10 A. Another is about the risks associated with
11 penalties and pointing out the fact that penalty
12 payments can actually exceed the revenues from the
13 capacity market if the units do not perform, and
14 pointing out the risks for those are normally borne
15 by shareholders, and that it changes the incentives
16 to have those risks now borne by customers, and
17 actually puts at risk the entire amount and more of
18 the revenues that were imputed by AEP's testimony
19 to -- to the benefit of customers.

20 Q. Let's put aside the MOPR part of your
21 testimony for a second. When you discuss the risks
22 to ratepayers by capacity performance penalties, has
23 anything about that risk changed since the
24 stipulation was filed?

25 A. They changed since my prior testimony,

1 definitely.

2 Q. Did the stipulation itself increase or
3 decrease that risk in any way?

4 A. The stipulation to the -- if it were
5 accepted would impose -- impose substantial risks on
6 potential end customers. That's new since my last
7 testimony, since the capacity performance rules were
8 adopted since then. So, yes, it's a -- it's a new
9 fact.

10 Q. Okay. Let's go to page 6 of your
11 supplemental testimony. Now, as you discussed with
12 Mr. Kurtz, you identify two possible paradigms in
13 PJM, the market paradigm and the quasi-market
14 paradigm, correct?

15 A. Yes.

16 Q. And you favor the market paradigm and
17 disfavor the quasi-market paradigm, correct?

18 A. Yes.

19 Q. Now, first of all, I believe we covered
20 this the last time, and you spoke with Mr. Kurtz
21 about it, but you would agree that Senate Bill 221 in
22 Ohio, if implemented, would reflect outcomes that are
23 consistent with the quasi-market paradigm, correct?

24 A. Yes.

25 Q. Okay.

1 A. From what I understand.

2 Q. And you told Mr. Kurtz that you weren't
3 sure the last time when various provisions of that
4 statute were actually implemented, correct?

5 A. Yes.

6 Q. And, in particular, you stated you weren't
7 sure when the last time a -- the fuel clause
8 provision of that statute had been used in Ohio?

9 A. By AEP in particular, yes.

10 Q. Right. Are you aware that AEP Ohio has
11 had a fuel clause in effect from 2009 to 2014?

12 A. Not -- I am not aware of whether it was
13 applicable to units bid into PJM as opposed to FRR
14 units or other units.

15 Q. Okay. Now, on page 6, line 8 of your
16 testimony, here you say "While it is true that there
17 are other exceptions to the market paradigm within
18 PJM, that is not a reason to remove units from the
19 market and further extend the non-market paradigm."
20 Did I read that correctly?

21 A. Yes.

22 Q. And the other -- first of all, that's new
23 language in this testimony, correct?

24 A. Yes.

25 Q. And the other exceptions to the market

1 paradigm within PJM, that would include all of the
2 cost of service jurisdictions that you discuss with
3 Mr. Kurtz, correct?

4 A. Yes.

5 Q. As well as the municipal and co-op
6 utilities?

7 A. Yes.

8 Q. Okay. On line 18 of page 6, this is where
9 you talk about your proposal -- this is where you
10 talk about the MOPR, you begin your discussion here.
11 I think we've covered this with Mr. Kurtz, but I just
12 want to be crystal clear. The existing MOPR rules
13 currently do not apply to the PPA units and that's
14 the case even if the PPA proposal were accepted,
15 correct?

16 A. Yes.

17 Q. Okay. And changing the MOPR would require
18 a change in PJM's tariff, correct?

19 A. Yes.

20 Q. Obviously the Commission is not empowered
21 to change the PJM tariff, correct?

22 A. The Ohio Public Utilities Commission?

23 Q. Correct. I'm sorry, yes.

24 A. That is correct.

25 Q. But any change to the PJM tariff would

1 have to be approved by FERC, correct?

2 A. Yes.

3 Q. And any party can oppose a rule change at
4 FERC; is that right?

5 A. Yes.

6 Q. Okay. Now, the MOPR currently applies
7 only to certain new generating units, right?

8 A. Yes.

9 Q. Correct me if I'm wrong, under the current
10 rules, once a unit clears one capacity auction, it is
11 no longer subject to the MOPR; is that correct?

12 A. Yes.

13 Q. So your proposal would be to change the
14 MOPR so that, in particular for the units that
15 applies to now it, it would essentially apply
16 forever, even after the unit clears the capacity
17 auction.

18 A. Yes.

19 Q. Okay. Now, the last time you were here
20 you discussed the Dominion utility in Virginia at
21 length. Do you recall that?

22 A. Yes.

23 Q. So to streamline this, let me just see if
24 I can summarize some of the salient facts. You tell
25 me if any of these are wrong. Dominion is a utility

1 in Virginia; Dominion owns about 18,000 megawatts
2 generation which is roughly 10 percent of the total
3 capacity in PJM; is that correct?

4 A. Yes.

5 Q. Dominion fully participates in both PJM
6 energy and capacity markets, but Virginia has costs
7 of service regulation for generation, so Dominion
8 receives cost base compensation from retail
9 ratepayers for the cost of its generation; is that
10 all correct?

11 A. Yes.

12 Q. And Dominion has recently built and plans
13 to build several new generating facilities, correct?

14 A. Yes.

15 Q. For example, its recently built the
16 Virginia City Hybrid Energy Center and the Warren
17 County Power Station, right?

18 A. Yes.

19 Q. And it plans to build, in the process of
20 building the Brunswick County Power Station and the
21 Greenville Power Station; is that right?

22 A. Yes.

23 Q. And as we discussed last time, you would
24 agree that at least a large majority of any market
25 risk that Dominion faces is transferred to its retail

1 customers through its retail rates, correct?

2 A. Yes.

3 Q. Now, the most recent change to the MOPR,
4 there was essentially a Dominion-exception created,
5 the rules gave Dominion the option to meet certain
6 requirements of the MOPR differently than other
7 entities; is that a fair characterization?

8 A. Yes.

9 Q. And you did not support that part of the
10 settlement that allowed Dominion to fulfill MOPR
11 rules differently than other entities?

12 A. Yes.

13 Q. But FERC approved it over your objection,
14 correct?

15 A. Yes.

16 Q. Now, back to your proposal in your
17 testimony. I believe you told Mr. Kurtz that you
18 believe the MOPR should be changed.

19 A. I'm sorry. So let me clarify my prior
20 answer. I actually don't recall, maybe you do, that
21 I objected at FERC. We certainly objected to the
22 process. We were part of the settlement process and
23 objected to that provision. Whether we actually
24 objected at FERC and if FERC overruled us, I don't
25 recall, so.

1 Q. Fair enough. Fair clarification. So I
2 want to return to your proposal in your testimony. I
3 believe you told Mr. Kurtz that you believe that the
4 MOPR should be changed so that it applies, first of
5 all, to Dominion's existing plants, correct?

6 A. Yes.

7 Q. And also presumably to Dominion's new
8 plants for their entire service life, correct?

9 A. Yes.

10 Q. So now, I know you can't speak for
11 Dominion, but given your long experience with PJM,
12 would you expect that Dominion would oppose your
13 proposal at PJM and FERC?

14 A. I don't know. Dominion has other options.
15 Dominion has an FRR option as does AEP, and AEP has
16 exercised that. So there are other ways to, if you
17 don't want to participate in the capacity auction as
18 a competitive participant, there are other ways that
19 PJM rules provide for that. And we have suggested
20 that the people in that situation do that.

21 So, you know, of course I don't know what
22 they would do, but they have -- they have options to
23 being subject to a comprehensive MOPR.

24 Q. Do you expect that if your proposal were
25 adopted, that Dominion would either elect FRR or exit

1 PJM?

2 A. I don't think they would exit PJM.

3 Q. Okay. Let me talk about the FRR states.
4 I think, as we discussed, before there are a number
5 of states in PJM that have cost of service retail
6 regulation and you discussed this again with
7 Mr. Kurtz, and just for the record, that includes
8 West Virginia, Kentucky, Indiana, and Michigan,
9 correct, among others?

10 A. Parts of those states. Typically, not all
11 of those states are in PJM, but parts are.

12 Q. Fair enough. And the parts that are in
13 PJM have cost of service regulation?

14 A. Yes.

15 Q. Okay. Now, you are aware that AEP Ohio's
16 affiliate entities operate in several of these
17 states, for example, Indiana Michigan Power, Kentucky
18 Power, and Appalachian Power, correct?

19 A. Yes.

20 Q. And those affiliates own generation and
21 receive cost base retail compensation for their
22 generation, correct?

23 A. Yes.

24 Q. And those affiliates participate in the
25 PJM energy auctions -- I'm sorry, not auctions, the

1 PJM energy markets, correct?

2 A. Yes.

3 Q. But they don't participate in the capacity
4 auctions or RPM because they've elected the fixed
5 resource requirement or FRR, correct?

6 A. Well, there are -- there is an FRR option
7 and if you take the FRR option, you don't participate
8 directly in the capacity markets. You characterized
9 a list of entities that have taken the FRR option and
10 I wouldn't agree with that. The FRR entities are
11 what they are. I don't have a comprehensive recall
12 of them. But to the extent you take the FRR option,
13 it's true, you don't participate in the capacity
14 markets.

15 Q. So you don't know whether Indiana Michigan
16 Power has elected the FRR option?

17 A. I know some of -- a substantial amount of
18 AEP initially, if not all, adopted FRR, and then
19 some, more and more of it has come into the market,
20 so I don't recall where the dividing line is.

21 Q. Okay. Fair enough. And just to be clear,
22 the MOPR as currently written, would not apply to any
23 of the existing generating facilities of any of those
24 other FRR affiliates, were they to end their FRR
25 status and participate in RPM, correct?

1 A. Correct.

2 Q. But do you believe that the MOPR -- I take
3 it you do believe that the MOPR should be changed to
4 cover the existing units of those FRR entities were
5 they to join RPM?

6 A. Yeah. For any unit -- well, for any unit
7 that's receiving subsidies --

8 Q. Right.

9 A. -- and so it's not necessary, so it could
10 be those units to the extent that they are receiving
11 subsidies as I have defined it, yes.

12 Q. And that includes affiliates or any other
13 utility that is receiving cost based retail
14 compensation for generation.

15 A. Yes.

16 Q. Okay. So the last time we talked about --
17 and you talked to Mr. Kurtz about municipal utilities
18 and cooperative utilities, and there are munis and
19 co-ops in all 13 PJM states, correct?

20 A. Yes.

21 Q. And without exception, all those munis and
22 co-ops use cost of service regulation, correct?

23 A. Yes, I believe so.

24 Q. And one example we've talked about before
25 is Eastern Kentucky Power Cooperative. It's got

1 about 3,000 megawatts of generation; is that correct?

2 A. Yes.

3 Q. And 3,000 megawatts is roughly the size of
4 the PPA, would you agree with that?

5 A. Yes.

6 Q. Okay. And like Dominion, Eastern Kentucky
7 Power Cooperative fully participates in the PJM
8 energy and capacity markets, correct?

9 A. Yes.

10 Q. But as a co-op, it recovers the costs of
11 its generation through retail rates and thus
12 transfers to ratepayers all responsibility for paying
13 the net cost of its generation, correct?

14 A. Yes.

15 Q. And currently the MOPR does not apply to
16 Eastern Kentucky Power Cooperatives Generation, but
17 you believe it should be expanded to cover that
18 generation, correct?

19 A. Yes.

20 Q. Okay. And just to be clear, I think we've
21 covered this implicitly, but you believe traditional
22 cost of service based regulation act as a subsidy to
23 generating units, correct?

24 A. Under the conditions I've identified,
25 where those units are being offered into a market and

1 competing with units that don't have the -- don't
2 have that source of revenue.

3 Q. Right. Okay. And then last time that we
4 were here we talked about a number of other PPAs in
5 PJM. Do you generally remember that discussion?

6 A. Yes.

7 Q. And we specifically talked about some PPAs
8 in which an electric distribution utility purchases
9 power from an independent power producer? Do you
10 remember that?

11 A. Yes.

12 Q. And currently the MOPR does not apply to
13 any of the capacity that's purchased in these PPAs;
14 is that correct?

15 A. Yes.

16 Q. Do you believe the MOPR should be changed
17 to apply to the capacity purchased in those PPAs?

18 A. Well, actually just to -- I mean, to the
19 extent it was a new unit it would apply.

20 Q. Fair enough.

21 A. But so, yes, to the extent that the MOPR
22 is going to cover all -- all units being offered into
23 the capacity market and address subsidies, then if
24 that's -- if they are receiving subsidies, then they
25 should be subject to MOPR.

1 Q. Let me make sure I understand that. So if
2 an electric distribution utility enters into a PPA in
3 which it purchases power from an independent power
4 producer, you are with me so far?

5 A. Uh-huh.

6 Q. Okay. And then the utility bids that
7 power into the PJM capacity market, okay?

8 A. Yes.

9 Q. And then the net costs, whether a credit
10 or charge of that power transaction, are passed on to
11 the utility's customers? Do you understand that
12 hypothetical?

13 A. I do.

14 Q. Would you consider that to be a subsidy to
15 which you believe the MOPR should apply?

16 A. Yes. So the PPA you described is
17 effectively equivalent to cost of service regulation.
18 There are PPAs that are not. There is nothing
19 inherent in a PPA structure that means it has to be
20 cost of service regulation. There are lots of
21 arm's-length commercial PPAs.

22 Q. Okay. So in addition to Dominion's
23 existing generation and the new plants that they are
24 building, you would agree -- or you would propose for
25 any power that Dominion purchases through a PPA and

1 then bids to the wholesale capacity market, assuming
2 they are getting retail recovery of the net cost of
3 that power, that those bids of Dominion's would be
4 subject to the MOPR as well?

5 A. Yeah, if they are subsidized. I mean, the
6 principle is very clear. I think we have got it now.
7 The principle is very clear which is that if the
8 units are receiving subsidies, they should be
9 required to behave competitively, so as to not
10 disadvantage competitive offers and to make sure that
11 the advantages of a competitive capacity market
12 continue.

13 Q. Do you think the MOPR should apply to
14 plants that receive tax subsidies?

15 A. I'm not sure what you mean.

16 Q. Are you aware that generating facilities
17 can receive tax subsidies either from the state or
18 municipal governments?

19 A. Yes. But, again, it depends on what you
20 mean. So that would have to be evaluated case by
21 case.

22 Q. So it's potential -- it's a potential that
23 you would recommend that the MOPR apply to generating
24 facilities that receive some kind of tax assistance
25 from the state or local government?

1 A. I think it would have to be reviewed case
2 by case, so.

3 Q. Okay. Do you think that the MOPR should
4 apply to renewable resources that are subsidized by
5 state law?

6 A. A comprehensive MOPR would do that.
7 Whether that turns out to be the most effective way
8 to establish a policy, would depend on FERC's ruling,
9 obviously, and if it is -- it's possible that if FERC
10 believes that ongoing assistance to certain renewable
11 energy types is required, then that's the ruling they
12 can make.

13 Q. Okay. Let's specifically focus on state
14 laws that require a renewable portfolio through the
15 use of RECs. Are you familiar with those laws?

16 A. Yes.

17 Q. Do you believe that those laws are
18 subsidies such that generators -- well, first of all,
19 do you believe that those laws are subsidies?

20 A. Well, the laws aren't subsidies.

21 Q. Do you believe that the program that those
22 laws implement are subsidies?

23 A. The laws result in subsidy payments, yes.

24 Q. Okay. And do you believe that the plants
25 that are the beneficiaries of those renewable

1 subsidies should be subject to the MOPR?

2 A. If the MOPR were comprehensive, it would
3 be subject to them, yes.

4 Q. And would you recommend that it be subject
5 to them?

6 A. I would start off recommending that --
7 recommending that, yes, understanding that it might
8 be a public policy decision by the Federal Energy
9 Regulatory Commission to continue to exempt these --
10 the renewable resources.

11 Q. Just like it might be a public policy
12 decision of the FERC to exempt utilities that have
13 traditional cost based retail subsidies as well,
14 correct?

15 A. I don't think it's analogous, but, yes,
16 that would be a public policy decision to not rely on
17 competitive capacity markets.

18 Q. Okay. Just one more question,
19 Dr. Bowring. I think it's a hypothetical.
20 Hypothetically, if you make your MOPR proposal to
21 FERC, and FERC decides that the MOPR should not apply
22 to Dominion, would you still contend that the MOPR
23 should apply to the PPA plants if the PPA proposal is
24 adopted?

25 A. Yes.

1 Q. Okay. Same answer if FERC would conclude
2 that the MOPR should not apply to municipal and co-op
3 utilities?

4 A. Yes.

5 Q. And same answer if FERC would conclude
6 that the MOPR should not apply to power purchased
7 through a PPA by Dominion?

8 A. Yes.

9 MR. MCKENZIE: Just one second, please.

10 Q. And just one clarifying question.
11 Obviously if FERC enacts a particular provision of
12 the PJM tariff, you and everyone else are bound to
13 follow it, correct?

14 A. Yes.

15 MR. MCKENZIE: Thank you. No further
16 questions.

17 EXAMINER PARROT: Mr. Beeler?

18 MR. BEELER: Nothing, your Honor. Thank
19 you.

20 EXAMINER PARROT: Mr. Mayes, would you
21 like a brief recess at this point?

22 MR. MAYES: Yes, your Honor.

23 EXAMINER PARROT: Let's go off the record.
24 Take a short break.

25 (Recess taken.)

1 EXAMINER PARROT: All right. Let's go
2 back on the record.

3 Mr. Mayes, any redirect?

4 MR. MAYES: Your Honor, I have one
5 question on redirect.

6 EXAMINER PARROT: Okay.

7 - - -

8 REDIRECT EXAMINATION

9 By Mr. Mayes:

10 Q. Mr. Bowring, how would you evaluate the
11 likelihood that a revised MOPR, to address issues
12 raised by the PPA rider, would be approved by the
13 FERC?

14 A. So my evaluation depends on the history of
15 the existing MOPR. So the current MOPR was a
16 response to attempts in New Jersey and Maryland to
17 subsidize the construction of particular new units.
18 The MOPR was -- it was created very quickly in
19 response to that and approved by FERC very quickly in
20 response to that.

21 So I have reason to believe that -- and
22 that would be the reason to expect a similarly quick
23 response to potential threats to competitive
24 wholesale power markets, and particularly the
25 capacity market, if the PPA is approved.

1 MR. MAYES: Your Honor, that concludes
2 redirect.

3 EXAMINER PARROT: Ms. Fleisher.

4 MS. FLEISHER: No questions, your Honor.

5 EXAMINER PARROT: Mr. Michael.

6 MR. MICHAEL: No questions, your Honor.

7 EXAMINER PARROT: Ms. Bojko.

8 MS. BOJKO: No questions, your Honor.

9 EXAMINER PARROT: Mr. Petricoff.

10 MR. PETRICOFF: No questions, your Honor.

11 EXAMINER PARROT: Mr. Darr.

12 MR. DARR: No questions.

13 EXAMINER PARROT: Mr. Kurtz.

14 MR. KURTZ: No questions.

15 EXAMINER PARROT: Ms. Spinosi.

16 MS. SPINOSI: No questions.

17 EXAMINER PARROT: Mr. Oliker.

18 MR. OLIKER: No, thank you, your Honor.

19 EXAMINER PARROT: Mr. McKenzie.

20 MR. MCKENZIE: Just a couple.

21 - - -

22 RE-CROSS-EXAMINATION

23 By Mr. McKenzie:

24 Q. In the New Jersey and Maryland situations,
25 the plants at issue there, both of those plants are

1 owned by an entity called "CPV;" is that correct?

2 A. No. There were multiple units, certainly
3 two -- one unit in Maryland and one unit in New
4 Jersey were owned by CPV, that's correct.

5 Q. How many other owners were there?

6 A. I believe there were three units in New
7 Jersey by three different owners.

8 Q. Okay. And your proposal here would apply
9 to units owned by Dominion, every cooperative and
10 municipal utility in PJM, potentially any owner of
11 renewable resources that is receiving subsidies
12 through renewable portfolio standard programs, and
13 potentially any current FRR entity that has
14 cost-based regulation that wishes to enter RPM
15 sometime in the future, correct?

16 MR. MAYES: Objection. Asked and
17 answered.

18 MR. MCKENZIE: You know, I am asking this
19 question in the context of the recross, where it has
20 a renewed relevance.

21 MS. BOJKO: Objection. I join in the
22 objection, your Honor.

23 EXAMINER PARROT: I think I am going to
24 sustain the objection that was out there. If you
25 want to try maybe a different way, Mr. McKenzie.

1 MR. MCKENZIE: Nope. No further
2 questions.

3 EXAMINER PARROT: Okay, then.
4 Mr. Beeler.

5 MR. BEELER: No questions, thank you.

6 EXAMINER PARROT: Commissioner Haque?

7 COMMISSIONER HAQUE: My microphone is not
8 working, but Dr. Bowring can you hear me?

9 THE WITNESS: I can.

10 COMMISSIONER HAQUE: Can everyone hear?

11 Okay. Great.

12 Dr. Bowring, just one quick question and
13 I'll ask you to respond to this question generally.
14 I am not talking about specific companies, specific
15 units, but the units that have -- thank you, your
16 Honor -- the units that have bid and cleared CP
17 auctions to this point. In your opinion have those
18 units been bid competitively based upon your
19 thoughts, understanding, notion of competitive
20 bidding practices?

21 THE WITNESS: So let me answer two ways.
22 One is that under the existing rules, units -- all
23 units have bid competitively. But if -- if you think
24 about a competitive offer from a subsidized unit
25 being at less than what it would be without the

1 subsidies, then that's not true in every case. So
2 some units -- the offers of some units reflect those
3 subsidies; that is permitted under the current rules.

4 COMMISSIONER HAQUE: So if I clarify that
5 question by saying those units that do not presently
6 receive the subsidies that have been articulated by
7 you and Mr. McKenzie for examination, does that --
8 can you respond to that?

9 THE WITNESS: Yes, of course. Yes. And
10 so we do a detailed review in realtime and ahead of
11 time, as well as after the fact, of every auction
12 and, yes, it's been our conclusion that every
13 capacity auction, including the most recent capacity
14 performance action for '18-'19 delivery year was --
15 produced competitive results, and the behavior of
16 participants was competitive.

17 COMMISSIONER HAQUE: Thank you,
18 Dr. Bowring.

19 THE WITNESS: Thanks.

20 EXAMINER PARROT: All right. Mr. Mayes,
21 would you like to move your exhibit?

22 MR. MAYES: Yes.

23 EXAMINER PARROT: Maybe you did, I am not
24 sure.

25 MR. MAYES: Can I confer real quickly with

1 my client first? It will only take a moment.

2 EXAMINER PARROT: Very quickly.

3 MR. MAYES: Yes, your Honor, I would like
4 to move IMM 2 into the record.

5 EXAMINER PARROT: Are there any
6 objections?

7 All right. Hearing none, IMM Exhibit
8 No. 2 is admitted into the record.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 EXAMINER PARROT: Mr. McKenzie.

11 MR. MCKENZIE: We are not going to
12 admit -- move AEP Ohio 54.

13 EXAMINER PARROT: Okay. Thank you for
14 stating that on the record.

15 Thank you very much, Dr. Bowring.

16 THE WITNESS: Thank you.

17 EXAMINER PARROT: All right. Let's go off
18 the record just for a second.

19 (Discussion off the record.)

20 EXAMINER PARROT: Let's go back on the
21 record.

22 MR. PETRICOFF: At this time, your Honor,
23 P3 and EPSA would like to call Joseph Cavicchi to the
24 stand.

25 (Witness sworn.)

1 EXAMINER SEE: Thank you, have a seat.
2 Mr. Petricoff.

3 MR. PETRICOFF: Your Honor, I have one
4 preliminary matter. There was a protective order,
5 motion for a protective order that was filed by EPSA
6 and P3 and by the company as to the testimony of
7 Mr. Cavicchi. I don't believe we have a ruling on
8 that.

9 EXAMINER SEE: You do not have a ruling at
10 this point.

11 MR. PETRICOFF: And since we are about to
12 offer the testimony, both a public version and a
13 protected version, I was wondering if now would be
14 the time for that ruling on this order or if we
15 should wait.

16 EXAMINER SEE: We should probably wait.

17 MR. PETRICOFF: Wait, we shall, thank you,
18 your Honor.

19 At this point I would like to have marked
20 three new documents for P3/EP SA and, subject to
21 check, I believe we are up to 12, so I would like to
22 mark as P3/EP SA 12 the supplemental testimony of
23 Joseph Cavicchi and then P3/EP SA 13, the confidential
24 version of the supplemental testimony of Joseph
25 Cavicchi, and then finally I guess we would mark this

1 as or suggest it be 13A and that would be the
2 corrections to the confidential testimony,
3 supplemental testimony of Joseph Cavicchi.

4 EXAMINER SEE: Okay.

5 - - -

6 A. JOSEPH CAVICCHI

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

9 DIRECT EXAMINATION

10 By Mr. Petricoff:

11 Q. Would you please state your name and
12 business address for the record.

13 A. A. Joseph Cavicchi, 200 State Street,
14 Boston, Massachusetts.

15 MR. PETRICOFF: I'm sorry. Does the Bench
16 need copies?

17 EXAMINER SEE: We have copies. We just
18 don't have the corrections.

19 EXAMINER PARROT: The corrections, 13A.

20 MR. PETRICOFF: Do you need all of them or
21 just the corrections?

22 EXAMINER SEE: Just the corrections.

23 Mr. Petricoff, you can provide the Bench
24 with a second copy later.

25 MR. PETRICOFF: I have it here. I think

1 it's fair to say there's a great deal of paper in
2 this case. Hard to keep track of it all.

3 EXAMINER SEE: The exhibits are so marked.
4 (EXHIBITS MARKED FOR IDENTIFICATION.)

5 MR. PETRICOFF: Thank you, your Honor.

6 Q. (By Mr. Petricoff) Mr. Cavicchi, could you
7 please state your name and business address.

8 A. A. Joseph Cavicchi, 200 State Street,
9 Boston, Massachusetts.

10 Q. And on whose behalf do you appear today?

11 A. The PJM Power Providers Group and Electric
12 Power Supply Association.

13 Q. And you are the same Joseph Cavicchi who
14 has already appeared in this proceeding?

15 A. Yes, I am.

16 Q. Do you have a copy of has been marked as
17 P3/EPSCA Exhibit 12, 13, and 13A?

18 A. Yes, I do.

19 Q. And could you describe for me Exhibit 12?

20 A. That is the public version of my
21 supplemental testimony.

22 Q. And was that prepared by you or under your
23 direction?

24 A. Yes.

25 Q. And Exhibit 13?

1 A. Is the confidential version of my
2 supplemental testimony.

3 Q. Was this prepared by you or under your
4 direction?

5 A. Yes, it was.

6 Q. And 13A, could you describe that document?

7 A. That is an exhibit to my supplemental
8 testimony labeled "Attachments AJC-S-4A through -D."
9 This attachment was very slightly revised the day
10 following the submission of my supplemental
11 testimony.

12 Q. And knowing that it's a confidential
13 document, are you able to describe today what those
14 changes were without using any of the confidential
15 information?

16 A. Yes. The calculations in the historical
17 portion of the exhibit omitted the consideration of
18 the leap day in one of the four years to which it
19 applied.

20 Q. This is when doing averaging, you averaged
21 365 including the leap year?

22 A. Correct.

23 Q. And what is the impact of putting the leap
24 year in in the four years?

25 A. It's di minimus; almost no change.

1 Q. Okay. And if I were to -- let me ask you
2 this, are there any changes in the public version of
3 your testimony that you would like to make at this
4 time?

5 A. Just one very minor correction. On page
6 18 at line 7, there is a reference to Exhibit AJC-3.
7 That should be Attachment AJC-S-3.

8 Q. So you need to add the "S."

9 A. Yes. And change exhibit to attachment.

10 Q. Anything else in the public version of 12?

11 A. No.

12 Q. How about the confidential testimony, 13?

13 A. On -- yes, one similar minor change on
14 page 14, fifth line down, there is a reference to
15 Attachment AJC-1, that should be a reference, like
16 the other, includes an "S" such that it's Attachment
17 AJC-S-1.

18 Q. Any other changes that need to be made?

19 A. No.

20 Q. Okay. Are there any changes that are
21 necessary to 13A?

22 A. No.

23 MR. PETRICOFF: Okay. Your Honor, at this
24 time the witness is available for cross-examination.

25 EXAMINER SEE: Mr. O'Rourke?

1 MR. O'ROURKE: No questions, your Honor.
2 EXAMINER SEE: Mr. Michael?
3 MR. MICHAEL: No questions, your Honor.
4 EXAMINER SEE: Ms. Fleisher?
5 MS. FLEISHER: No questions, your Honor.
6 EXAMINER SEE: Mr. Kurtz?
7 MR. KURTZ: No questions, your Honor.
8 EXAMINER SEE: Mr. Darr?
9 MR. DARR: No questions.
10 EXAMINER SEE: Mr. Oliker?
11 MR. OLIKER: No, thank you, your Honor.
12 EXAMINER SEE: Ms. Spinosi?
13 MS. SPINOSI: No questions, your Honor.
14 EXAMINER SEE: Mr. McKenzie.
15 MR. MCKENZIE: Yes, your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. McKenzie:

19 Q. Good morning, Mr. Cavicchi.
20 A. Yes, thank you.
21 Q. I apologize if I mispronounce your name.
22 You are familiar with the Commission's
23 three-part test for stipulations, correct?
24 A. Yes, in so much as I've read it in the
25 stipulation that's been filed.

1 Q. And the only part of the three-part test
2 you are addressing is part 3, whether the stipulation
3 benefits customers and is in the public interest,
4 correct?

5 A. Yes.

6 Q. You don't have any reason to doubt that
7 the stipulation was the product of serious
8 bargaining, among capable, knowledge parties,
9 correct?

10 A. Correct.

11 Q. And you don't have any reason to think
12 that the stipulation violates any important
13 regulatory principle, correct?

14 A. Correct.

15 Q. Okay. Now, first of all, you are the only
16 witness that P3 and EPSA have offered to provide
17 testimony concerning the stipulation, correct?

18 A. I'm actually not sure of that.

19 Q. Okay. You have reviewed the stipulation
20 in this case, correct?

21 A. Yes.

22 Q. Do you happen to have a copy of it in
23 front of you?

24 A. I do.

25 Q. Okay. And that's a document that's been

1 admitted in this case as Joint Exhibit 1, the Joint
2 Stipulation and Recommendation that was filed in this
3 proceeding. If I could turn your attention to page 9
4 of that stipulation, please.

5 A. I'm there.

6 Q. Okay. And this is part III.B of the
7 stipulation which is entitled "Federal Advocacy." Do
8 you see that?

9 A. Yes, I do.

10 Q. And now, recognizing that there are some
11 components of the stipulation that you believe are
12 unquantifiable benefits; first of all, that
13 accurately states your opinion, correct?

14 A. Yes.

15 Q. Okay. Other than that, you don't oppose
16 Section III.B, correct?

17 A. Correct.

18 Q. And same question for Sections III.C, D,
19 E, F, G, H, J, and L, you don't oppose any of those
20 parts of the stipulation, correct?

21 MR. PETRICOFF: Your Honor, if you would,
22 that's a lot of sections. I think the witness will
23 need a minute or two to look at that.

24 MR. MCKENZIE: And I am happy to do it one
25 by one if you want, but I think I know what the

1 answer is going to be.

2 EXAMINER SEE: Well, the witness can take
3 time to evaluate that or you can go one by one and he
4 can take as much time as he needs to answer the
5 question.

6 A. I'm comfortable saying "correct" to that
7 question.

8 Q. Okay. You can set that aside.

9 Now, could we turn to page 15 of your
10 supplemental testimony, please. And let's stick with
11 the public version for now. I apologize, page 8,
12 please.

13 A. Okay.

14 Q. Okay. The first sentence of the first
15 full paragraph beginning "These incentives." Do you
16 see that?

17 A. Yes.

18 Q. Okay. That says "These incentives will be
19 aligned exactly with those of generating plant owners
20 facing traditional cost-of-service, rate-of-return
21 regulation." Did I read that correctly?

22 A. Yes, you did.

23 Q. And you are talking about the incentives
24 that AEP Generation Resources will face if the PPA
25 proposal is accepted, correct?

1 A. Yes.

2 Q. Now the PPA units that are the subject of
3 this proceeding, those were built and operated for
4 many years under traditional cost-of-service
5 regulation, correct?

6 A. Yes.

7 Q. And when these plants were operated under
8 cost-of-service regulation, the Commission would
9 review plant expenditures to determine whether they
10 were reasonable, correct?

11 A. That would be my understanding, yes.

12 Q. And you don't have an opinion, one way or
13 the other, whether the Commission was capable of
14 detecting unreasonable plant expenditures at that
15 time, correct?

16 A. No, I have not studied that.

17 Q. Okay. And at some point in this
18 proceeding you did review the proposed PPA contract
19 that AEP Ohio produced in discovery, correct?

20 A. Yes.

21 Q. But when you prepared your supplemental
22 testimony, including the part we just read, you did
23 not go back and look at the provisions of the
24 proposed PPA contract that addressed AEP Ohio rights
25 to oversee plant expenditures, correct?

1 A. Yes.

2 Q. But you did understand that the Commission
3 will undertake an annual audit of PPA costs, correct?

4 A. I understand that that is a provision in
5 the stipulation.

6 Q. Okay. And you don't have any opinion, one
7 way or the other, about whether the Commission
8 current -- excuse me, whether the current Commission
9 staff does or does not have the expertise necessary
10 to evaluate PPA unit costs, correct?

11 A. That's correct, yes.

12 Q. All right. Staying on page 8, the final
13 sentence in the paragraph we were just referring to
14 reads "In contrast, other generation owners in PJM's
15 wholesale markets are under constant pressure to
16 minimize the costs of operation and make optimal
17 investment decisions." Did I read that correctly?

18 A. Yes.

19 Q. Now, I think you were in the room for
20 Dr. Bowring's testimony earlier today, correct?

21 A. Yes, I was.

22 Q. And so you are aware of the Dominion
23 utility in Virginia, correct?

24 A. Yes.

25 Q. They own about 18,000 megawatts of

1 generation which is roughly 10 percent of the
2 capacity of PJM?

3 A. Subject to check, yes.

4 Q. And you would agree that Dominion's plants
5 participate fully in the PJM energy and capacity
6 markets, correct?

7 A. That is my understanding.

8 Q. But they also -- they also receive cost
9 based retail compensation for generation, correct?

10 A. Yes, at least for the portions of the
11 generation that they own outright, yes.

12 Q. Okay. And you are aware that they have
13 recently built and plan to build several new
14 generating facilities, correct?

15 A. Yes, I am.

16 Q. And you are also aware there are municipal
17 and cooperative utilities in PJM that own generation,
18 correct?

19 A. Yes.

20 Q. And generally, municipal utilities and
21 cooperative utilities recover the costs of their
22 generations through retail rates, correct?

23 A. That is correct.

24 Q. Okay. Let's -- let's go back to page 7 of
25 your testimony, please. In answer 10, the fourth

1 line, you say "There is simply no factual basis upon
2 which Mr. Allen's Settlement Exhibit WAA-2, which he
3 cites as providing an estimated nominal dollar
4 benefit of \$721 million is in any way realistic."
5 Did I read at that correctly?

6 A. Yes.

7 Q. Okay. So you obviously dispute the \$721
8 million figure, but you haven't done any analysis
9 that would allow you to say what the specific dollar
10 figure, either a credit or charge, that you believe
11 the PPA rider will result in over the term of the
12 stipulation, correct?

13 A. Yes, that's correct.

14 Q. Okay. Let's go -- first of all, you -- as
15 part of your testimony in this case you reviewed AEP
16 Ohio Witness Carl Bletzacker's May 15, 2015
17 testimony, correct?

18 A. Yes.

19 Q. Okay. And then you also reviewed his
20 rebuttal testimony, correct?

21 A. Yes. I reviewed it, but the -- for both
22 those versions I didn't rely on them. The one I
23 relied on, I cited further in my testimony.

24 Q. Okay. You are aware that AEP Ohio Witness
25 Mr. Bletzacker presented a so-called fundamentals

1 forecast in his testimony in which he relied on a
2 variety of inputs and assumptions to forecast both
3 natural gas prices and electric prices, correct?

4 A. Yes.

5 Q. And Mr. Bletzacker's price forecasts were
6 used to project likely revenue under the PPA and that
7 is the basis of the \$721 million figure we just
8 discussed, correct?

9 A. That is my understanding, yes.

10 Q. By the way, I just mentioned both natural
11 gas prices and electric prices. Do you agree that
12 natural gas prices are one major driver of electric
13 prices?

14 A. Definitely, I am in agreement with
15 Mr. Bletzacker on that as well, since that's a big
16 portion of where he believes the power prices come
17 from.

18 Q. Now, Mr. Bletzacker says that a \$1 per
19 MMBtu swing in gas prices would result in a 7 to 8
20 dollar per megawatt hour swing in natural gas
21 combined cycle generation costs. Do you have any
22 reason to dispute that figure?

23 A. No, I do not.

24 Q. Okay. Let's go to page 12 of your
25 testimony, please. The second line, the first full

1 sentence reads as follows: "Attachment AJC-S-2 shows
2 that Mr. Bletzacker's forecast is now clearly wrong.
3 Since the time of Mr. Bletzacker's analysis the U.S.
4 Energy Information Administration ('EIA') came out
5 with its 2015 Annual Energy Outlook ('AEO') which
6 portended softening natural gas prices in comparison
7 to Mr. Bletzacker's analysis." Did I read that
8 correctly?

9 A. Yes, you did.

10 Q. First of all, the Energy Information
11 Administration's 2015 Annual Energy Outlook that you
12 reference here, that was published in April, 2015,
13 right?

14 A. Yes.

15 Q. And your initial testimony in this case
16 was filed five months later in September, 2015,
17 correct?

18 A. Yes, that's correct.

19 Q. So this 2015 Annual Energy Outlook that
20 you cite here was available for you to cite and
21 discuss in your initial testimony, but you didn't
22 discuss it because it was not something that you
23 thought was relevant to your initial testimony,
24 correct?

25 MR. PETRICOFF: Your Honor, objection.

1 This is -- he is implementing what the thought was in
2 the question. He can certainly ask him why didn't
3 you do it, but he can't say this is -- this was your
4 thought. Improper question.

5 MR. MCKENZIE: Well, your Honor, I am
6 asking a leading question because I have taken the
7 deposition of this witness and I know what his answer
8 is going to be, if he says that's not correct, he is
9 free to do that.

10 MR. PETRICOFF: Taking a deposition
11 doesn't allow you to ask an improper question.

12 MR. MCKENZIE: I am allowed to ask a
13 leading question when I have a basis for it. That's
14 my point.

15 EXAMINER SEE: Rephrase your question,
16 Mr. McKenzie.

17 Q. (By Mr. McKenzie) First, let's establish
18 the 2015 Annual Energy Outlook that you cite was
19 available for you to cite and discuss in your initial
20 testimony, but you didn't, correct?

21 A. Yes, that's correct.

22 Q. And that's because it wasn't relevant in
23 your view?

24 A. It's because my initial testimony
25 addressed the original proposal put forth by the

1 company that envisioned a PPA that went out over
2 three decades and when the stipulation was filed the
3 proposal was limited to eight years, which changed my
4 view.

5 Q. And the stipulation, there's nothing in
6 the stipulation that changes Mr. Bletzacker's natural
7 gas forecasts, correct?

8 A. That's correct.

9 Q. Okay. So nothing has changed since your
10 initial testimony and your current testimony.

11 A. Well, the term of the agreement has
12 changed. Eight years versus 36 years is a massive
13 change, and when I filed my initial testimony I
14 viewed it as a very, very long-term PPA and what
15 might have been occurring in the marketplace as of
16 the beginning of fall of 2015 wasn't relevant for
17 2025 or 2030 or 2035. However, now, when the PPA is
18 limited to eight years, I think it changes the
19 economics considerably.

20 Q. But my point is that Mr. Bletzacker's
21 natural gas forecast has not changed since the
22 initial application. The 2015 Annual Energy Outlook
23 was available for your initial testimony and you
24 declined to cite it, correct?

25 A. Yes, that's correct. I have already

1 answered that.

2 Q. Let's assume that the 2015 EIA Annual
3 Energy Outlook is correct, okay? As a hypothetical.

4 A. Okay.

5 Q. You haven't done any analysis to determine
6 what dollar amount the PPA rider credit or charge
7 would be if those projections are correct; is that
8 right?

9 A. Yes.

10 Q. Okay. Further down on page 12 of your
11 testimony -- actually, let's pick up right where we
12 left off right at Footnote 18. You say "Attachment
13 AJC-S-2 also shows an example of an updated long-term
14 forecast as well as the current NYMEX futures prices.
15 Attachment AJC-S-2 shows that there has been a
16 decline in projected 2016 gas prices of more than
17 50 percent when compared to late 2013 when
18 Mr. Bletzacker developed his forecast (i.e., a
19 decline of more than \$3/MMBTU), and that these now
20 lower natural gas price levels are expected to
21 persist for some time into the future." Did I read
22 that correctly?

23 A. Yes.

24 Q. And then in the next sentence you
25 reference the NYMEX marketplace; is that correct?

1 A. Yes.

2 Q. Okay. When you refer to the NYMEX
3 marketplace in your testimony, you are referring to
4 NYMEX natural gas futures, correct?

5 A. Yes.

6 Q. And just to review, Mr. Bletzacker's
7 natural gas forecast was based on a model that he
8 ran; is that a fair characterization?

9 A. I'm actually not sure the answer to that
10 question. He describes a relationship that the
11 company has with multiple fuel-price forecasting
12 organizations. It's not immediately clear whether he
13 uses their information to develop his forecasts, or
14 runs his own model using the information that he
15 obtains from them.

16 Q. You are saying it's not clear whether he
17 runs his own model?

18 A. Yes.

19 Q. Okay. Let me ask you this, running models
20 to project natural gas prices is not your expertise,
21 correct?

22 A. Running models similar to what EIA AEO
23 runs to project natural gas prices, as we discussed
24 recently, is not my expertise.

25 Q. Okay. Now, you do have, however, have

1 experience projecting electricity prices; is that
2 correct?

3 A. Yes.

4 Q. And when you project electricity prices,
5 you sometimes rely on natural gas futures; is that
6 right?

7 A. Yes.

8 Q. But you do so only so long as there is
9 sufficient liquidity, meaning enough open contracts
10 in the futures market; is that a fair statement?

11 A. Yes, it is.

12 Q. Okay. And for the NYMEX Henry Hub, and
13 that's one of the futures markets that you looked at
14 for your testimony, correct?

15 A. Yes.

16 Q. For the NYMEX Henry Hub, you have to
17 assume, based on your experience, that there is
18 sufficient liquidity for about a year and a half to
19 two years, maybe another year, but that's it,
20 correct?

21 A. Yes.

22 Q. And it's widely understood that trading of
23 natural gas futures drops off in later years after
24 about two to three years into the future, correct?

25 A. Yes.

1 Q. So those -- those gas futures would not
2 provide a reliable prediction of gas prices at more
3 than about three years out; is that correct?

4 A. Well, it depends on how you -- how someone
5 thinks about it. There may be market participants
6 who believe the data out beyond three years are
7 reliable, and we have to be careful because there are
8 open positions in years and months.

9 However, in my experience, forecasting
10 electricity prices, I would tend to marry or look at
11 the longer-term, I should say, based on a mixture of
12 long-term gas price forecasts as opposed to relying
13 solely on the NYMEX Henry Hub futures.

14 Q. Okay. Now, later on, because I think this
15 is going to get into confidential information, I will
16 ask you about your estimate of PPA unit revenues in
17 2016 and 2017, but, for now, let me ask, you did not
18 use gas futures in any way to determine your estimate
19 of PPA unit revenues in those years, correct?

20 A. Yes, that's correct.

21 Q. Okay. So let me go back to
22 Mr. Bletzacker's fundamentals forecast which formed
23 the basis of the PPA rider projections. You did
24 review his testimony as we've gone over, correct?

25 A. Yes.

1 Q. And you reviewed at least some portion of
2 the workpapers that Mr. Bletzacker provided in this
3 proceeding, correct?

4 A. Yes.

5 Q. And but you would agree with me you don't
6 understand what Mr. Bletzacker did in his forecast,
7 correct?

8 A. Well, no, I wouldn't say that. I am just
9 saying I don't know if he had a model to project
10 natural gas prices. He clearly had a model to
11 project electricity prices and he explained that he
12 used that model and how that model worked.

13 I am just simply pointing out that in the
14 description in his testimony he talks about services
15 that I'm familiar with that provide fuel price
16 forecasts, and I am not aware of exactly how he used
17 those services. But he indicates they are important
18 to the development of the company's long-term view.

19 Q. Do you recall you were deposed by me two
20 days ago?

21 A. Yes, I do.

22 Q. Okay. May we approach?

23 EXAMINER SEE: Yes.

24 Q. Mr. Cavicchi, my colleague is handing you
25 a copy of the nonconfidential volume of your

1 deposition transcript. You were under oath in your
2 deposition, correct?

3 A. Yep.

4 Q. Let me direct you to page 35 of that
5 transcript, please.

6 A. Yes.

7 Q. It reads "Question: And have you ever
8 conducted an analysis of future gas prices similar to
9 what Mr. Bletzacker does in his fundamentals
10 forecast?"

11 "Answer: I actually don't know the answer
12 to that. I'm not sure I understand what he did in
13 his forecast." That was your testimony, correct?

14 A. Yes.

15 Q. Okay. Excuse me. It's also fair to say
16 you can't identify any specific assumption in
17 Mr. Bletzacker's model that was wrong at the time he
18 conducted the model, correct?

19 A. Yes, that's correct.

20 Q. And setting aside the fact that near-term
21 gas prices have changed, you can't identify any input
22 or assumption in Mr. Bletzacker's model that is
23 currently wrong or out of date, correct?

24 A. Input assumption, yes, that's correct.

25 Q. Okay. Let's talk a little bit more about

1 Mr. Bletzacker's projection. You would agree that
2 it's highly unlikely that gas futures are taking into
3 account the cost of the Clean Power Plan, correct?

4 A. It would seem, yes, it would seem to me
5 that it's pretty far off in the future at this point,
6 and since they are so illiquid out in those years, I
7 would expect it would be difficult to state with
8 certainty that the market is capturing that at this
9 point.

10 Q. Okay. So same question for electricity
11 price futures, since the Clean Power Plan does not go
12 into effect until 2022, would you agree that any
13 electricity futures are not taking into account the
14 cost of the Clean Power Plan?

15 A. Yes, similar to the same qualification,
16 there may be some who are thinking about it, but
17 determining how much that's affecting the price, I
18 believe, would be pretty difficult.

19 Q. But the cost of Clean Power Plan
20 compliance, assuming it's upheld, will affect both
21 gas and electricity prices, correct?

22 A. When it's implemented? I haven't done an
23 analysis for this testimony on the extent of what the
24 impact will result in; more importantly, when it will
25 result.

1 Q. Okay. Let me ask it this way, if one were
2 to conduct either a gas or an electricity price
3 projection in the same way that the EIA does its AEO,
4 rather than looking at futures, would you agree that
5 CO-2 costs for Clean Power Plant compliance would be
6 something that one would want to take into account?

7 A. Yes, at some point, yes.

8 Q. Okay. Do you know if Mr. Bletzacker's
9 price forecast included a CO-2 cost for Clean Power
10 Plan compliance?

11 A. I understand it did.

12 Q. Was it \$15 per metric ton?

13 A. That is my recollection, yes.

14 Q. Do you have any reason to doubt that
15 number?

16 A. No, I don't.

17 Q. Do you know what the EIA's 2015 Annual
18 Energy Outlook included in terms of a CO-2 price for
19 Clean Power Plan plants?

20 A. My recollection is the reference case of
21 the AEO doesn't take into account CO-2.

22 Q. Okay. Let me ask you about trucking. You
23 are aware that certain trucks, both light-duty
24 vehicles and long-haul trucks, can run on natural
25 gas; is that correct?

1 A. Yes, I am.

2 Q. Are you aware of what inputs in terms of
3 billion of cubic feet per day Mr. Bletzacker's
4 fundamentals forecast considered for natural gas
5 consumption by vehicles?

6 A. No, I am not.

7 Q. All right. Let's look at that one. I
8 assume you don't have Mr. Bletzacker's rebuttal
9 testimony in front of you or do you?

10 A. No, I do not.

11 Q. Okay.

12 MR. MCKENZIE: May we approach?

13 EXAMINER SEE: Yes, you may.

14 Q. My colleague is handing you a document
15 that's already been marked and admitted into the
16 record as I believe AEP Ohio Exhibit 50. It's the
17 rebuttal testimony of Karl R. Bletzacker filed on
18 October 27, 2015.

19 Could you go to page 8 of this testimony,
20 please, line 9 says "for US long-haul trucking alone,
21 liquefied natural gas has the potential to increase
22 natural gas consumption by 9.1 bcf per day."

23 MR. PETRICOFF: Your Honor, at this point
24 I want to object. There was no predicate set up that
25 he has seen this testimony in its totality or

1 understands it, and I think it's unfair, without
2 setting that up, to ask him to respond to specific
3 questions on testimony which he may not have seen.

4 MR. MCKENZIE: Your Honor, with all due
5 respect, I asked him twice if he had reviewed the
6 rebuttal testimony of Mr. Bletzacker and he indicated
7 in the affirmative.

8 MR. PETRICOFF: I will withdraw the
9 objection, your Honor.

10 EXAMINER SEE: Thank you.

11 Q. So, first of all, did I read that
12 statement correctly?

13 A. Yes.

14 Q. Do you have any reason to doubt this
15 statement?

16 A. No, I haven't studied this.

17 Q. Okay. You can put that aside.

18 Let me ask you about liquid natural gas
19 exports. You are aware that the United States
20 exports liquid natural gas to other countries; is
21 that correct?

22 A. Yes, I am.

23 Q. And this is usually done where the gas is
24 compressed and processed and then shipped to other
25 countries, correct?

1 A. Yes.

2 Q. And --

3 A. On a very limited basis.

4 Q. Okay. But you would agree, though, that
5 liquid natural gas exports, they increase, all other
6 things being equal, natural gas prices would also
7 increase, correct?

8 A. Well, depending upon the particular
9 locality and localized supply-demand conditions, yes,
10 if you hold supply constant, increase demand, you
11 will get upward pressure on prices.

12 Q. And are you aware of what inputs in terms
13 of billion cubic feet per day Mr. Bletzacker's
14 fundamental forecast used for projected liquid
15 natural gas exports?

16 A. Again, I haven't studied that as part of
17 my supplemental testimony. It wasn't relevant.

18 Q. Okay. And are you aware of what inputs in
19 terms of billion cubic feet per day the EIA's 2015
20 Annual Energy Outlook used for liquid natural gas
21 exports?

22 A. No, I am not.

23 Q. Okay. How about pipeline exports, you are
24 aware that the United States exports natural gas
25 through pipelines, in particular, to Mexico, correct?

1 A. I am aware that -- not aware of the
2 magnitude, but there is an interest.

3 Q. My next question then, are you aware of
4 what inputs, in terms of billion cubic feet per day,
5 Mr. Bletzacker's fundamentals forecast used for
6 projected pipeline exports to Mexico?

7 A. No. Again, it wasn't relevant for my
8 testimony.

9 Q. Same question for the 2015 Annual Energy
10 Outlook, do you know what assumptions were in there?

11 A. Nope.

12 Q. Pipeline imports, you are aware that the
13 United States imports natural gas from Canada,
14 correct?

15 A. Yes.

16 Q. And are you aware of what inputs, in terms
17 of billion cubic feet per day, Mr. Bletzacker's
18 fundamentals forecast used for projected pipeline
19 inputs from Canada?

20 A. No, I am not.

21 Q. And same question for the 2015 Annual
22 Energy Outlook?

23 A. Same answer, no.

24 Q. Would you agree with me that as one is
25 projecting gas prices in the future, that the price

1 elasticity of natural gas can affect gas prices?

2 A. Are you saying demand elasticity or supply
3 elasticity or both?

4 Q. Either. Either.

5 A. Yes, both.

6 Q. And the lower the price elasticity, that
7 is, the more inelastic gas prices are, or either
8 component of gas prices are, the more an increase in
9 demand will increase prices, correct?

10 A. Yes. So if you are saying steeper
11 demand-and supply-curves, lead to steeper price
12 increases, all else equal, when one changes.

13 Q. Thank you. That is a much more eloquent
14 way of saying it, yes.

15 Are you aware of what inputs
16 Mr. Bletzacker's fundamentals forecast used for the
17 price elasticity of either the demand or supply
18 curves for natural gas?

19 A. No, I am not.

20 Q. And do you know what the inputs the EIA's
21 2015 Annual Energy Outlook used for the price
22 elasticity of natural gas?

23 A. No, I do not.

24 Q. All right. Let's go to page 17 of your
25 testimony, please, your supplemental testimony. The

1 last sentence in Answer 19 reads "For example,
2 assuming generation unit forecast energy market
3 revenues are based on forward market data at the time
4 the rate is set, I estimated that the impact of
5 quarterly reconciliation could range from negative
6 \$3 per megawatt-hour to \$10 per megawatt-hour." Did
7 I read that correctly?

8 A. Yes.

9 Q. Just for context, you are talking about
10 the quarterly reconciliation of the PPA rider if the
11 PPA proposal is adopted, correct?

12 A. Yes.

13 Q. And to be a clear, a negative number here
14 is a charge to customers, meaning they pay more, and
15 a positive number is a credit, meaning they pay less,
16 correct?

17 A. Yes.

18 Q. So for a 1,000 kilowatt-hour customer,
19 your estimate of the quarterly reconciliation for the
20 PPA rider would range from the customer paying a \$3
21 charge to receiving a \$10 credit, correct?

22 A. Yes. As we've discussed the, \$10 happens
23 to be the first quarter of 2014.

24 Q. Right. And your estimate is based on
25 historical data, correct?

1 A. Yes.

2 Q. And the \$10 megawatt-hour credit results
3 from the first quarter of 2014, that's the polar
4 vortex, correct?

5 A. Correct.

6 Q. So, essentially, if there is another polar
7 vortex in the future, the quarterly reconciliation
8 for the PPA rider, in your estimate, could be as much
9 as a \$10 credit for a 1,000 kilowatt-hour customer in
10 that quarter, correct?

11 A. You know, assuming you hold all else equal
12 in the way the analysis was conducted, yes, that's
13 what the data showed, correct.

14 MR. MCKENZIE: Just one second, please.

15 Your Honor, the rest of my questions are
16 going to necessarily require me to divulge the
17 contents of his confidential testimony and his
18 confidential exhibits, so I have no more
19 nonconfidential questions, but would request an
20 opportunity to ask questions in a confidential
21 session.

22 EXAMINER SEE: With that, we will proceed
23 to Mr. Beeler.

24 MR. BEELER: No questions, thank you.

25 EXAMINER SEE: If it's a good place to

1 break, we are going to take a lunch break and come
2 back and pick up with the confidential --

3 MR. PETRICOFF: Your Honor, if I could,
4 when we come back, are you planning on a redirect for
5 the public session and a redirect for the
6 confidential or just -- or I guess it would be two
7 separate redirects after we're completed?

8 MR. MCKENZIE: I'm sorry to interrupt. I
9 don't know if it helps, my confidential questions, I
10 don't think, are going to take more than 10 or 15
11 minutes.

12 EXAMINER SEE: We will have to consider
13 whether there is a way to expedite it, so that
14 it's -- so that confidential information is protected
15 and that all issues can be addressed easily, so we'll
16 take that up after lunch.

17 MR. PETRICOFF: Sounds good. Thank you,
18 your Honor.

19 EXAMINER SEE: We are off the record.

20 (Thereupon, at 12:07 p.m., a lunch recess
21 was taken until 1:00 p.m.)

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Thursday Afternoon Session,
January 7, 2016.

- - -

EXAMINER SEE: Let's go back on the
record. Mr. Petricoff.

MR. PETRICOFF: Yes, your Honor. We are
going to do --

EXAMINER SEE: Let's continue the public
redirect of the witness, and then, when we close, for
the confidential portion, it will all be together and
we will pick up from there.

MR. PETRICOFF: Good plan. Thank you,
your Honor.

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REDIRECT EXAMINATION

By Mr. Petricoff:

Q. Mr. Cavicchi, earlier today you were asked
questions about the Dominion purchase power
arrangements or the purchase power process. Do you
recall that?

A. Yes.

Q. Are you familiar with the Dominion I'll
call it PPA -- PPA process?

A. I'm familiar with the Virginia regulatory
framework where they evaluate potential power plant

1 additions or power plant purchases that may be made
2 by the utility, here Virginia Power, subject to a
3 fairly detailed, thorough competitive bid process.
4 Which often may be -- not recently, obviously, as we
5 have heard, but in some cases results in power
6 purchase agreements with competitive sellers of
7 power.

8 Q. In your opinion is it an apt analogy to
9 compare the Dominion PPA with the Ohio -- AEP Ohio
10 proposed PPA here in this case?

11 A. No. I think that PPAs that are struck in
12 a lot of the regulated states that we are here in
13 discussions about come -- come about through a
14 competitive bid process where a contract is developed
15 and a request for proposals is developed. Those are
16 sent out to potential bidders who are going to be
17 willing to offer supply into an auction, usually a
18 sealed-bid type of auction.

19 Their bids will be evaluated, subject --
20 and their bids will be subject to the contractual
21 form of the PPA that they have been provided ex ante,
22 and it's often the case in those agreements that the
23 requirements that the seller undertakes are very
24 substantial, and in my experience quite a bit
25 different than an agreement that wasn't subject to a

1 competitive process like the power purchase
2 agreements here that AEP Ohio is proposing to enter
3 into with its affiliate, with AEP Generation
4 Resources.

5 Q. In your mind there's a distinction between
6 a generation that is covered by cost of service and
7 cost of service state and what is being proposed in
8 the AEP Ohio PPA?

9 A. Yes. I think that the regulatory
10 framework in states that are still fully
11 cost-of-service regulating, they are public
12 utilities, as monopoly providers of power supply and
13 delivery services envision rate structures that are
14 not typically based on cost of service by power
15 purchase agreements. They are based on overall costs
16 that are submitted before a regulatory body. Rates
17 are set based on the sort of typically a test-year
18 set of costs.

19 Once those rates are set, the utility who
20 is receiving those rates, in this case the
21 vertically-integrated company which is fully
22 regulated has a great incentive to minimize its costs
23 so as to be able to achieve the return on equity
24 that's been built into its rate structure.

25 And, in fact, it's often the case there

1 are even additional incentives where utilities, in
2 this type of framework, are encouraged to make
3 off-system sales when their supply is not being used
4 to meet their own customers' demands, so as to earn
5 additional revenues that are then often shared with
6 ratepayers.

7 Q. Also earlier today you were -- you were
8 asked whether you had done a study to quantify what
9 the net impact to ratepayers would be under the
10 proposed PPA. And I think you indicated you had done
11 no such -- no such study?

12 A. I just indicated that I had not evaluated
13 the eight-year term of the PPA.

14 Q. Okay. Well, with that in mind, how could
15 you testify then you didn't believe the --
16 Mr. Allen's proposed 700-plus million dollar net
17 benefit was correct?

18 A. In my supplemental testimony I simply
19 observed, as we discussed, that gas prices have been
20 declining in recent months and then, you know, even
21 in very simplistic terms if we are to accept that \$1
22 per million BTU decline in gas price corresponds to a
23 7 or 8 dollar per megawatt-hour, the reduction in
24 power price, under the PPA, where -- where they are
25 envisioning a substantial amount of production such

1 that the reduced revenues could be in the -- could be
2 very substantial, as I say in my testimony.

3 Q. One final question for you, you had
4 indicated in your testimony that you expected that
5 the adjustments in the quarterly PPA, rider PPA
6 adjustments would range between negative \$3 and \$10.
7 And you were asked whether, during the polar vortex
8 type event, you would expect it to be a \$10 credit.
9 Do you recall that line of questioning?

10 A. Yes.

11 Q. If you had a polar vortex type event, how
12 long would that \$10 credit -- what would be the
13 duration of that \$10 credit?

14 A. So in the analysis I did, the credit
15 would -- would apply for one quarter. You know,
16 following -- probably one to two quarters following
17 the quarter in which the weather event takes place.

18 Q. What would happen to the adjustments after
19 that quarter?

20 A. They fall away and new adjustments would
21 be made based on what happened in subsequent
22 quarters.

23 MR. PETRICOFF: I have no further
24 questions. Thank you very much.

25 EXAMINER SEE: Mr. O'Rourke?

1 MR. O'ROURKE: No questions, your Honor.

2 EXAMINER SEE: Mr. Michael?

3 MR. MICHAEL: No questions, your Honor,
4 thank you.

5 EXAMINER SEE: Ms. Fleisher?

6 MS. FLEISHER: No questions, your Honor.

7 EXAMINER SEE: Mr. Kurtz?

8 MR. KURTZ: No questions, your Honor.

9 EXAMINER SEE: Mr. Darr?

10 MR. DARR: No questions.

11 EXAMINER SEE: Mr. Oliker?

12 MR. OLIKER: No, thank you, your Honor.

13 EXAMINER SEE: Ms. Spinosi?

14 MS. SPINOSI: No questions, your Honor.

15 EXAMINER SEE: Mr. McKenzie.

16 MR. MCKENZIE: Yes, your Honor, just a
17 couple.

18 - - -

19 RECROSS-EXAMINATION

20 By Mr. McKenzie:

21 Q. You spoke of the PPA process in Virginia.
22 You also understand that Dominion has built and owns
23 and operates 18,000 megawatts of its own generation,
24 correct?

25 A. Yes, I do.

1 Q. And the Virginia Commission, when it
2 conducts the base rate case that you were referring
3 to, it reviews the reasonableness of costs included
4 in the test year associated with those generating
5 facilities, correct?

6 A. Yes, definitely.

7 Q. And as provided in the stipulation, the
8 Commission here will review the reasonableness of
9 costs incurred by the PPA units, correct?

10 A. Well, they will review the costs that are
11 being proposed as part of the PPA, but my point with
12 Virginia is when they go out to acquire new capacity,
13 they run it through a very distinct testing process
14 to determine whether it's economic. So even when, in
15 your examples, of Warren County and Greensville, and
16 the other gas-fired plant that they recently started
17 constructing, Brunswick, I think, there was a process
18 where they tested that. And so my comments were more
19 related to the testing of that and then making sure
20 that that was the best option for customers as
21 opposed to say, for example, doing a power purchase
22 agreement with another plant owner or developer.

23 Q. Well, I'm sorry, excuse me. Under
24 traditional cost of service regulation in Virginia,
25 when Virginia built its 18,000 megawatts of

1 generation, the Commission in Virginia determined
2 that that generation was going to be used and useful,
3 correct?

4 A. Yes.

5 Q. And the same is true of the PPA units in
6 the Ohio Commission, correct, when they were built
7 the Ohio Commission concluded that those units would
8 be used and useful, correct?

9 A. I would expect so, yes.

10 Q. And Dominion, when you're on year 20, say,
11 of the life of a generator, costs from that generator
12 would be included in a test case or a base rate -- a
13 test year for a base rate case and the Commission
14 would review the reasonableness of those costs,
15 correct?

16 A. Yes.

17 MR. MCKENZIE: Okay. No further
18 questions.

19 EXAMINER SEE: Then let's move to -- I'm
20 sorry. Mr. Beeler.

21 MR. BEELER: Nothing, your Honor. Thank
22 you.

23 EXAMINER SEE: Let's move to the
24 confidential portion of your cross-examination,
25 Mr. McKenzie.

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MR. MCKENZIE: Could we have just a second, your Honor, to make sure we have --

EXAMINER SEE: Yes. Let's go off the record.

(Discussion off the record.)

EXAMINER SEE: Let's go back on the record.

(CONFIDENTIAL PORTION EXCERPTED)

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(OPEN RECORD.)

EXAMINER SEE: Mr. Petricoff.

MR. PETRICOFF: Yes, your Honor. At this time we would move for admission into the record P3/Exhibits 12, 13, and 13A.

EXAMINER SEE: Are there any objections to the admission of P3/EP SA Exhibits 12, 13, and 13A?

Hearing none, P3/EP SA Exhibits 12, 13, and 13A are admitted into the record.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 MR. MCKENZIE: Your Honor, we've
3 determined to not move Confidential AEP Exhibit 55.

4 EXAMINER SEE: Okay. Thank you.

5 MR. SATTERWHITE: Your Honor, before we
6 call the next witness, may I raise one issue. I
7 placed before the examiners on the Bench the letter
8 that was filed in the docket today dealing with the
9 indexing corrections discussed in Mr. Allen's
10 testimony yesterday. So that's in the record -- or
11 in the docket.

12 I wasn't sure how the Bench wanted us to
13 move forward, if you want it to be a supplement to
14 Joint Exhibit 1, or what the preference was of the
15 Bench, but I wanted to raise it. We could also mark
16 these pages all in Joint Exhibit 1, as we did in the
17 attachment to the letter, so it would be consistent
18 with that.

19 EXAMINER SEE: Let's go off the record for
20 just a second.

21 (Discussion off the record.)

22 EXAMINER PARROT: Mr. Satterwhite, as you
23 mentioned, we note that the letter has been filed in
24 the docket. We are going to leave it at that. Thank
25 you for doing that at our request and we're moving

1 on. Thank you.

2 Mr. Settineri.

3 MR. SETTINERI: Thank you, your Honors.

4 At this time on behalf of Dynegy, Inc., we would call
5 Mr. Dean Ellis to the stand, please. And, your
6 Honor, before we start, if I may mark as an exhibit,
7 Dynegy Exhibit No. 2, please.

8 EXAMINER PARROT: Swear the witness first.

9 (Witness sworn.)

10 EXAMINER PARROT: Mr. Settineri.

11 MR. SETTINERI: Thank you, your Honor. At
12 this time I would like to mark Dynegy Exhibit No. 2.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 - - -

15 DEAN ELLIS

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

18 DIRECT EXAMINATION

19 By Mr. Settineri:

20 Q. Good afternoon, Mr. Ellis.

21 A. Good afternoon.

22 Q. Would you please state your name and
23 business address for the record.

24 A. Dean Ellis, Dynegy Inc., 601 Travis
25 Street, Houston, Texas 77002.

1 Q. And who are you appearing on behalf of
2 today?

3 A. Dynegy Inc.

4 Q. And do you have before you what's been
5 marked as Dynegy Exhibit No. 2?

6 A. Yes, I do.

7 MR. SETTINERI: Go off the record for a
8 second.

9 (Discussion off the record.)

10 EXAMINER PARROT: Back on the record.

11 Q. All right. I will just ask the question
12 again. Mr. Ellis, could you please identify what's
13 been marked as Dynegy Exhibit 2, please.

14 A. Dynegy Exhibit No. 2 is my written
15 testimony on the stipulation.

16 Q. Okay. And you previously filed testimony
17 in this proceeding, correct?

18 A. Yes, I have.

19 Q. Okay. And this would be the second piece
20 of testimony that you've caused to be filed in this
21 proceeding, correct?

22 A. Yes, it is.

23 Q. Do you have any changes to your --
24 corrections to your testimony today, sir?

25 A. I have at least two that have been picked

1 up at the last minute. I characterize them as
2 relatively minor corrections. For example, on page 4
3 we used the term "10.38 percent rate of return" and I
4 believe that should be more correctly stated as
5 "10.38 percent rate of return on equity."

6 Q. And, Mr. Ellis, just for the record, that
7 would be page 4, line 8 to line 19; is that correct?

8 A. Correct.

9 Q. Okay.

10 A. And I believe there is at least one more
11 location where we used similar jargon. Page 9. I'm
12 sorry, page 8, line 12, again similarly in the
13 written testimony we used "10.38 percent rate of
14 return" and I believe it should be more correctly
15 stated as "10.38 percent return on equity."

16 Q. And those are two changes you are making
17 to your testimony today, correct?

18 A. Correct, please.

19 Q. Do you have any other changes or
20 corrections to your testimony?

21 A. Not at this time.

22 Q. If I asked you the questions in your
23 supplemental direct testimony today, would your
24 answers be the same, subject to the corrections you
25 just made?

1 A. Yes, they would.

2 MR. SETTINERI: Thank you. At this time
3 the witness is available for cross-examination.

4 EXAMINER PARROT: Thank you.

5 Mr. O'Rourke.

6 MR. O'ROURKE: No questions, your Honor.

7 EXAMINER PARROT: Mr. Michael.

8 MR. MICHAEL: No questions, your Honor.

9 EXAMINER PARROT: Ms. Fleisher.

10 MS. FLEISHER: No questions, your Honor.

11 EXAMINER PARROT: Mr. Darr.

12 MR. DARR: No questions.

13 EXAMINER PARROT: Mr. Kurtz.

14 MR. KURTZ: No questions, your Honor.

15 EXAMINER PARROT: Mr. Oliker.

16 MR. OLIKER: No questions, your Honor.

17 EXAMINER PARROT: Ms. Spinosi.

18 MS. SPINOSI: No questions, your Honor.

19 EXAMINER PARROT: Mr. Satterwhite.

20 MR. SETTINERI: Thank you, your Honor.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Satterwhite:

24 Q. Good afternoon, Mr. Ellis. Good to see
25 you again.

1 A. Good afternoon, Mr. Satterwhite. Good to
2 see you too.

3 Q. I would like to start on page 6 of your
4 testimony, if you could turn to that page and look
5 around lines 19 to 21. Let me know when you are
6 there.

7 A. Yes, I'm there.

8 Q. And there you talk about your concerns
9 with the PPA, some of the ones we discussed
10 previously, but here you talk about how they relate
11 to the joint-owned units between AEP Ohio and Dynegy,
12 correct?

13 A. Correct.

14 Q. And how you think that it is an
15 above-market subsidy and that makes AEPGR agnostic to
16 the price and, therefore, eliminates incentives for
17 improving efficiency, correct?

18 A. Correct.

19 Q. And this concern that there is no
20 incentive to improve efficiency at the plant, leaves
21 out the role of AEP Ohio and the Commission's review
22 of AEP Ohio, correct?

23 A. As I understand it, AEP Ohio is subject to
24 the jurisdiction of the Commission, but, as also I
25 understand it, the generation side, AEPGR is not

1 subject to the jurisdiction of the Commission. So
2 it's my understanding that there is a potential gap
3 here where the actions of AEPGR may not actually fall
4 under jurisdiction of the Commission and, therefore,
5 it might not actually be reviewable.

6 Q. Right. But your testimony is focusing on
7 AEPGR, not on the influence that AEP Ohio or the
8 Commission might have on AEPGR, correct?

9 A. My statement in those lines primarily
10 relates to how AEPGR will or could participate in the
11 markets.

12 Q. But it's your understanding, I believe we
13 did talk about this last time, that AEP Ohio will
14 have an operating committee and an influence over
15 what happens at these plans, correct?

16 A. My understanding is that there is an
17 operating committee that will be established to
18 perform the function that you mentioned.

19 Q. And this Commission, the Ohio Commission,
20 will review the actions of AEP Ohio and what it does
21 in relationship there, correct?

22 A. As I understand it, that's what's on the
23 record.

24 Q. Okay. You use the term "above-market
25 subsidy" in that area. Do you see that?

1 A. Yes.

2 Q. And what you're referring to in the
3 above-market subsidy there is really the recovery of
4 cost and the 10.38 return on equity that we just
5 discussed, correct?

6 A. Or more specifically, I would say it's the
7 guaranteed revenue that AEPGR and AEP Ohio would
8 receive.

9 Q. But I want to lock that down and really
10 focus on what that is and what we have in this case.
11 And what's being recovered is the costs of running
12 the plant plus the 10.38 return on equity. That's
13 the component that's being collected by AEPGR,
14 correct?

15 A. My understanding, from a cursory review of
16 the PPAs, that's what's recovered, what -- what will
17 be recovered, excuse me.

18 Q. AEPGR, as a result of entering into this,
19 is giving up the upside of recovering more than that
20 if the market would bear that, correct?

21 A. As I understand the mechanics in the PPA,
22 if the market were to bear more than potentially
23 there could be -- it's potentially that there would
24 be no recovery of upside in addition to that.

25 Q. Because, as market prices went up and

1 there was more to recover, the generator, AEPGR,
2 isn't recovering that. That's going to offer a
3 credit to customers to offset the cost of the PPA
4 rider; is that your understanding?

5 A. That's my understanding.

6 Q. Okay. And I believe we talked a little
7 bit about this last time in general that Dynegy,
8 itself, has entered into bilateral contracts
9 encumbering the generation unit attributes of Dynegy
10 assets, correct?

11 A. To be more specific, my responsibility is
12 not on the commercial side. I am aware that we
13 generally do enter into bilateral contracts as a
14 means of selling energy and capacity off the units.
15 I can't say specifically if Dynegy has entered into
16 bilateral contracts off of these units at this time,
17 and I think that was your exact question.

18 Q. I believe the last time in your transcript
19 you indicated that Dynegy has entered into bilateral
20 contracts, and there was a discussion how we didn't
21 want you to talk about specifics, but just in
22 general, that Dynegy does enter into bilateral
23 contracts, correct?

24 MR. MICHAEL: Objection, asked and
25 answered and it goes back to the previous hearing

1 and, therefore, wouldn't be appropriate in this
2 hearing on the stipulation.

3 MR. SETTINERI: Object as possibly
4 mischaracterizing testimony in the prior proceeding.

5 MR. SATTERWHITE: Your Honor, the record
6 speaks for itself. It's at page 2569 to -71, was the
7 discussion. I was trying not to get into specifics
8 and just sort of set the foundation for the next
9 question here. Much of the testimony he has provided
10 is very similar, as in most testimony filed here in
11 the first phase of the case. It's just now says does
12 the stipulation change this area, so I just wanted to
13 explore that area a little bit.

14 EXAMINER PARROT: Can you try to rephrase
15 it for me, Mr. Satterwhite, try it one more time?

16 MR. SETTINERI: Sure. Maybe I will skip
17 the foundation and get right to the question.

18 EXAMINER PARROT: You can do that. Good
19 with me.

20 Q. (By Mr. Satterwhite) So it's your
21 understanding that Dynegy seeks to recover its cost
22 and some return on investment when it enters into
23 bilateral agreements with its units, correct? And
24 that's subject to the negotiation that happens and
25 that's the discussion we had before.

1 A. I would say generally Dynegy enters into
2 bilateral contracts as a means of selling its power
3 off of the generating units.

4 Q. And subject to the negotiation of that
5 agreement, the goal of Dynegy, obviously, is to
6 recover its costs and some type of profit on that,
7 correct?

8 A. I think that's a fair statement.

9 Q. And absent any existing bilateral
10 contracts, there's no ceiling or cap on what Dynegy
11 can collect for the selling of its power from its
12 units, correct?

13 A. Generally speaking, Dynegy relies on the
14 market to recover its costs and any profit, and
15 there's neither a ceiling nor a floor on how much it
16 could lose in the market.

17 Q. Let's look at page 8 of your testimony.
18 The paragraph on line 5 starts "Simply put." Do you
19 see that?

20 A. Yes.

21 Q. And this comes after a discussion of a
22 typically regulated market, an unregulated market,
23 and a discussion of a hybrid of those two; is that
24 fair?

25 A. Yes.

1 Q. And you sum it up to say the PPA, which I
2 am assuming you say is a hybrid of those two; is that
3 correct?

4 A. I view the PPA as a hybrid of the two.

5 Q. And you say that eliminates much of the
6 cost focus and the discipline that a merchant
7 generator would have that is required to ensure cost
8 recovery, plus an appropriate return over the life of
9 the unit, correct?

10 A. Yes.

11 Q. And, again, this position also ignores the
12 involvement of AEP Ohio and the Commission in
13 reviewing the practices of AEPGR and what's
14 dispatched at the units, correct?

15 MR. SETTINERI: Object. Mischaracterizes
16 the prior record that's been given by Mr. Allen in
17 this proceeding in terms of the Commission's
18 oversight as to only AEP Ohio.

19 MR. SATTERWHITE: I believe I -- if I
20 misstated it, I apologize. It was the oversight of
21 AEP Ohio and this Commission of AEP Ohio with its
22 relationship with AEPGR.

23 EXAMINER PARROT: All right. With that, I
24 will allow the question.

25 A. Could you restate the question for me,

1 please?

2 Q. Sure. This discussion you have about --
3 I'll back up again, because I think you need the
4 previous foundation of the hybrid system that you've
5 identified as the PPA fitting under. You understand
6 where we are there, correct?

7 A. Yes.

8 Q. And then you, in the "simply put"
9 paragraph, you discuss that as a concern because it
10 eliminates cost focus and the discipline of a
11 merchant generator, correct?

12 A. That's correct.

13 Q. And with that statement you're ignoring
14 the involvement of AEP Ohio and the Public Utilities
15 Commission of Ohio in its review of AEP Ohio and the
16 relationship it has with AEPGR, correct?

17 A. I wouldn't say I'm ignoring it. I would
18 say that even with that consideration with some
19 degree of oversight of the PUCO over AEP Ohio, there
20 still is not the same incentive for the Generation
21 Resources to act in an economic, directional fashion.

22 Q. So what you are saying then is that it
23 takes someone that's completely unregulated, that's
24 subject solely to shareholders or the market, they
25 are the only ones that can make -- can focus on being

1 cost focused and have discipline to make sure the
2 units are as efficient as possible; is that correct?

3 A. No, that's not what I am saying.

4 Q. What's the difference then?

5 A. What I am -- what you said is that those
6 are the only people that could do that. And related
7 to my statement earlier is I see a gap here where one
8 entity is subject to PUCO jurisdiction. The other,
9 potentially, is not. And the arrangement of the PPA
10 as it currently is written, in my opinion, does not
11 allow for complete Commission oversight of the
12 operations of the plants.

13 Q. Okay. So the gap you see is the gap
14 between the Commission not having direct oversight of
15 AEPGR, that it has oversight of AEP Ohio, which has
16 the relationship with AEPGR, correct?

17 A. That's an arrangement you might see in a
18 traditionally-regulated, vertically-integrated state.

19 Q. And you believe there needs to be
20 incentive for AEPGR or whatever entity is dispatching
21 to make sure they are being as efficient as possible,
22 correct?

23 A. There definitely should be some incentive
24 to act rationally and economically and efficiently as
25 possible.

1 Q. Would you agree that AEP Ohio has the
2 incentive, because the Commission is overseeing the
3 reasonableness of its actions, to ensure that AEPGR
4 is being -- is being as efficient as possible?

5 MR. SETTINERI: Just object to the
6 characterization again, back to the record, of the
7 Commission's oversight of AEP Ohio as has been
8 presented in the stipulation.

9 MR. SATTERWHITE: I don't understand that
10 objection. I think that's perfectly clear. We have
11 established with this witness that the Commission has
12 oversight of AEP Ohio. They are interacting with
13 AEPGR.

14 MR. SETTINERI: I am just objecting to the
15 last phrase of your question which tailors the
16 question in a direction that doesn't represent the
17 record and what's in the stipulation.

18 EXAMINER PARROT: I am going to ask you to
19 rephrase, Mr. Satterwhite. I do agree we have to be
20 careful about whether we are talking about AEP Ohio
21 or AEPGR.

22 MR. SATTERWHITE: That's fine.

23 Q. And we are talking about who has the
24 incentive to act and make sure things are being
25 efficient. Would you agree that's the area we are

1 talking about right now, Mr. Ellis?

2 A. I would say that appears to be your
3 question, yes.

4 Q. Okay. I want to make sure that you know
5 that's where I'm coming from. So your concern is
6 there is no incentive for the units to be run
7 efficiently because they are in a hybrid system.
8 That's your concern, correct?

9 A. That's correct.

10 Q. And I am asking if you believe there is
11 incentive on AEP's Ohio part, because it could be
12 subject to disallowance of costs, to make sure the
13 units are run as efficiently as possible?

14 A. I don't know if I am in a position
15 necessarily to comment on that relationship to which
16 you are referring.

17 Q. And is that due to your lack of
18 involvement as a regulated utility, so that you don't
19 know what the relationship is between a regulated
20 utility and a Commission?

21 A. I would say it's mostly because I don't
22 have that experience nor can I speculate on how this
23 might work in the future.

24 Q. So your experience is solely based from a
25 merchant generator operating in the market, so you

1 can't conceive of what the interests or incentives
2 might be for a regulated entity, correct?

3 MR. SETTINERI: Object. Asked and
4 answered.

5 MR. SATTERWHITE: I am just trying to sum
6 up, your Honor. I think we are moving around it and
7 I think this will sum up the area.

8 EXAMINER PARROT: Overruled.

9 A. I began my career with a
10 traditionally-regulated, vertically-integrated
11 utility, so I do have experience with a
12 vertically-integrated utility, I do have experience
13 with rate cases and how they operate. So my -- my
14 comment here comes from a position of both having
15 worked at a merchant generator and for a
16 vertically-integrated, traditionally-regulated
17 utility.

18 Q. Then when you said -- I believe you said
19 you couldn't speak to what the incentive might be for
20 AEP Ohio, you couldn't rely open your experience
21 before working for a utility to make that decision?

22 MR. SETTINERI: Object. Mischaracterizes
23 the testimony. There were more reasons given
24 including going -- including speculation.

25 MR. SATTERWHITE: Well, he can explain

1 that, your Honor. That's why I am asking the
2 question.

3 EXAMINER PARROT: Overruled.

4 A. Mr. Satterwhite, could you just repeat the
5 question for me?

6 Q. Sure. I believe earlier when I asked,
7 can't you agree with me that AEP Ohio would have an
8 incentive to make sure the plants are run efficiently
9 because it could be subject to a disallowance, I
10 believe you told me you couldn't speak to that.

11 MR. SETTINERI: I would register the same
12 objection, acknowledging that I may be overruled very
13 quickly.

14 MR. SATTERWHITE: Again, this is the
15 question, your Honor.

16 EXAMINER PARROT: Mr. Ellis, I am going to
17 direct you to answer the question, but if you need to
18 elaborate, I am not limiting this to a "yes" or "no"
19 kind of thing so.

20 A. I am looking for an explanation,
21 Mr. Satterwhite, please just one more time then for
22 me.

23 Q. Sure. I was asking questions about and
24 asking you to help me -- if you could understand the
25 incentive that AEP Ohio, the regulated entity, might

1 have to ensure that these PPA units are run
2 efficiently, because they could be subject to
3 disallowance if they don't do their part to make sure
4 these are run efficiently, and I asked you if you
5 could agree they would have an incentive to do that
6 and I believe you told me you were unable to answer
7 that, so I wanted to understand why you were unable
8 to answer that.

9 A. My feeling is I really can't speculate on
10 how AEP Ohio may negotiate those costs and cost
11 structure with the PUCO. I do agree that a regulated
12 entity, under PUCO jurisdiction, is subject to some
13 degree of oversight, but in this particular case it's
14 unclear to me that there would be effective controls
15 in place to operate the plants in a most efficient
16 manner.

17 Q. Right. But the question was whether there
18 was an incentive for AEP Ohio to ensure that they
19 were run cost effectively to avoid a disallowance.

20 A. There very well could be an incentive as
21 you described.

22 Q. Now, one of the differences between last
23 time you testified and the stipulation is the term of
24 the PPA contract, correct?

25 A. Correct.

1 Q. And you talk in your -- back to the
2 discussion on page 8, lines 5 through 12, actually
3 line 7, you talk about "over the continued life of
4 the asset." Do you see that?

5 A. Yes.

6 Q. So this PPA contract is no longer over the
7 life of the contract -- the life of the asset, it's
8 an eight-year period, correct?

9 A. The life of the asset is in question.
10 There's been some debate as to what the,
11 quote-unquote, life of the assets really means. If
12 the assets are no longer economic, I would -- and
13 they are no longer economic today, I would argue that
14 they are end -- they are at the end of their useful
15 life.

16 Q. You haven't presented any testimony to say
17 these assets are at the end of their life, have you?

18 A. I don't believe I have. I would have to
19 refresh my memory on the initial testimony we
20 submitted, but I don't know if we did.

21 Q. So AEPGR would be incented to still make
22 sure its plants are running efficiently because there
23 could be life outside of the PPA after the eight-year
24 period, correct?

25 A. Could you restate that question for me?

1 I'm sorry. Could you ask the question again?

2 Q. Sure. This is also on that same area of
3 are there incentives to make sure the units are run
4 efficiently, just so you know what we are talking
5 about. Previously, it was over the life of the unit,
6 and so your argument was there was no incentive
7 because they don't have to "care anymore," for lack
8 of a better term.

9 Now that it is an eight-year term, doesn't
10 the unit -- the generator have to be concerned about
11 life after the eight-year term and, therefore, make
12 sure they are still making investments and run
13 efficiently?

14 A. I don't believe that changing the life of
15 the term to eight years affects that at all. Again,
16 if the units are uneconomic today, then one could
17 easily argue that they are at the end of their useful
18 life, and whether the term of the PPA is eight years
19 or longer, I don't believe that would affect their
20 decision on how they operate the plants.

21 Q. But certainly to operate it as efficiently
22 as possible, if it is in the market -- strike that.

23 The concern you raise in this section,
24 though, is that in the hybrid system, the generator
25 will have no interest in running the units

1 efficiently, correct?

2 A. I testified that under this hybrid system,
3 where the generation receives an out-of-market
4 subsidy, there is much less of an incentive by -- to
5 operate efficiently. That if those generators were
6 relying strictly on market revenues, that would be
7 much more of an incentive to operate efficiently.

8 Q. And part of operating efficiently is
9 making sure there's investment in the units so the
10 units can sustain themselves for multiple years,
11 correct?

12 A. Presumably, yes, generally speaking.

13 Q. And if the term is limited of the PPA,
14 like it is here, to eight years, there's an incentive
15 for the generator to make sure investments are still
16 being made to consider the life of the asset after
17 the eight years, correct?

18 MR. SETTINERI: Objection, asked and
19 answer. That was his exact question.

20 MR. SATTERWHITE: Your Honor, I agree we
21 are back here because we didn't get an answer, so
22 we're trying to set it back up to get to this point.

23 MR. SETTINERI: I believe he did give an
24 answer, your Honor. You can look. He said he didn't
25 change his mind.

1 EXAMINER PARROT: I think I agree,
2 Mr. Settineri.

3 Q. (By Mr. Satterwhite) Let me ask you this
4 way then. Something different. If the units --
5 wouldn't the generator have an incentive to act
6 efficiently throughout the term of the eight years if
7 it wanted to be considered to be potentially included
8 in a future PPA after the eight-year period?

9 A. I can't speculate on how someone, who
10 receives a PPA, might view that. I testified that
11 with the PPA, there is definitely not the same
12 incentive to operate or behave as efficiently as one
13 that would be exposed strictly to the market
14 revenues.

15 Q. You said you can't speak to that either.
16 So the only thing you can speak to is the view of a
17 merchant generator that is not regulated by any
18 Commission, correct?

19 MR. SETTINERI: Object. Mischaracterizes
20 his testimony.

21 MR. SATTERWHITE: I am asking if that's
22 it, that seems to be where we are coming back to
23 whenever I ask him a question of trying to put him in
24 someone else's shoes.

25 EXAMINER PARROT: I am going to ask you to

1 either rephrase it or move on. Your pick.

2 MR. SATTERWHITE: All right.

3 Q. Dynegy does not have any end-use
4 customers, correct; it operates in the market?

5 A. No, that's incorrect.

6 Q. Why is that incorrect?

7 A. Dynegy has, among other things, retail
8 businesses, so we serve, using your terminology,
9 end-use consumers through our retail businesses in
10 multiple states, as an example. We also contract
11 with end-use consumers on the wholesale level.

12 Q. So is there a concern for the prices paid
13 by those end-use customers when Dynegy does its
14 business?

15 A. We have to offer as competitively as we
16 can because we're competing for those end-use
17 consumers' business.

18 Q. So one of the factors is avoiding
19 unnecessary costs with those end-use customers; is
20 that fair?

21 A. I would say that we need to structure our
22 offers and our costs as efficiently as possible for
23 those end-use consumers.

24 Q. Right. But I am asking for the difference
25 between. What I hear you saying is we have to do it

1 efficiently so we make sure we can keep the
2 customers, correct?

3 A. Correct.

4 Q. And there's a difference between that and
5 looking at the rates to make sure customers are not
6 paying too much. Do you see that distinction?

7 MR. SETTINERI: Object. I think there is
8 a lack of foundation as to whether these products are
9 offered, as called, "rates."

10 MR. SATTERWHITE: And, your Honor, that's
11 why I asked the initial question. He said we do have
12 end-use customers, so I was following up on what he
13 told me.

14 EXAMINER PARROT: Overruled.

15 Again, if you need to put some context on
16 this, feel free.

17 A. Sure. I will start by clarifying Dynegy
18 has no captive retail customers. We have no rate
19 base. We have no customers for which we could pass
20 costs on to. All of our customers are attained
21 through a competitive process.

22 Q. All right. So when you are setting rates
23 and making decisions for how Dynegy is going to
24 operate, your concern is focused on the profit that
25 you can get for Dynegy, correct?

1 MR. SETTINERI: Object. "Rates," again,
2 implies a regulated company. I think the answer
3 given was exactly the opposite to that. He keeps
4 using "rates" in his questions.

5 MR. SATTERWHITE: I will restate then if
6 that's the hangup.

7 MR. SETTINERI: That is my hangup, thank
8 you, Mr. Satterwhite.

9 Q. So when Dynegy operates its business and
10 sells its power, its purpose is to maximize the
11 profit for that power, correct?

12 A. There are a number of factors that could
13 go into an offer.

14 Q. And my question then is, is the impact of
15 how much Dynegy is going to make from its operations
16 on an end-use customer, for purposes of the customer,
17 a factor that Dynegy considers?

18 A. Yes.

19 Q. Okay. And is it a factor beyond just the
20 ability for Dynegy to get the contract, so that you
21 have to be efficient enough to make sure you can keep
22 the customer, or is it focused on the benefit of the
23 customer?

24 A. There's a number of factors that might go
25 into an offer and I would be reluctant to make a

1 general statement about how we approach any offer to
2 a customer.

3 Q. But you would agree it's important to
4 understand the impact of the end-use customer and
5 what Dynegy might be charging for its product?

6 A. I'll state I agree that the impact on the
7 end-use customer is considered and it is an input.

8 Q. Let's talk about the additional credits
9 you talk about on page 8 and 9 of your testimony.

10 A. Yes.

11 Q. And I believe your argument is that based
12 on the forecasts that are provided that you do not
13 think these retail credits will be paid, correct?

14 A. Correct.

15 Q. And if those credits are not paid, isn't
16 that because customers are getting the initial PPA
17 credit in enough substance that there is no need to
18 put this additional credit on top of it?

19 A. From looking at the AEP testimony, I
20 understand that if the credits aren't returned to the
21 customers, that that would mean that the market
22 revenues were sufficient.

23 Q. Let's talk about co-firing at Conesville a
24 little bit. I believe you discuss that in the
25 substantive part of your testimony. I think it

1 starts at page 10. Do you have firsthand experience
2 with retrofitting or changing a coal plant to be
3 co-fired natural gas?

4 A. I have experience at coal-fired and
5 co-fired generating plants. I would stop short of
6 saying that I have firsthand experience.

7 Q. But you're familiar with it?

8 A. I am generally familiar with coal firing
9 and co-fired coal plants, yes.

10 Q. Say that 10 times fast, I know.

11 And it's your understanding if Conesville
12 Units 5 and 6 are updated to be co-fired coal and
13 natural gas, that means it's able to burn both coal
14 and natural gas, correct?

15 A. One or the other or both, yes.

16 Q. Okay. And your statement on page 11,
17 lines 8 and 9, states there could be operational
18 challenges in operating that plant strictly on gas,
19 correct?

20 A. Yes, that's correct.

21 Q. Okay. And you used the phrase "strictly
22 on gas" there. That's not the proposal in the
23 stipulation, correct?

24 MR. SETTINERI: Object. Mischaracterizes
25 the stipulation.

1 MR. SATTERWHITE: I am asking, your Honor.

2 EXAMINER PARROT: Overruled.

3 A. As I understand the stipulation, it didn't
4 clarify whether the plants would operate in which
5 modes. That is, a combination of coal and gas, or
6 exclusively on one or the other.

7 Q. Okay. So we should read your testimony as
8 focused on concerns if the plants were to operate
9 directly on gas, correct?

10 A. Yes.

11 Q. Okay. And, again, later in there you talk
12 on, line 11, solely on gas, correct?

13 A. Correct.

14 Q. Ultimately, on lines 12 to 14, you assert
15 the harm is that AEP Ohio could dispatch below-market
16 pricing just to run on natural gas and force
17 ratepayers to make up those lost revenues, correct?

18 A. And, I'm sorry, Mr. Satterwhite, could you
19 just point to the portion in the testimony again,
20 that you are referring to?

21 Q. Yeah. On page 11, starting on line 12,
22 there's a sentence "With a guaranteed cost
23 recovery...."

24 A. Yes.

25 Q. There you state your concern that the

1 problem is that AEP Ohio could dispatch the units on
2 gas and cause customers to make up the lost revenues.

3 A. Correct.

4 Q. Now, did you review the stipulation terms
5 as to how the units will use natural gas if they have
6 the capability?

7 A. I'm generally familiar with the terms.

8 Q. Okay. And doesn't the stipulation say
9 that AEP Ohio and its affiliate commit the units will
10 maximize its use of natural gas when it is available
11 and economic?

12 A. It does, and the term "maximize" to me
13 could mean so many different operational modes that
14 it wasn't clear what "maximize" necessarily meant.

15 Q. What does the economic part of that mean
16 to you?

17 A. It could be potentially that when gas is
18 abundantly available, it could mean that when someone
19 has a gas contract and they need to burn the gas to
20 avoid penalties elsewhere. Just off the top of my
21 head, those are a couple of examples. But the term
22 seemed so broad to me that I couldn't really even
23 think about what they might be -- or I couldn't
24 speculate on what AEP might mean in that sense.

25 Q. And you're thinking of that in the context

1 of a merchant generator who doesn't have someone
2 reviewing its actions for reasonableness like a
3 Commission, correct?

4 MR. SETTINERI: Object. Mischaracterizes
5 his prior answer which is related directly to the
6 stipulation.

7 MR. SATTERWHITE: Your Honor, I am asking
8 on that answer if that's how he is viewing it. He
9 said it is so broad he can't even contemplate what it
10 is. So I am trying to get his state of mind of where
11 he is coming from.

12 EXAMINER PARROT: Overruled.

13 A. My view was I just looked at it from a
14 commonsense perspective. I didn't look at it from
15 necessarily from the perspective of someone subject
16 to oversight or not. When we make such decisions,
17 there's a number of factors that go into it.

18 Q. Right. From a commonsense perspective, do
19 you have the -- strike that.

20 Do you have Joint Exhibit 1 in front of
21 you which is the joint stipulation?

22 MR. SETTINERI: I don't think he does. Do
23 you have an extra copy?

24 A. I don't believe I do. I have got a number
25 of exhibits in front of me, but I don't believe I

1 have that one.

2 MR. SATTERWHITE: Can I grab the Bench's?

3 Q. And I will draw your attention to pages 19
4 and 20, provision b. at the bottom there, and this is
5 the one that talks about the "coal heat input." Do
6 you see that?

7 A. Yes, I do.

8 Q. And it -- what's your understanding of
9 this provision?

10 A. This provision appears to me to be that
11 AEP Generation will limit the amount of coal that is
12 used to burn at those two particular units,
13 Conesville Units 5 and 6.

14 Q. And there is a limitation placed on it
15 based on heat rate, correct, of how much coal can be
16 burned?

17 A. That's correct.

18 Q. And could you read the last sentence of
19 paragraph b. then that's on the top of page 20?

20 A. The sentence says "AEP Ohio and its
21 affiliates will commit" -- I'm sorry. "AEP Ohio and
22 its affiliates commit the units will maximize usage
23 of natural gas when it is available and economic."

24 Q. Okay. So this is the discussion of AEP
25 Ohio limiting its coal burn at this plant, correct?

1 A. Yes.

2 Q. And the sentence we talked about of it
3 being economic, it states that it should burn natural
4 gas when it is available and economic, correct?

5 MR. SETTINERI: Object. Mischaracterizes
6 the exact language of the sentence. It does not say
7 it will burn. "Maximize usage" is the word. I would
8 like to have that corrected.

9 MR. SATTERWHITE: If we are going to parse
10 for that, your Honor, I apologize.

11 Q. This talks about when AEP Ohio should use
12 natural gas as its fuel source as compared to coal,
13 correct?

14 A. That's what it appears to say, yes.

15 Q. And earlier we were talking about how, and
16 you were confused by, I won't say "confused," you
17 weren't sure what the word "economic" meant in that
18 sentence, correct?

19 A. I believe I said I wasn't sure what
20 "maximizing the economics" were, but.

21 Q. And it says "maximize usage of natural
22 gas," correct?

23 A. Yes.

24 Q. Okay. And we are going to maximize the
25 uses of natural -- usage of natural gas when it is

1 available and economic.

2 MR. SETTINERI: Object. Asked and
3 answered. We have been through this sentence, I
4 believe at least four questions now.

5 MR. SATTERWHITE: I agree, your Honor. I
6 keep trying to get to the end point.

7 MR. SETTINERI: Your Honor, he gave an
8 answer to this language. Mr. Satterwhite is not
9 getting the answer he might like, but I think the
10 witness has given an answer to this line of
11 questioning.

12 MR. SATTERWHITE: He has given an answer
13 that he's not sure what "economic" means. I am
14 trying to probe that.

15 EXAMINER PARROT: Overruled.

16 A. I'll clarify, I didn't say I didn't know
17 what "economic" means. I will clarify in the context
18 of the question I said I didn't understand or it
19 wasn't clear to me what AEP meant when they said they
20 were going to maximize the economics of the burn.
21 This sentence says "AEP Ohio and its affiliates
22 commit the units will maximize usage of natural gas
23 when it is available and economic."

24 Q. So do you believe that AEP Ohio will use
25 natural gas and dispatch the units uneconomically?

1 A. That is possible. AEP Ohio could very
2 well, according to this sentence, it could maximize
3 the use of natural gas when it's available and
4 economic and that could result in an uneconomic
5 dispatch. This states the economic use of natural
6 gas, not the economic dispatch of the plants.

7 Q. Right. But won't the decisions by AEP
8 Ohio and how it's dispatched, the coal versus the
9 natural gas as the source, won't those decisions be
10 reviewed by the Commission?

11 MR. MICHAEL: Objection. Asked and
12 answered. The witness has already testified he was
13 unclear about the meaning of this language and it's
14 been gone through now for 10 questions maybe.

15 MR. SATTERWHITE: I believe I am moving on
16 to the next phase of this.

17 EXAMINER PARROT: I was going to say I am
18 not sure we specifically got to this. Overruled.

19 THE WITNESS: Mr. Satterwhite, could you
20 repeat the question?

21 MR. SATTERWHITE: Could you reread the
22 question, please.

23 (Record read.)

24 MR. SETTINERI: I will just object to the
25 form of the question. It's a confusing question. It

1 refences dispatch which has nothing to do with fuel
2 burn.

3 MR. MICHAEL: I also object to the form,
4 your Honor, because it assumes that the Commission
5 can understand a vague provision when this witness
6 just testified he can't understand it, so it's --

7 EXAMINER PARROT: Overruled, Mr. Michael.
8 Thank you.

9 Mr. Ellis, if you need to ask --

10 THE WITNESS: Please --

11 EXAMINER PARROT: And then if you need
12 clarification, let me know that, please.

13 THE WITNESS: Please, and any
14 clarification would help too.

15 MR. SATTERWHITE: Can you read it again,
16 please.

17 (Record read.)

18 Q. And if it helps, I used "dispatch" because
19 you used dispatch. It's the use of the source.

20 A. My understanding that AEP Ohio is subject
21 to the Commission jurisdiction and not necessarily
22 AEP Generation Resources. I understand from your
23 questioning that there will be -- there will be some
24 degree of Commission oversight, but I don't -- I
25 think that answers the question. I think there will

1 be some degree of Commission oversight over AEP Ohio,
2 but I'm not sure that I can state unequivocally there
3 will be full Commission oversight over whether or not
4 the usage of natural gas was maximized when it was
5 available and economic.

6 Q. On the same page on page 12 of your
7 testimony, lines 15 to 17, you discuss Dynegy's view
8 of co-firing Conesville 4, and you say it's not your
9 intention to switch to co-firing for Conesville
10 Unit 4, correct?

11 A. At this time, Dynegy has no plans for
12 co-firing, correct.

13 Q. Okay. That's because you are opposed to
14 co-firing; is that correct?

15 A. No. There's a number of inputs that go
16 into consideration as to whether to add co-firing and
17 then eventually operate the plant as a co-fired unit,
18 and Dynegy just hasn't come to a conclusion one way
19 or the other at this time.

20 Q. It is not currently in the business plan;
21 is that fair?

22 A. I can't speak to it. It's beyond my
23 knowledge area at this time.

24 Q. If the PUCO made recommendations to the
25 state as part of the review of the Clean Power Plan

1 and suggested co-firing Conesville Unit 4, would
2 Dynegy be able to ignore that recommendation?

3 A. I think it would depend on some of the
4 compliance mechanisms in the state implementation
5 plan for Ohio's compliance with the Clean Power Plan.
6 I can't say at this time that Dynegy would or
7 wouldn't be able to ignore that recommendation.

8 Q. But earlier you stated Dynegy is not
9 regulated by the PUCO; is that correct?

10 A. Dynegy, on generation side, is not
11 regulated by the PUCO.

12 Q. So if the PUCO had a preference for
13 co-firing of gas plants, I believe your testimony is
14 it would take more than just the PUCO, there would
15 have to be more of the full Clean Power Plan, maybe
16 an environmental agency or the Federal Government to
17 force Dynegy to make the switch, correct?

18 A. I don't necessarily agree with that. I
19 think that until the state implementation plan is
20 developed and until the compliance mechanisms are
21 developed, I don't know what mechanism may or may not
22 enforce generation owners, such as Dynegy, to
23 co-fire.

24 Q. But the PUCO's recommendation to do that
25 would not sway Dynegy one way or the other, there

1 would have to be other reasons?

2 A. The PUCO's recommendation would absolutely
3 be taken under consideration by Dynegy. We would
4 absolutely consider any recommendation, particularly
5 when it would come to Clean Power Plan compliance.
6 Dynegy has participated in numerous joint agency
7 Clean Power Plan discussions to date and we are very
8 much interested in being part of the State's solution
9 with -- to Clean Power Plan compliance.

10 Q. Look at page 13 of your testimony -- or
11 page 14, where you have the chart that talks about
12 the MMBtus from 2008 to 2015. Do you see that?

13 A. Yes.

14 Q. And your data shows in 2008 Conesville 5
15 and 6 units had a heat rate input of 55.7 MMBtus
16 based on coal, correct?

17 A. Correct.

18 Q. Okay. And as we talked about in the
19 stipulation earlier on pages 19 to 20, the
20 stipulation has a limitation of roughly 28.7 MMBtus
21 per year, correct?

22 A. Correct.

23 Q. So in the year 2008 -- let me ask it this
24 way. So that means in 2008, AEP Ohio, if this
25 stipulation had been in effect, would only have been

1 able to burn 28.7 MMBtus to get to this level of heat
2 input, correct?

3 A. In 2008, when natural gas prices were 3 to
4 4 or 5 times higher than they are today, yes, AEP
5 Ohio would be limited, if the stipulation were in
6 place, to 28.7.

7 Q. So do you believe the company will operate
8 Conesville 5 and 6 units using 100 percent coal if
9 the co-firing is approved?

10 A. Looking at directionally how the heat
11 input of those units has gone over the last eight
12 years, it appears to me, and looking at the --
13 considering the natural gas forecast and other
14 economics, I have every reason to believe that those
15 units wouldn't exceed the self-imposed limitation of
16 28.7 just from the simple economics.

17 Q. Well, I am confused there. From the
18 economics wouldn't it make sense for the company to
19 use gas and not coal from what your argument is?

20 A. It would depend on the economic dispatch
21 of the plant. It's possible that the plant wouldn't
22 be dispatched on coal or gas or a combination of
23 both, thereby, not even coming close to the
24 self-imposed heat input.

25 Q. But your argument is gas prices have gone

1 down, so it would be cheaper for the unit to run on
2 gas, correct?

3 A. That's not true. Plants that are built to
4 run on coal are generally much less efficient on gas,
5 so gas would have to become incredibly cheap for a
6 converted plant or potentially even a co-fired plant
7 to become economic on gas.

8 Q. So you are saying after the co-firing,
9 it's uneconomic to run it on gas? It's more economic
10 to run it on coal?

11 A. I am not familiar with those units exactly
12 but that is a potential consideration.

13 Q. Well, I believe -- explain your last
14 answer then, because I asked with gas prices being
15 lower, wouldn't it be cheaper to run the unit on gas,
16 and you said, I believe, correct me if I am wrong,
17 no, because coal units don't run very efficiently on
18 gas.

19 A. That's a possibility. Generally units
20 that were built to originally burn coal have a higher
21 heat rate on gas or some combination of gas or coal.
22 Thereby, they are less efficient. Thereby, their
23 dispatch cost is higher than simply running on coal.

24 Q. But then you followed up and said you
25 weren't sure once it's adapted to be co-fired,

1 whether that would exist at this plant or not,
2 correct?

3 A. You asked me specifically about Conesville
4 5 and 6, and I can't answer specifically enough. I'm
5 not intimately familiar with Conesville 5 and 6.

6 Q. Now, your trendline that you have on
7 page 15 relies on the 20,000 -- 2015 number of 29.5
8 MMBtus as its endpoint, correct?

9 A. That's correct.

10 Q. Did you do any specific research on Units
11 5 and 6 about the coal heat input in 2015 to
12 determine why that number appeared low?

13 A. I went to the publicly-available data on
14 the USEPA website. That data was available through
15 the third quarter of 2015. I downloaded it through
16 the third quarter of 2015. And I did a simple
17 extrapolation through the end of 2015 to arrive at an
18 annualized number.

19 Q. And that's all the research you did to
20 determine why the number was 29.5 --

21 A. That's correct.

22 Q. -- in 2015? Do you have knowledge of
23 environmental-compliance control equipment?

24 A. I have some general knowledge of it.

25 Q. Are you familiar with the GORE® mercury

1 control system used for MATS compliance?

2 A. No, I am not.

3 Q. Did you review the testimony of Toby
4 Thomas from the company and Ms. Jackson from OCC in
5 the first phase of this proceeding?

6 A. I believe I reviewed Toby Thomas's
7 testimony, and I can't recall if I reviewed the
8 other.

9 Q. Do you recall the description of the GORE®
10 technology and the capital investment at Unit 6 in
11 2015 in that testimony?

12 A. I would have to refresh my memory. Off
13 the top of my head, I don't recall.

14 Q. But you weren't considering that when you
15 determined that 29.5 would be an appropriate number
16 to use in your analysis here?

17 A. No. Again, I simply took the data through
18 the third quarter and extrapolated it.

19 Q. But you would agree if the plant was down
20 to install an environmental MATS compliance project
21 for 10 weeks, that that would impact the actual heat
22 input in this chart for 2015, correct?

23 A. If that plant was down for 10 weeks in the
24 fourth quarter, the potential is that the heat input
25 could actually be lower than I extrapolated.

1 Q. But if it was down in the second quarter,
2 then the number 29.5 would be an improper
3 extrapolation, correct?

4 A. It would be a different extrapolation.

5 Q. Well, it would be incorporating months
6 that the unit was down and not operating, correct?

7 A. Similarly if the unit was down in the
8 fourth quarter, yes.

9 Q. Right. But I am going to stick to it's
10 not down in the fourth quarter, but the second
11 quarter. If you use that as the example, we will use
12 it as a hypothetical at this point, you would be
13 extrapolating numbers to get your total number that
14 included 10 weeks of when the plant was not
15 operating, correct?

16 A. In addition, I compared 2015 to the other
17 years to make sure that 2015 wasn't an anomaly year,
18 and when I looked back at the previous eight years
19 worth of data, and I see data such as 44.1, 39.8,
20 34.2, 36.2 all the way back in 2006, 36.2, I'm sorry,
21 in 2010, and then knowing the economics of the power
22 system, the falling gas prices, the falling power
23 price, extrapolating the data in 2015 seemed more
24 than reasonable.

25 MR. SATTERWHITE: Your Honor, I would move

1 to strike. My question didn't deal with what else he
2 looked at. It was very specific. I am dealing with
3 the calculation here, I'm doing the extrapolation
4 because he has a footnote that he annualized this
5 number. And my hypothetical was if it was down for
6 10 weeks in the second quarter, that that
7 annualization of the number is incorrect because it
8 annualized something based on when the plant was not
9 operating. It's a very specific question.

10 MR. SETTINERI: Your Honors, he gave an
11 answer saying why he believed it was correct.

12 EXAMINER PARROT: I am going to grant the
13 motion to strike, Mr. Satterwhite. I do agree that
14 the answer was not responsive, so let's try it again.

15 Do you want us to reread the question,
16 everyone?

17 THE WITNESS: Please.

18 (Record read.)

19 Q. When you reach the number 29.5 in your
20 chart on page 14, you annualized that based on the
21 data you had for 2015, correct?

22 A. Yes, correct.

23 Q. So, hypothetically, if the plant was down
24 for 10 weeks in the second quarter and you annualized
25 numbers including when the plant was down, then

1 you've given a yearly view that's inaccurate because
2 you've applied months where the plant wasn't in
3 operation, correct?

4 A. That number would be correct. It would
5 reflect 10 weeks that the plant is down.

6 Q. But for the fourth quarter, you took an
7 assumption based on the first three quarters and
8 extrapolated that to fill in the gap that you had for
9 the fourth quarter.

10 A. Correct.

11 Q. And if the plant wasn't down in the fourth
12 quarter because it was down for 10 weeks in the
13 second quarter, there's a gap in there that's not
14 included in your number, correct?

15 A. Well, you are making an assumption of the
16 operations in the fourth quarter and if you are
17 making that hypothetical, then, yes.

18 Q. And I asked because the record will bear
19 out the conversation we had earlier about what was
20 discussed in the previous, but since you were unaware
21 of that, I am just asking this fact pattern as a
22 hypothetical and we can apply it to the facts of the
23 record.

24 So your answer was correct that this would
25 be an improper extrapolation to fill the fourth

1 quarter in to get to 29.5 if the plant was down for
2 10 weeks in the second quarter, correct?

3 MR. SETTINERI: Object. Asked and
4 answered. We are just trying to get -- get the
5 answer he wants. That question was answered just 20
6 seconds ago.

7 MR. SATTERWHITE: Your Honor, I believe
8 there is a confusion back and forth, so I am trying
9 to get the final answer on it.

10 EXAMINER PARROT: Overruled.

11 A. I would say that the extrapolation takes
12 into account the 10 weeks. And, hypothetically,
13 speaking if there is a different operation in the
14 fourth quarter that could potentially change how that
15 plant was operating in the fourth quarter from the
16 previous three quarters, then the extrapolation would
17 look different. I don't think it would
18 necessarily -- I wouldn't characterize it as wrong or
19 right. It would be different.

20 Q. But that's different than what we were
21 talking about in our hypothetical. The hypothetical
22 was there was 10 weeks where it was not in operation
23 and you relied as if it was in operation in those 10
24 weeks, to fill in the gap for the fourth quarter
25 information you didn't have, to represent 29.5 MMBtus

1 for the year, correct?

2 A. I'll just say I took the first three
3 quarters of the actual data. I don't have any
4 insight into how the plant actually operated. So if
5 the plant were potentially down for 10 weeks in the
6 first quarter, there's the potential that the
7 plant -- or, the second quarter, I'm sorry, there is
8 the potential the plant could have overproduced for
9 any number of reasons in the other quarters and,
10 therefore, the extrapolation could be correct.

11 Q. But you didn't factor any of that in
12 because you weren't aware of what the operations
13 were.

14 A. No, I didn't.

15 Q. Fair enough.

16 Let's talk about the discussion you have
17 on the nexus of operations on page 16 and 17. And
18 you mentioned, I believe, that Dynegy already
19 maintains a nexus of operations in Ohio, correct?

20 A. That's correct.

21 Q. I believe we established in the first
22 phase of this proceeding, though, that none of
23 Dynegy's senior leadership are based in Ohio,
24 correct?

25 A. That's incorrect.

1 Q. How is that incorrect?

2 A. Our executive vice-president of retail
3 operations is located in Cincinnati.

4 Q. And what's that person's name?

5 A. Sheree Petrone.

6 Q. And did that change since the last time
7 you testified?

8 A. It may have potentially. I would have to
9 go back and look at my testimony.

10 Q. I believe everyone was in Houston, except
11 one person was in Illinois previously.

12 A. If that was my testimony, Sheree Petrone
13 is now primarily located in Cincinnati. In addition,
14 to other executives, such as our vice president of
15 operations, John Kennedy, he is also located in
16 Cincinnati.

17 Q. We also talked about the PRIDE Project,
18 the last time we were here, correct?

19 A. Yes.

20 Q. And has Dynegy maintained the same
21 staffing levels at the plants purchased from Duke
22 as -- as -- let me strike that.

23 Has Dynegy maintained the same staffing
24 levels of the plants that it purchased from Duke
25 since the implementation of the PRIDE Project?

1 A. I am not aware of any material or
2 significant changes in staffing one way or the other
3 since the PRIDE Program was implemented or Dynegy
4 purchased the plants.

5 Q. Is that something you would normally be
6 aware of, or you wouldn't be aware of anyway?

7 A. I could potentially or I may not. It
8 would depend most likely on the size of the change.

9 Q. And before we were talking about the
10 corporate communications, we were dealing with those
11 investor relations, and that was talking about the
12 PRIDE initiative the previous time you testified,
13 correct?

14 A. Correct.

15 Q. And at that point the PRIDE had been -- is
16 it okay if I call it the "PRIDE"?

17 A. Yes.

18 Q. Is that how you guys refer to it?

19 A. Among other things, yes.

20 Q. I won't ask what else.

21 A. It is currently called "PRIDE Energized,"
22 and it's also called our "investment in the company."

23 Q. Okay. And how has that O&M -- the focus
24 on that was to decrease O&M across the company,
25 correct?

1 A. Not necessarily in all cases. Where it
2 makes sense to reduce O&M it may be reduced under
3 PRIDE.

4 Q. And before we talked about how in the
5 report it dealt with consolidating offices and
6 avoiding property taxes in different areas, correct?

7 A. I believe it did. Off the top of my head,
8 without referencing it, I believe it had some of that
9 information in it.

10 Q. And that's being applied -- before it was
11 applied in the assets, before the acquisition of the
12 Duke assets, and this next phase was to apply it in
13 the new assets, correct?

14 A. I don't recall if it specifically
15 addressed the Duke assets. It possibly could have.

16 Q. Okay.

17 A. I would just have to refer back to it.

18 Q. No problem. And are you aware if there --
19 if Dynegy has maintained the same level of community
20 support and donations in the communities of the Duke
21 units in Ohio?

22 MR. SETTINERI: Your Honor, strike that.
23 Remove that objection.

24 A. Generally speaking, yes. We have actually
25 been asked by the Public Utilities Commission of Ohio

1 for a list of our community involvement. We had the
2 senior staff at the plants and in the Cincinnati
3 office compile a list, comprehensive list, of our
4 community involvement. The majority, if not all, of
5 those folks were former Duke Ohio employees, and by
6 all accounts from the information I saw, that the
7 level of community involvement is materially the
8 same.

9 Q. And that's not been affected by the PRIDE
10 initiative?

11 A. To the best of my knowledge, no.

12 Q. Now, you also talk about -- let me go back
13 to co-firing for a second, hopefully just for a
14 second. You talk about the potential cost that could
15 come from co-firing a plant in your testimony,
16 correct?

17 A. You are referring to the capital costs to
18 add co-firing?

19 Q. Correct.

20 A. Yes.

21 Q. And you state in your testimony that -- I
22 am talking specifically about the gas pipeline
23 potential. And you say "If the gas pipeline is
24 already there, the cost is hundreds of thousands. If
25 the gas pipeline is not there, it's tens of millions

1 for that cost," correct?

2 A. In an effort to try to put some bounds on
3 the potential costs, I said it could -- potentially
4 the cost of adding co-firing could be in the
5 six-figure range. Of course, if the natural gas
6 pipeline is not there, the cost to add it could be
7 significantly more.

8 Q. And are you aware that the gas pipeline is
9 already on the Conesville 5 and 6 site?

10 A. I believe in recent testimony it was
11 stated that there is gas pipeline availability to
12 some degree.

13 Q. And did you review the discovery response
14 by P3/EPISA that asked about whether the gas pipeline
15 was already on the site?

16 A. Yes, I believe I did review it.

17 Q. And indicated that it was already there,
18 correct?

19 A. Correct.

20 MR. SATTERWHITE: Thank you. That's all I
21 have.

22 EXAMINER PARROT: Mr. Beeler?

23 MR. BEELER: No questions, your Honor.

24 Thank you.

25 EXAMINER PARROT: Would you like a few

1 minutes?

2 MR. SETTINERI: If we may. I don't know
3 if you want to take a break.

4 EXAMINER PARROT: A short break, yes.
5 Let's go off the record.

6 (Recess taken.)

7 EXAMINER PARROT: Let's go back on the
8 record.

9 Mr. Settineri.

10 MR. SETTINERI: Thank you, your Honor. We
11 have no redirect.

12 EXAMINER PARROT: Your exhibit, I don't
13 recall, Mr. Settineri, bear with me, did you move for
14 the admission already?

15 MR. SETTINERI: At this time, if now is
16 the time, I would move for admission of Dynegy
17 Exhibit 2 into the record, please.

18 EXAMINER PARROT: Thank you. Are there
19 any objections?

20 MR. SATTERWHITE: No objection.

21 EXAMINER PARROT: Hearing none, Dynegy
22 Exhibit No. 2 is admitted into the record.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER PARROT: Thank you very much,
25 Mr. Ellis, you are excused.

1 EXAMINER SEE: Mr. Michael.

2 MR. MICHAEL: Thank you, your Honor. OCC
3 calls Mr. Bob Fortney.

4 Your Honor, if I might, I would like to
5 have marked as OCC Exhibit 31, the direct testimony
6 of Robert B. Fortney, public version.

7 EXAMINER SEE: Okay. Hold on just a
8 second, Mr. Michael, please.

9 MR. MICHAEL: Sorry, your Honor.

10 (Witness sworn.)

11 EXAMINER SEE: Thank you. Have a seat.
12 Go ahead, Mr. Michael.

13 MR. MICHAEL: At this time I would like to
14 have marked as OCC Exhibit 31, the public version of
15 the direct testimony of Robert B. Fortney, and as OCC
16 Exhibit No. 32, the confidential version of the
17 direct testimony of Robert B. Fortney.

18 EXAMINER SEE: So marked.

19 (EXHIBITS MARKED FOR IDENTIFICATION.)

20 - - -

21 ROBERT B. FORTNEY

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

24 DIRECT EXAMINATION

25 By Mr. Michael:

1 Q. Could you state your name, please.

2 A. Robert B. Fortney, F-o-r-t-n-e-y.

3 Q. And what is your business address,
4 Mr. Fortney?

5 A. I have to read this. My business address
6 is 10 West Broad Street, Suite 1800, Columbus, Ohio
7 43215.

8 Q. And did you prepare direct testimony for
9 this case?

10 A. For this portion of the case which is this
11 opposition to the stipulation.

12 Q. Okay. And you have two documents before
13 you, what was previously marked as OCC Exhibit No. 31
14 and OCC Exhibit No. 32. Can you please identify what
15 was marked as OCC Exhibit No. 31?

16 A. OCC Exhibit No. 31 is the public version
17 of my direct testimony in this proceeding, and OCC
18 Exhibit No. 32 is the confidential version.

19 Q. And Mr. Fortney --

20 EXAMINER SEE: I'm sorry, Mr. Michael.
21 Hold on a second.

22 Mr. Fortney, could you speak into the
23 microphone, please?

24 MR. MICHAEL: I don't think it's on
25 either, your Honor.

1 Q. Mr. Fortney, was that testimony prepared
2 by you or at your direction?

3 A. Yes.

4 Q. And do you have any additions or
5 corrections to the public version of your testimony?

6 A. I have a correction or clarification. On
7 page 5 of 6 -- 5 and 6 of the public version of my
8 testimony, two figures have been blacked out as
9 confidential. It's my understanding that as a result
10 of conversations between Mr. Michael and
11 Mr. Satterwhite, I believe, that it was decided that
12 these two figures do not -- are not necessarily
13 confidential and can be made public.

14 So at the bottom of page 5, "Under a
15 straight demand allocation" that should read "43
16 percent." And at the top of page 6, "under a
17 straight energy allocation only" that should read "33
18 percent."

19 Q. And did you have any additions or
20 corrections to the confidential version of your
21 direct testimony, Mr. Fortney?

22 A. It's my understanding that is still
23 confidential, so, no, I do not.

24 Q. Thank you.

25 If I were to ask you the questions subject

1 to the corrections you just made, that are reflected
2 in your public and confidential direct testimony,
3 would your answers be the same, Mr. Fortney?

4 A. Yes, sir, they would.

5 MR. MICHAEL: Your Honors, I move for the
6 admission of OCC Exhibits 31 and 32, subject to
7 cross.

8 EXAMINER SEE: Okay. Mr. O'Rourke.

9 MR. O'ROURKE: No questions, thank you,
10 your Honor.

11 EXAMINER SEE: Mr. Kurtz.

12 MR. KURTZ: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Kurtz:

16 Q. Good afternoon, Mr. Fortney.

17 A. Good afternoon.

18 Q. Welcome back.

19 A. Thank you.

20 Q. Page 3, you -- you identify two things
21 that you think are violative of the cost causation
22 principles, summarize No. 1, transferring 50 percent
23 of the energy efficiency and peak demand reduction
24 costs for transmission and sub-transition to the EDR
25 rider, is that correct, that's the first problem you

1 see?

2 A. That's correct.

3 Q. Okay. And then the second problem is
4 transferring 50 percent of the IRP credit from the
5 EE/PDR to the economic development rider; that's the
6 second problem?

7 A. Yes.

8 Q. Okay. Then did you mean to say it this
9 way, then you say on line 18 the transfer of
10 50 percent of the EE/PDR to EDR causes harm and so
11 forth. Did you mean to say that both of those things
12 cause harm or are you limiting harm to just one of
13 the two?

14 A. Both of the transfers come out of the
15 EE-PDR rider.

16 Q. Right. But you don't mention the IRP.
17 Did you mean to say in that sentence, beginning on
18 line 18, recovering half the IRP credit is a bad idea
19 also through the EDR?

20 A. Yes, I mean to say that, but I don't think
21 I needed to say that because the IRP credits are part
22 of the EE/PDR rider.

23 Q. Okay, okay. Got it. I understand. Now,
24 you say it violates cost causation, is that -- that
25 it abandons the cost causation principles?

1 A. Yes.

2 Q. Okay. First of all, you recognize that
3 cost causation is a flexible concept in ratemaking?
4 Or is it a hard-and-fast kind of concept?

5 A. It's pretty straightforward. He who
6 causes the cost, should pay for the cost.

7 Q. How many -- cost-of-service study, in a
8 rate case, is an attempt to allocate costs among the
9 various customer classes, right?

10 A. Yes. And you are correct and there are
11 various allocation methods where costs are allocated
12 in many different ways.

13 Q. And there is -- I can think of single CP
14 cost of service studies, 12 CP, average and excess,
15 base intermediate peak, there's -- there's all kinds
16 of ways to allocate costs, do you disagree with that?

17 A. No, I do not disagree.

18 Q. So you do not disagree, so you agree?

19 A. I agree that there are many ways of cost
20 allocation.

21 Q. Okay. And there's a certain amount of
22 discretion afforded to this Commission and all
23 commissions in allocating costs?

24 A. Sure.

25 Q. Okay. Now, you are aware that certain

1 large customers can opt out of the EE/PDR rider
2 through the Senate Bill 310 process?

3 A. Vaguely. I am not real familiar with
4 those.

5 Q. If you -- if you recover part of the
6 EE/PDR costs through the economic development rider,
7 those customers that had opted out of the EE/PDR are
8 still going to pay part of it through the EDR rider;
9 would you agree?

10 A. If their class is subject to the EDR
11 rider, yes.

12 Q. So -- so by this transfer those large
13 customers that opt out under the Senate Bill 310 are
14 still going to pay part of those costs through EDR,
15 correct?

16 A. They may -- they may pay part of those
17 costs through the EDR rider, yes.

18 Q. Okay. Now, are you familiar -- you are
19 aware -- have you looked at the Commission's order on
20 the IRP, the interruptible rates?

21 A. I have not, no.

22 Q. So you don't know if the Commission
23 attributes an economic development aspect to the IRP
24 process?

25 A. I do not know what the current Commission

1 position is on the economic development of an
2 interruptible power.

3 Q. Are you aware that FirstEnergy has an
4 interruptible program or ELR program for large
5 customers?

6 MR. MICHAEL: Objection, relevance.

7 MR. KURTZ: Well, it's relevant because I
8 am going to demonstrate just how the Commission
9 allocates the interruptible credits in the
10 FirstEnergy case, so it's Commission precedent, so
11 it's relevant here. In other words, how the
12 Commission allocates cost for one utility is relevant
13 to how it might consider allocating costs for a
14 second utility.

15 EXAMINER SEE: And I will allow the
16 question.

17 Q. Are you aware that FirstEnergy has an ELR
18 interruptible rate program?

19 A. I am not aware of any of the current
20 programs in any of the current tariffs.

21 Q. Okay. So you would not know if 50 percent
22 of the ELR interruptible credits are recovered
23 through the economic development rate and the other
24 half through the EE/PDR, same as being proposed here?

25 A. I do not know that, no.

1 Q. Page 5.

2 A. I assume that was approved by the
3 Commission.

4 Q. Been approved for years, at least for a
5 couple of ESPs, I think.

6 A. There is specific language.

7 Q. Yes. It's a \$10 credit, \$5 recovered
8 through EDR and \$5 through EE/PDR.

9 A. So FirstEnergy is recovering that due to a
10 Commission order.

11 Q. Several Commission orders which is --
12 okay.

13 Page 5, you talk about the allocation of
14 the PPA rider. Now, you are aware that the original
15 proposal of AEP was to allocate the net costs or
16 credit to the rate schedules based upon energy and
17 then recover them through an energy charge, a uniform
18 energy charge or credit. Do you know how the
19 original proposal was?

20 A. Well, actually that's a good question
21 because as I went back through the application in the
22 ESP proceeding and the original application in this
23 case and in the amended application and as I reviewed
24 Mr. Allen's testimony, I did not see that affirmative
25 statement anywhere that cost and revenues were

1 allocated to the PPA on an energy basis.

2 However, because of Mr. Allen's testimony
3 in the stipulation where he said that they are
4 allocated on the 5 CP basis, I assumed that they were
5 originally allocated on an energy basis.

6 Q. Yeah. If you look at the original
7 schedules where they show the projected charge or
8 credit, it's a uniform charge or credit across the
9 schedules, as it is in energy, but let's move on.

10 So the current proposal is to take the
11 charge or credit, allocate it to the rate schedules
12 based upon 5 CP, and then recover it through a
13 uniform energy charge about by rate schedule --
14 charge or credit, correct?

15 A. That's correct.

16 Q. Okay. And do you know if that's exactly
17 the way FirstEnergy is proposing to allocate and
18 recover their RRS or whatever rider?

19 A. I know nothing of what FirstEnergy is
20 proposing.

21 Q. Now, this allocation method allocates more
22 costs and more credits to the residential class
23 because it's a 43 percent -- 33 percent numbers that
24 you put into the public version, right?

25 A. That's correct. Both cost and credits are

1 proposed to be allocated in that manner.

2 Q. So if the PPA is a credit, that would
3 allocate more money, more credit to the residential
4 class under this 5 CP than an energy allocation,
5 correct?

6 A. And in the stipulation, the \$4 million
7 initial credit, the residential class would receive a
8 greater portion of that credit under the demand
9 allocation than they would under the energy
10 allocation.

11 Q. Right, right. Now, on page 6, line 2, you
12 say "The proper allocation should be a combination of
13 demand and energy"; is that correct?

14 A. Yes. The wording is correct. The meaning
15 is that there is probably some number in between a
16 direct demand allocation and a direct energy
17 allocation that is more appropriate.

18 Q. And you did not make a recommendation for
19 the Commission.

20 A. No, I did not.

21 Q. So your -- if the Commission adopts -- you
22 are just leaving it up to the Commission's discretion
23 to allocate costs as it sees fit? Costs or credits?
24 I should say.

25 A. Well, I believe the last sentence of my

1 testimony, before the concluding question, is "Such
2 determination should be part of the forecasted values
3 and subject to the quarterly true-ups."

4 Q. Well, sure, but first the Commission
5 has -- if the Commission approves the stipulation,
6 approves the PPA, you have not recommended how the
7 allocation of the credits or costs should be other
8 than it should be combination of demand and energy.

9 A. My recommendation would be that it should
10 be on -- not be changed by the stipulation and it
11 should be on an energy allocation.

12 Q. Then what do you mean "The proper
13 allocation should be...the combination of demand and
14 energy"?

15 A. Because to do it right, it would be some
16 combination of those two. I'm sure that the PPA
17 itself is not a simple document.

18 Q. Well, now --

19 A. There are many aspects, so there is simply
20 not a true demand allocation or a true energy
21 allocation that would encompass all the terms of the
22 PPA and all of the ways that power is sold into the
23 market.

24 Q. Well, I think you are missing it. The PPA
25 rider will just allocate a dollar amount of costs or

1 credits. It's -- a number will fall out of it and we
2 are going to allocate it one way or the other. This
3 isn't an issue regarding the complications of market
4 sales or costs. There will be a net number at the
5 very end of the process. Do you understand?

6 A. Yes, but there is a cause for that net
7 number. There's a netting of the revenues and costs.

8 Q. Yes, but then the question is how do you
9 allocate it -- if it's a credit, how do you allocate
10 it; if it's a cost; how do you allocate it? That's
11 what I thought your testimony was talking about.

12 A. My testimony is that it should not be on a
13 straight demand basis.

14 Q. Now, here -- did you just say it should go
15 back to the energy allocation?

16 A. If you -- because you were asking me if I
17 had a recommendation.

18 Q. Well, I thought your recommendation is --

19 A. For the current case. My recommendation
20 for the current case would be to stay on the energy
21 allocation.

22 Q. But you say on line -- page 6, line 2,
23 "The proper allocation should be based on the
24 combination of demand and energy," so are you
25 recommending an improper allocation of pure energy?

1 A. Just as the stipulation does, it
2 recommends an improper allocation on a demand basis.
3 So absent -- absent a study which shows what the
4 proper allocation would be, then the fallback
5 position I would recommend would be on an energy
6 allocation.

7 Q. Even though there is no -- there is no
8 conceptual cost causation basis for that?

9 A. I don't know what the conceptual cost
10 causation basis for straight demand allocation would
11 be.

12 MR. KURTZ: Thank you, Mr. Fortney.

13 No, further questions, your Honor.

14 EXAMINER SEE: Mr. Darr?

15 - - -

16 CROSS-EXAMINATION

17 By Mr. Darr:

18 Q. Just a couple of follow-up questions on
19 your testimony on pages 5 and 6. With regard to your
20 statement starting at line 2 on page 6, and this is
21 the statement that you say the proper allocation
22 should be based on a combination of demand and
23 energy. And going off from there. I believe you
24 just said in response to a question from Mr. Kurtz
25 that you would need to do a study to determine what

1 the proper components of that would be, correct?

2 A. In reality that figure is going to
3 probably change every transaction; every quarter that
4 figure would be different. So, yes, I would think
5 that a reasonable way would be to examine the sales
6 and the revenues, the sales of the capacity, the
7 sales of the energy, the sales of the ancillary
8 service and the corresponding costs and come up with
9 some figure that is somewhere between a straight
10 demand and a straight energy allocation.

11 Q. And is it fair to say that you haven't
12 attempted, as part of your testimony in this case, to
13 perform that study, correct?

14 A. That's correct.

15 Q. And so for purposes of the record in this
16 case, we do not have what you have described as the
17 proper allocation based on demand and energy,
18 correct?

19 MR. MICHAEL: Objection, your Honor, to
20 the extent it assumes OCC has any obligation to
21 submit that. We are not the parties with the burden
22 of proof, but.

23 MR. DARR: I will point to the
24 Commission's decision in the ESP III case where this
25 exact issue came up in the context of the

1 transmission rider and the Commission's determination
2 in that case, the failure to come forward with
3 evidence of an alternative approach was a failure of
4 proof. So that's the basis of my question, your
5 Honor.

6 EXAMINER SEE: I'll allow the witness to
7 answer the question.

8 A. No, I did not perform any study or any
9 analysis.

10 MR. DARR: Thank you, your Honor. That
11 completes my cross-examination.

12 EXAMINER SEE: Mr. Oliker.

13 MR. OLIKER: No questions, your Honor.

14 EXAMINER SEE: Ms. Spinosi.

15 MS. SPINOSI: No questions, your Honor.

16 EXAMINER SEE: Mr. Nourse.

17 MR. NOURSE: Thank you, your Honor.

18 - - -

19 CROSS-EXAMINATION

20 By Mr. Nourse:

21 Q. Good afternoon, Mr. Fortney.

22 A. Good afternoon, Mr. Nourse.

23 Q. Welcome back to the 11th floor. It seems
24 like you never left.

25 A. Thank you.

1 Q. I will try not to duplicate, I think you
2 had similar questions with Mr. Kurtz and Mr. Darr,
3 but let me just lace in some extra questions for you.

4 You talked a little bit with Mr. Kurtz
5 about the opt-out scenario where, today, certain
6 transmission level customers can opt out of the
7 EE/PDR -- well, this will be happening actually very
8 soon, I think, or maybe it is today, right, but you
9 are generally aware of that option, correct?

10 A. Yes.

11 Q. And are you aware that there's some
12 consideration actually to expand that option. In
13 fact, the record in this case has already shown that
14 AEP is committed to supporting an expansion of that
15 opt-out.

16 A. No, sir, I am not aware of that.

17 Q. All right. But, in any case, anyone that
18 does pursue the opt-out, whether it's expanded or
19 whether it stays the same, would avoid and get out of
20 paying these EE/PDR costs that are in the rider,
21 correct?

22 A. I will accept that, yes.

23 Q. And, by contrast, if it's paid -- if the
24 costs are collected, or a portion of the costs are
25 collected through the EDR as proposed in the

1 stipulation, those -- that recovery would be
2 unavoidable because the EDR is nonbypassable,
3 correct?

4 A. Correct.

5 Q. And does OCC agree that it's appropriate
6 to collect a portion of the EE/PDR costs, including,
7 as you said earlier, the IRP-D credit costs through
8 the EDR, so that those costs are borne by all
9 customers?

10 A. Well, that's kind of the whole point of my
11 testimony. The EE -- EE/PDR rider and the economic
12 development rider for AEP were approved in some
13 proceeding. I don't know whether it was an ATA
14 proceeding, whether it was an ESP proceeding, whether
15 it was an AIR proceeding, but there was some
16 litigated case where those two riders were approved.

17 Those riders would have been approved for
18 what costs can be collected in those riders and also
19 who would pay the costs and in what form that payment
20 would come. And I just find it very concerning that
21 the signatory parties to the stipulation have just
22 done away with -- with what the Commission has
23 approved those tariffs to be, what they are to
24 collect, how they are to be recovered and by whom
25 they are to be recovered.

1 It would seem to me that the appropriate
2 mechanism, if you want to change a rider, is through
3 an ATA or through a litigated case, not through a
4 stipulation where testimony is due two weeks after
5 the stipulation.

6 Q. Okay.

7 A. Because these riders were not proposed to
8 be changed in the application or the amended
9 application.

10 Q. Well, you are correct that the -- and I am
11 going to use the IRP-D example, it's part of this
12 same issue that you are addressing. That was
13 approved in another case and that was the most recent
14 list of items in the ESP III case; is that your
15 understanding?

16 A. I don't know. That's what my point is
17 that they were approved in some case.

18 Q. And do you know if OCC advocated in that
19 case for the IRP-D costs being shifted to the EDR?

20 A. I don't know.

21 MR. NOURSE: Your Honor, I would like to
22 mark an exhibit, AEP 56, I believe. Actually, let me
23 just -- let me tentatively mark it. I am not really
24 sure I need to use it as an exhibit so I am going to
25 have him look at this.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. All right. Mr. Fortney, what I have
3 handed you for the record is a memorandum contra in
4 the ESP III case that was filed by OCC on April 6,
5 2015. Do you see that?

6 A. Yes.

7 Q. Can I direct your attention to page 28.
8 And I would like to ask you to read aloud the last
9 full paragraph on the page.

10 A. Beginning with "AEP seeks"?

11 Q. Yes.

12 A. "AEP seeks rehearing requesting that the
13 actual costs of proving the IRP-D credits be
14 collected through the Economic Development
15 Rider...rather than through the EE/PDR (Energy
16 Efficiency Peak Demand Reduction) Rider. OCC
17 supports this request for rehearing. As noted by
18 AEP, the costs of the current IRP-D credits are
19 substantial and are born by all customers who pay the
20 EE/PDR Rider charges. To assure that the costs of
21 those credits are born by all customers, the costs
22 should be collected through the Economic Development
23 Rider. Otherwise, mercantile customers who are
24 receiving the benefits of the IRP-D may opt out from
25 the EE/PDR rider and pay nothing for the benefits."

1 Q. Thank you, Mr. Fortney.

2 And would you agree, as a general matter,
3 that the IRP payment that's made to customers is
4 recovered, that the costs we are referring to here as
5 the IRP credits, they relate to peak demand reduction
6 and are generally capacity related?

7 A. Yes.

8 Q. Okay. In other words, they would be
9 appropriate for a demand allocation in rate design,
10 correct?

11 A. Yes. Before unbundling, industrial
12 customers either had interruptible contracts or there
13 was interruptible tariffs, and the lower cost or the
14 credits that were applied to those tariffs were
15 justified by the fact that their demand allocation
16 because they were willing to be interrupted was very,
17 very low, so there were very few, if any, demand
18 costs assigned to those customers so, yes, it would
19 be a demand-based allocation.

20 MR. NOURSE: Okay. All right. Without
21 repeating anything else that's already been said, I
22 think I will just stop it there. Thank you,
23 Mr. Fortney.

24 EXAMINER SEE: Mr. Margard?

25 MR. MARGARD: No, thank you, your Honor.

1 EXAMINER SEE: Mr. Michael?

2 MR. MICHAEL: If I could have a moment
3 with the witness, your Honor, briefly.

4 EXAMINER SEE: Certainly. Let's go off
5 the record.

6 (Discussion off the record.)

7 EXAMINER SEE: Let's go back on the
8 record.

9 Mr. Michael.

10 MR. MICHAEL: No further questions, your
11 Honor.

12 EXAMINER SEE: I believe you already have
13 moved for the admission of OCC Exhibits 31 and
14 confidential Exhibit 32.

15 MR. MICHAEL: Indeed, I did.

16 EXAMINER SEE: Are there any objections to
17 the admission of either exhibit?

18 MR. NOURSE: No, your Honor.

19 EXAMINER SEE: OCC Exhibit 31 is admitted
20 into the record and confidential OCC Exhibit 32 is
21 also admitted into the record.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER SEE: Mr. Nourse, you have one
24 more exhibit?

25 MR. NOURSE: No. Thank you. I am not

1 going to move that.

2 EXAMINER SEE: You are not going to move
3 that.

4 Thank you, Mr. Fortney.

5 THE WITNESS: Thank you.

6 EXAMINER PARROT: Mr. Michael.

7 MR. MICHAEL: Thank you, your Honor. OCC
8 calls Mike Haugh.

9 (Witness sworn.)

10 EXAMINER PARROT: Please have a seat.

11 MR. MICHAEL: Your Honor, I would like to
12 have marked as OCC Exhibit No. 33, the direct
13 testimony of Michael P. Haugh.

14 EXAMINER PARROT: So marked.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 - - -

17 MICHAEL P. HAUGH

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

20 DIRECT EXAMINATION

21 By Mr. Michael:

22 Q. Would you state your name, please.

23 A. Michael P. Haugh.

24 Q. And where are you employed, Mr. Haugh?

25 A. With the Office of the Ohio Consumers'

1 Counsel?

2 Q. And what is your business address?

3 A. 10 West Broad Street, Suite 1800,
4 Columbus, Ohio 43215.

5 Q. And did you prepare direct testimony in
6 this case?

7 A. I did.

8 Q. And do you have in front of you what's
9 marked as OCC Exhibit No. 33. Can you identify that
10 document, please?

11 A. That is my direct witness testimony in
12 this case?

13 Q. And was it prepared by you or under your
14 direction?

15 A. Yes.

16 Q. And do you have any additions or changes
17 to OCC Exhibit No. 33.

18 A. Two small changes. On page 4, line 9,
19 middle of that line, the sentence under the --
20 currently reads "Under the second prong of the
21 stipulation." That should be corrected and be "the
22 third prong of the stipulation."

23 MR. DARR: I'm sorry, could I have that
24 again, please?

25 THE WITNESS: Sure, page 4, line 9.

1 MR. DARR: Thank you.

2 A. And then on page 19, Footnote 22 should
3 be -- it reads "at page 6." It should be "at page
4 5." And those are my only changes.

5 Q. Thank you, Mr. Haugh. Were I to ask you
6 the questions that were reflected in the direct
7 testimony, would your answers, subject to those
8 corrections, be the same to those questions?

9 A. They would.

10 MR. MICHAEL: Okay. Your Honor, I move
11 into evidence OCC Exhibit No. 33, subject to cross.

12 EXAMINER PARROT: Thank you, Mr. Michael.
13 Mr. -- sorry. Ms. Petrucci.

14 MS. PETRUCCI: No questions, your Honor.

15 EXAMINER PARROT: Mr. O'Rourke.

16 MR. O'ROURKE: No questions, your Honor.

17 EXAMINER PARROT: Mr. Darr.

18 MR. DARR: No questions, your Honor.

19 EXAMINER PARROT: Mr. Kurtz.

20 MR. KURTZ: Thank you, your Honor.

21 - - -

22 CROSS-EXAMINATION

23 By Mr. Kurtz:

24 Q. Good afternoon, Mr. Haugh.

25 A. Good afternoon.

1 Q. I just want to ask you questions on
2 page 14 of your testimony about the interruptible
3 load benefit section, at the top.

4 A. Yes, I'm there.

5 Q. Okay. The question "Does interruptible
6 load benefit other customers?" While -- your answer:
7 "While interruptible load may provide benefits at
8 times of peak usage, the problem with this provision
9 is that the IRP-D customers are already participating
10 in the PJM Demand Response programs." And I am going
11 to paraphrase a little bit, they already received PJM
12 benefits, and so this is a double -- double payment.
13 Is that a fair summarization?

14 A. Yes.

15 Q. Now, you and I chatted, along with your
16 counsel about this, about this portion of your
17 testimony yesterday, I believe. Do you recall that?

18 A. Yes.

19 Q. Okay. And we -- do you agree that the
20 Commission's last word on this type of issue is in
21 their second entry on rehearing in the ESP III case,
22 paragraph 30? It's a long paragraph, but is that the
23 Commission's last discussion of this that you are
24 aware of?

25 A. That's the last one that I am aware of,

1 yes.

2 Q. What I want to do is ask you, it's not
3 true that all IRP customers are getting double
4 payment. Would you agree with that?

5 A. There are -- the order -- or the current
6 new customers in the IRP-D will receive -- are --
7 enrolled in the PJM demand response program will
8 receive capacity payments for that. Those will be --
9 I am not sure of the exact accounting measures, but
10 essentially those will be given to AEP to offset the
11 IRP-D credits.

12 Q. Right. The Commission -- there was an
13 anomaly, is what happened. If you are an existing
14 IRP customer, AEP registers that interruptible load
15 with PJM and then the customer cannot sell it for a
16 second time to PJM. Do you agree with that?

17 A. Yeah. There are some customers that
18 are -- I don't want to say grandfathered in, but that
19 have -- that were enrolled in both programs before
20 and are still receiving double revenues.

21 Q. Okay. Now, I want to talk about the
22 customers that were never part of PJM demand
23 response. I know that the clients I represent, the
24 biggest ones have been IRP for a long time, and AEP
25 registers that interruptible capacity and those

1 customers do not sell the same thing twice. Do you
2 agree with that? If AEP has already registered you
3 as an IRP customer, that can't sell the interruptible
4 to PJM a second time?

5 A. Yeah. There is only -- there's only one,
6 essentially one piece of capacity.

7 Q. Right. Now, the anomaly was if the
8 customer was in the PJM demand response program and
9 then wanted to come on to the IRP, the Commission
10 said in this -- well, during this transition period,
11 we'll let you get double recovery for the three-year
12 term of the ESP, but that's it, essentially, isn't
13 that what the order said?

14 A. Yes.

15 Q. Now, do we know -- I don't know. I have
16 no idea. How many were the -- were on PJM who then
17 came back to the -- who then came to the IRP? Do you
18 know?

19 A. I don't have a number.

20 Q. Do you know the number or the megawatts we
21 have -- we don't know if it's a significant amount,
22 do we?

23 A. No. I am not -- I don't have that
24 information available.

25 Q. Okay. And I know at least the clients I

1 represent are -- have been IRP for a long time and so
2 they do not fall into that anomaly category -- well,
3 let me strike that.

4 All right. Now -- now, for the
5 customers -- so the customers that were originally
6 IRP customers are not getting double payments, can we
7 agree with that, summarize that again?

8 A. To my knowledge, no.

9 Q. Okay. Now, what the Commission said was
10 AEP, because you missed the auction deadlines for the
11 BRAs, we agree with, it was OMA who said you should
12 bid it in the incremental auctions and credit the
13 revenue back to the -- to the ratepayers. Do you
14 recall that from the Commission's order?

15 A. Sure. Essentially they were saying get as
16 much revenue as you can from PJM to offset the IRP.

17 Q. Right. And they said give 100 percent of
18 it back. It wasn't this 80/20 split that was
19 discussed the other day. 100 percent of the money is
20 supposed to go back as a credit; is that your
21 understanding?

22 A. I'm not positive on that. That's -- yeah,
23 that's -- I am not completely sure of that.

24 Q. Okay. But one thing the Commission said
25 for sure is that in the future, beginning --

1 beginning June 1, 2018, AEP is required to bid all of
2 it into the BRA and credit all the money back. Is
3 that your understanding of the Commission's second
4 entry on rehearing? Actually, that was in the ESP
5 original order, where they were required to do that.
6 Is that your understanding?

7 A. I would have to look at it again. If you
8 have something specific to show me on the original
9 order?

10 Q. I have the second order on rehearing if
11 that would be helpful.

12 A. If that shows the breakdown that you just
13 mentioned.

14 Q. Well, let me just read it. This is on
15 page 14.

16 MR. MICHAEL: Your Honor, I am going to
17 object at this point to Mr. Kurtz reading what the
18 order says. It says what it says and, you know, we
19 will stipulate on -- that the order says what it
20 says. There is no reason for Mr. Kurtz to read it.

21 MR. KURTZ: I can show the witness the
22 section.

23 EXAMINER PARROT: Yeah. Mr. Kurtz, please
24 provide the document to the witness and we will go
25 from there.

1 MR. KURTZ: Okay. Mr. Darr has extra
2 copies. I guess we'll just identify it as the second
3 order on rehearing. It doesn't need to be entered in
4 as an exhibit because obviously it's a Commission
5 order.

6 Q. It's paragraph 30.

7 A. What page is that?

8 Q. Paragraph 30, page 14.

9 EXAMINER PARROT: Mr. Kurtz, I thought we
10 were talking about the entry, the second entry on
11 rehearing. This is the order.

12 MR. KURTZ: Mr. Darr misled me.

13 A. Actually, I thought you were going to
14 point out in the original order.

15 Q. The Commission says what they said in the
16 original order on paragraph 30. Sorry for the
17 confusion. Paragraph 30. You read just the very --
18 well, familiarize yourself with it. That's fine.

19 A. Sure. It's actually on page 15. There is
20 a line that says "The resulting revenues should be
21 credited back to customers through the EE/PDR rider."
22 Those revenues, going back to the previous sentence,
23 are PJM capacity, incremental capacity auction
24 revenues.

25 Q. Right. Let me just ask you, could you

1 just read the very first sentence of paragraph 30.

2 A. "In the ESP 3 Order, the Commission
3 directed AEP Ohio to bid the additional capacity
4 resources associated with the IRP-D into PJM's base
5 residual auctions held during the ESP term, with any
6 resulting revenues credited back to customers
7 thorough the EE/PDR rider."

8 Q. Okay. Now, the anomaly -- you can read
9 the rest, it's a long paragraph, but there was this
10 anomaly you address in your testimony. But in terms
11 of going forward, is it clear -- do you see the
12 sentence in the middle that says "Although the
13 Commission expresses no opinion"?

14 A. Yes, I found that.

15 Q. Okay. Can you read that one, please?

16 A. "Although the Commission expresses no
17 opinion on whether the IRP-D will be extended beyond
18 ESP 3, in the event that it is, in fact, extended for
19 PJM delivery years after May 31, 2018, current IRP-D
20 customers should be required to agree, as a condition
21 of service under the IRP-D tariff, to allow AEP Ohio
22 to bid their interruptible resources into PJM's
23 auctions, with resulting revenues credited back to
24 customers for the EE/PDR rider."

25 Q. So if the Commission does extend the

1 program, we know a couple of things, don't we, in
2 that there won't be any double payment because AEP
3 will register the interruptible and it can't be sold
4 twice, correct?

5 A. Correct.

6 Q. And that AEP will bid it into the BRA and
7 credit back all of the money to customers?

8 A. Correct.

9 Q. Okay. So this double-payment issue that
10 you -- that you refer to as kind of just a
11 transitional issue, this anomalous situation that
12 should be corrected in the future?

13 A. There are certain customers that are
14 receiving a double payment is my point here.

15 MR. KURTZ: Okay. Thank you, Mr. Haugh.
16 Thank you, your Honor.

17 THE WITNESS: Thank you.

18 EXAMINER PARROT: Ms. Spinosi.

19 MS. SPINOSI: No questions, your Honor.

20 EXAMINER PARROT: Mr. Oliker.

21 MR. OLIKER: Thank you, your Honor.

22 - - -

23 CROSS-EXAMINATION

24 By Mr. Oliker:

25 Q. Good afternoon, Mr. Haugh.

1 A. Good afternoon.

2 Q. Just a few questions for you today.

3 First, I would like to start with your background on
4 page 1. And back in 1995 to 1998, I understand you
5 worked at Enron Energy Services; is that correct?

6 A. Yes.

7 Q. In that capacity what were your
8 responsibilities as an energy trader?

9 A. It was more of a -- I was doing
10 procurement of physical assets, so procuring physical
11 commodities for our natural gas customers.

12 Q. And would you agree that for -- when you
13 say "natural gas customers," are you referring to
14 retail customers?

15 A. Correct, yes.

16 Q. Would you agree that energy procurement is
17 an important aspect of a retail provider's business
18 operations?

19 A. There are many aspects. I would have to
20 think to rank them, but it would be one of the
21 aspects of a retail provider.

22 Q. And you would not be the only person on
23 that procurement team; is that correct?

24 A. Correct. There were many people.

25 Q. So it's a large sea of staff that would

1 have to be maintained by a retail provider?

2 A. Depends on the customer base. I know some
3 shops that have very few people on their procurement
4 floors.

5 Q. Okay. And in 1998, when you were at
6 American Electric Power, what was your capacity in
7 risk management and wholesale energy trading?

8 A. In risk management, those were actually
9 two separate positions, and risk management I
10 would -- was balancing out the traders' trading
11 books. I would be doing variable dispatch analysis
12 and then moving on to the wholesale energy trading.
13 I was doing hourly and day-ahead trading on the
14 electric side.

15 Q. And would you agree that risk management
16 is also a necessary function for a retail energy
17 provider?

18 A. Yes.

19 Q. And were you the only person in that
20 capacity for American Electric Power Energy Services?

21 A. No. I think there was a team of three of
22 us, maybe four.

23 Q. Okay. And in 2004, at MidAmerican Energy
24 Services, what was your capacity as a senior product
25 manager?

1 A. That aspect I was pricing -- basically
2 pricing commodity for customers.

3 Q. So you were conducting pricing for various
4 retail products?

5 A. Exactly, yes. I would model -- model
6 pricing for our sales -- an example, sales rep would
7 go out, meet with the customer, I would then price
8 that contract for them.

9 Q. And that's another essential component for
10 retail energy provider; is that correct?

11 A. Yes.

12 Q. Okay. And in 2004, you were at OCC for a
13 few years, but after that, you joined Integrys in
14 2007; is that correct?

15 A. Yes.

16 Q. And in that capacity you were a regulatory
17 affairs analyst?

18 A. Yes.

19 Q. And what was your responsibility in that
20 position?

21 A. Basically monitoring and advocating
22 Integrys's positions at various regulatory
23 commissions.

24 Q. And would you agree that that is also an
25 important position for a retail energy provider?

1 A. I would say it's another aspect of retail
2 energy providers.

3 Q. Okay. And in 2009, manager of market
4 relations for Just Energy, what was your role?

5 A. It was a -- there was -- that actually
6 encompassed, I wore a lot of hats with that role,
7 everything from new product development to regulatory
8 affairs work, similar to at Integrys, to working with
9 different business units.

10 Q. How did you work with the different
11 business units?

12 A. Sort of a liaison as to regulatory issues,
13 going to -- going -- working with the trading floor,
14 working with the sales force.

15 Q. Okay. And just so I understand, in all of
16 the positions we have just discussed, would you agree
17 that those energy providers do not have guaranteed
18 cost recovery? For your salary, for example?

19 A. The only hesitation is working at AEP.
20 There were -- I did do some work on the regulated
21 assets that was before deregulation so where a -- I
22 am not sure if there was a -- if my payroll was in
23 rate base at that time under that. That would be the
24 only one that I would have any question.

25 Q. Okay. Thank you for that clarification.

1 Okay. And moving to your testimony you --
2 first, you are not a lawyer, are you?

3 A. No.

4 Q. Okay. I didn't see that one in there.
5 You talk about a state policy under 4728.02(A); is
6 that correct?

7 A. Yeah, what page are you on?

8 Q. On page 10, line 6, there is a reference
9 to 4928.02(A), correct?

10 A. Yes.

11 Q. Do you agree the state policy applies to
12 both nonshopping and shopping customers, correct?

13 A. Yes.

14 Q. And would you agree that it is
15 inappropriate to discriminate against shopping
16 customers?

17 A. Yeah, I think it's nondiscriminatory --
18 you should not discriminate against shopping or
19 nonshopping.

20 Q. And you would agree if they are default --
21 if there are costs related to default service, they
22 should be allocated to default service?

23 A. I'm sorry. Could you repeat the question
24 or have it reread?

25 (Record read.)

1 A. By "default service" you mean SSO
2 customers?

3 Q. Yes.

4 A. Yes.

5 Q. And you would agree that shopping
6 customers should not pay for costs that relate to
7 default service customers?

8 A. Yes.

9 Q. You will agree if shopping customers are,
10 in fact, required to pay for costs related to default
11 service customers, that can have a negative impact on
12 the competitive market?

13 A. Do you have a specific example? It's just
14 very general and it's -- I am trying to think. It's
15 very difficult to grasp when it says it's -- it's
16 very general.

17 Q. I have got an easy one for you that I
18 think you should be familiar with. How about on the
19 gas side, would you agree it's inappropriate for
20 shopping customers to pay for capacity that relates
21 to default service?

22 A. Yes, that is they should not, yes.

23 Q. You testified to that effect in Michigan,
24 did you not?

25 A. Yes, oh, yes.

1 Q. Okay. Are you familiar with the
2 comparable requirements in state policy?

3 A. No.

4 Q. What parts of 4928.02 have you read?

5 A. I would say most of it. I would if you
6 could bring a specific part.

7 Q. Let me just give you a copy of the
8 statute.

9 MR. OLIKER: Do you have one, Bill?

10 MR. MICHAEL: I do not, but I have
11 committed it to memory. Thank you.

12 MR. OLIKER: I will give you a copy. Does
13 the Bench need one?

14 EXAMINER SEE: Sure.

15 Q. Could you -- do you see 4928.02(B) which
16 requires -- first, take a minute to read the statute.

17 A. The whole thing or just (B)?

18 Q. Just (B).

19 A. I've read it.

20 Q. First what is -- what does "unbundled
21 electric retail service" mean to you?

22 A. Basically separating out the different
23 cost components of transmission, distribution, and
24 generation.

25 Q. And what does "comparable retail electric

1 service" mean to you?

2 A. I would -- that it's similar to what one
3 would receive in a bundled situation.

4 Q. So would you agree that the idea is to
5 have retail electric products consisting of similar
6 cost components?

7 A. Yes.

8 Q. Okay.

9 MR. OLIKER: Could I have just one minute,
10 your Honor?

11 EXAMINER PARROT: You may.

12 MR. OLIKER: Those are all the questions I
13 have. Thank you, Mr. Haugh.

14 THE WITNESS: Thank you.

15 EXAMINER PARROT: Mr. Miller.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Miller:

19 Q. Good afternoon, Mr. Haugh. How are you?

20 A. Good. Thank you.

21 Q. Congratulations on finally making it up
22 here.

23 A. It's been a long week.

24 Q. I know it has.

25 Let me dispense with some of the sort of

1 preliminary, foundational questions I have, because
2 of your experience and discussions with the other
3 folks here today, so in the effort to save some time,
4 maybe we will get past those.

5 A couple questions. You haven't had the
6 opportunity to testify before in this proceeding; is
7 that correct?

8 A. No, not in this proceeding.

9 Q. So I would like to ask you just to
10 familiarize myself with a little bit of your
11 background. I know Mr. Oliker just asked you some
12 questions, but you are currently employed as the
13 Assistant Director of Analytical Services for the
14 Office of the Ohio Consumers' Counsel.

15 A. Correct.

16 Q. What does that job entail?

17 A. Managing staff, working on a variety of
18 different cases, helping to assign case -- assign
19 staff members to cases. Working at the leisure of
20 the Consumers' Counsels on a variety of ad hoc issues
21 too.

22 Q. And you have a BS from -- Bachelor of
23 Science degree in Business Administration from OSU,
24 so you have a BS and BA; is that right?

25 A. I think it's a BS/BA. It's a

1 specialization in finance.

2 Q. And your focus was finance.

3 A. Yes.

4 Q. And you also attended or you reference in
5 your testimony you attended at the Institute of
6 Public Utilities Advanced Regulatory Studies at
7 Michigan State.

8 A. Yes.

9 Q. What did that entail?

10 A. It's a two-week, basically a two-week
11 intensive study program regarding a variety of
12 utility issues.

13 Q. When you say "variety of utility issues"?

14 A. It's -- most of it is regulatory issues.

15 Q. Regulatory?

16 A. Everything from cost of service rate
17 cases, current issues in the energy industry that
18 affect different regulatory commissions.

19 Q. Was that -- I assume, but I will ask, a
20 broadly-based sort of curriculum where you were
21 talking about generics or specifics in certain
22 states, or in multiple states in generic terms and
23 conditions?

24 A. Yes, it's set up for the regulatory agency
25 throughout the United States.

1 Q. Is that an introductory level course or an
2 advanced-level course?

3 A. There's two weeks. The first week is
4 introductory. The second week is advanced.

5 Q. Okay. Great. And I think Mr. Oliker
6 asked you some of these questions, but Enron, AEP,
7 and MidAmerican Energy prior to being at the OCC; is
8 that right?

9 A. Yes.

10 Q. And then left the OCC, Integrys, Just
11 Energy, and then you came back to the OCC in 2014 and
12 you have been there since '14 as the Assistant
13 Director?

14 A. Correct.

15 Q. Okay. And you are appearing here today as
16 an expert on regulatory matters; is that correct?

17 A. Yes.

18 Q. And you are appearing as an expert, I
19 guess it's really a question, on regulatory
20 settlement agreements and settlement negotiations?
21 Is that fair to say?

22 A. I had a few different topics in this
23 particular piece of testimony. That's one of them
24 though that I do testify on.

25 Q. But you have experience in those kinds of

1 issues.

2 A. Yes.

3 Q. Okay. This isn't the first time you have
4 appeared before this Commission as you stated in your
5 testimony, correct?

6 A. Correct.

7 Q. And you've appeared where else?

8 A. Michigan, Michigan Public Service
9 Commission.

10 Q. Just Michigan?

11 A. Yes.

12 Q. And you didn't provide any testimony,
13 previous to testifying on the stipulation, and
14 Mr. Allen supporting testimony; is that right? In
15 this case, I'm sorry. In other words, the testimony
16 you provided was testimony that was in direct
17 response to the stipulation and Mr. Allen's
18 supporting testimony?

19 A. Yes, that's correct. Along with I also
20 did adopt Ms. Hixon's testimony from the first
21 portion of this hearing.

22 Q. Let's talk a little bit about your
23 preparation for the testimony you gave. Did you
24 review materials from the AEP ESP III proceeding?

25 A. Yes, some, not all.

1 Q. And did you review the docket and how did
2 you go about that process?

3 A. I -- I would have reviewed some pieces of
4 testimony, the Opinion and Order, some of the entries
5 on rehearing, I would have looked at those
6 previously, more than likely after the ESP III order
7 came out and the orders on rehearing. And they were
8 from -- then I also went through this docket. I
9 was -- I have been -- I was assigned to this case, so
10 I have been working on this particular case, the
11 14-1693 docket since its inception.

12 Q. So you would have reviewed the -- in your
13 preparation would you have reviewed the February 25,
14 2015, ESP III, Order and Opinion, or Opinion and
15 Order?

16 A. Yes.

17 Q. The April 22, 2015, Entry on Rehearing?

18 A. Yes.

19 Q. And then the May 28, Second Entry on
20 Rehearing?

21 A. Yes. Off the top of my head, I don't
22 remember all aspects of those, but I did review all
23 of them.

24 Q. And then finally there was a Third Entry
25 on Rehearing on the 22nd of July, 2015. Did you have

1 an opportunity to take a look at that?

2 A. I'm sure I did. Once again, I don't
3 remember the exact aspects of that, but I did review
4 that.

5 Q. And so, to the best of your recollection
6 that was -- you reviewed those in their entirety?

7 A. I'm not sure if I read every word but I
8 would have gotten the important points of those.

9 Q. Have you had the opportunity to review AEP
10 Ohio's initial application in this case?

11 A. From --

12 Q. When I say "this case," I don't want to
13 interrupt you, but let me clarify, so the 14-1693
14 ELR-DR case.

15 A. The application I believe was back in
16 October of '14?

17 Q. Yes.

18 A. Yes, I would have reviewed that.

19 Q. And then the amended application, May 15
20 of '15?

21 A. Yes.

22 Q. So based on your review of those orders,
23 can you tell me what the -- what the Commission
24 approved in the ESP proposed by AEP in the case? In
25 the original case?

1 MR. MICHAEL: I'm sorry, Mr. Miller, may I
2 have the question read back, please.

3 MR. MILLER: Sure.

4 (Record read.)

5 MR. MICHAEL: I would object, your Honor,
6 and if Mr. Miller wants to reference a specific
7 document, that he provide it to Mr. Haugh. I think
8 he went through three or four different orders and
9 entries on rehearing and I would appreciate it if a
10 copy were provided to the witness. He was going to
11 ask questions about them. Thank you.

12 MR. MILLER: I think I asked him the
13 foundational questions, whether he has reviewed the
14 case. He indicated he was assigned to the case, has
15 been following it since its inception, and so I am
16 going to ask him -- preparing to ask him -- started
17 to ask him what his understanding is in regards to
18 what was ordered by the Commission in regards to
19 certain aspects of the case.

20 EXAMINER PARROT: And just so we are very
21 clear, Mr. Miller, you are going back now, you have
22 been jumping around a bit, but you are going back to
23 the Commission's order in the 13-2385-EL-SSO case,
24 correct?

25 MR. MILLER: No. This would be the ESP

1 III orders, correct, that we just talked about, so
2 the sum total of all those.

3 EXAMINER PARROT: In that docket though.

4 MR. MILLER: Yes, right.

5 EXAMINER PARROT: Going back and forth.
6 With that clarification, I am going to overrule the
7 objection and direct you to answer the question to
8 the best of your ability, Mr. Haugh.

9 A. First, taking a step back, I was not on
10 the case for the original ESP. I didn't review
11 those. And the Opinion and Order was quite
12 voluminous. It was, I believe, over 100 pages, and
13 at this point I can't recite everything that was
14 granted in that order or denied.

15 Q. Can you tell me what was decided regarding
16 the component that revolved around -- the
17 direction -- the directive, I guess, I should say --
18 strike that. The directive regarding the ESP
19 request? The Commission's directive regarding the
20 ESP request?

21 A. Of the entire Electric Security Plan?

22 Q. No, no. I'm sorry. Strike that. The PPA
23 request.

24 A. Oh, that simplifies it.

25 Q. Does that make it easier?

1 A. Yes, easier. To my knowledge they
2 approved a PPA rider at a value of zero.

3 Q. And what --

4 A. That's extremely simplified.

5 Q. And what did they say about the future of
6 a PPA rider for the company on a going-forward basis?

7 A. Not having it in front of me, but the gist
8 of it was that it would be decided at a later time or
9 that the company could come back and apply to put a
10 value in the PPA rider.

11 Q. And do you know what the company required
12 to do in regards to doing it? Were there certain
13 conditions?

14 A. I believe it was -- there were, yes, there
15 were a list of requirements to if -- I can't remember
16 if this was the order or one of the entries on
17 rehearing, but it was -- there were a list of
18 conditions if a PPA rider were to be approved or a
19 list of topics that had to be addressed.

20 Q. And in order to address those, in part,
21 that's certainly how we ended up here, correct?

22 A. Yes.

23 Q. Did you review the direct testimony of
24 AEP's witnesses in the cases initially filed on
25 October in '14 and the amended in May of 15?

1 A. I don't believe all of them but probably
2 the majority of them.

3 Q. And as you indicated you followed this
4 case, been part of the group, the team that's been
5 participating in reviewing it. Have you had the
6 opportunity to review any transcripts, documenting
7 the testimony or cross-examination of the intervenor
8 witnesses in the proceeding that was held this
9 October, November?

10 A. Yes.

11 Q. Did you review all of those?

12 A. No, definitely not all of them. That was
13 also quite voluminous.

14 Q. Did you review the OCC witnesses'
15 testimony?

16 A. I would have reviewed it. I don't believe
17 I looked through the transcript though.

18 Q. Did you review Ms. Hixon's?

19 A. Yes.

20 Q. Have you had the opportunity to review the
21 joint stipulation filed on December 14th?

22 A. Yes.

23 Q. In its entirety?

24 A. Yes.

25 Q. Have you reviewed the testimony supporting

1 that stipulation that was filed that was made by
2 William Allen?

3 A. Yes.

4 Q. In its entirety?

5 A. Yes.

6 Q. Do you have your testimony in front of
7 you?

8 A. Yes. My testimony?

9 Q. Yes, sir.

10 A. Yes.

11 Q. So my understanding of your testimony,
12 that it's intended to address the Commission's
13 three-prong test for evaluating the reasonableness of
14 settlements and stipulations; is that fair?

15 A. Yes.

16 Q. Can you tell me what the three-prong test
17 consists of?

18 A. Sure. It's on page 3 of my testimony at
19 the bottom. Do you want me to read that?

20 Q. That would be great.

21 A. Okay. "The PUCO uses these criteria for
22 evaluating the reasonableness of a proposed
23 settlement: Is this settlement a product of serious
24 bargaining among capable, knowledgeable parties,
25 where there is diversity of interests among the

1 stipulating parties? Does the settlement package
2 violate any important regulatory principle or
3 practice? And, three, does the settlement, as a
4 package, benefit customers and the public interest?"

5 Q. And it's your testimony, I believe on
6 page 3, lines 5 and 6, that in your opinion the
7 stipulation is not a product of serious bargaining
8 among parties with diverse interests?

9 A. Yes.

10 Q. Are you aware that AEP Ohio had numerous
11 settlement meetings and discussions with parties in
12 the case --

13 A. Yes.

14 Q. -- regarding the stipulation?

15 A. Yes.

16 Q. Were you involved in any of those?

17 A. Yes.

18 Q. And I assume for the OCC?

19 A. Yes, on behalf of the OCC.

20 Q. How many of those were you involved in?

21 A. Just on -- just on the stipulation?

22 Q. Yes.

23 A. On the filed stipulation?

24 Q. Yes, sir.

25 A. Five or six maybe. Without -- without a

1 calendar here, I would have to -- that gets --

2 Q. That's fine. Were you involved in
3 discussions prior to the stipulation being filed? Is
4 this after the stipulation was filed or prior?

5 A. This was prior.

6 Q. This was prior. Do you know how many
7 meetings the other parties who were involved in
8 discussions with the stipulations may have had?

9 A. When I said "five or six," the majority of
10 those were -- that were here at the Commission with
11 all parties.

12 Q. The joint omnibus meetings?

13 A. Right, in this room.

14 Q. And I won't ask you to disclose any
15 specific discussions. Were you involved in
16 independent meetings at the OCC to discuss with the
17 OCC team?

18 A. Yes.

19 Q. Were there other meetings between the OCC
20 and the company to discuss settlement?

21 A. Just OCC and the company?

22 Q. Correct.

23 A. I believe so.

24 Q. Did you have the opportunity to be
25 involved in those?

1 A. Yes. At least, off the top of my head, I
2 can think of at least one.

3 Q. And so one or more? Do you remember?

4 A. As of right now I can think of one where
5 it was just OCC and the company.

6 Q. Do you have any idea how much time, and I
7 know this is hard to benchmark, but you personally
8 may have spent on settlement discussions regarding
9 the stipulation in your role at the OCC?

10 A. At the time, discussions as a whole or in
11 this case?

12 Q. I'm sorry. Settlement discussions in this
13 case in regard to the stipulation or the process of
14 getting to the stipulation as filed.

15 A. That would be a difficult number to put on
16 primarily because there's a variety of cases that we
17 are working on that have very similar issues and a
18 lot of the work would overlap.

19 Q. Hours?

20 A. Yeah, numerous hours.

21 Q. Days?

22 A. Yes, I guess possibly days.

23 Q. Weeks?

24 A. I'm -- we're getting a little nebulous
25 here. It's difficult to put a number on that.

1 Q. And you were not the only individual the
2 OCC was investing that staff member's time on this
3 process?

4 A. Correct.

5 Q. How many were there?

6 A. On the analytical side, which is where I
7 work, there were, again settlement, two to three.

8 Q. And did that become pretty much full-time
9 for that time period for those folks?

10 A. We are working on a variety of cases, in a
11 variety of industries. This was, due to the time
12 constraints on this case, this took a priority for a
13 period of time.

14 Q. Do you have any knowledge or are you aware
15 of how much time other parties spent going through
16 the same process you might have been going through
17 with the OCC?

18 A. You mean other intervening parties?

19 Q. Other intervening parties, correct.

20 A. Oh, I have no idea.

21 Q. But you know that those other parties
22 engaged in discussions.

23 A. Yeah, they were -- there were other people
24 present at the meetings.

25 Q. Do you have any -- knowing that other

1 people were present at the meetings, and I assume
2 when you say "other people," from additional
3 intervenors, intervening parties, do you have any
4 idea what the experience of those parties might have
5 been, in other words the experience in the industry?

6 A. Were they experienced parties? I don't
7 know everyone's background that was there.

8 Q. Were they represented by legal counsel?

9 A. I'm not positive on all parties if they
10 had legal counsel present.

11 Q. I was going to ask sophisticated, legal
12 counsel, but that's okay.

13 MR. MICHAEL: Is there anything but?

14 Q. Do you have any idea, do you know how many
15 different drafts or versions of the text, detailed
16 settlement terms may have been exchanged between
17 parties in the negotiations and discussions regarding
18 the settlement stipulation?

19 A. No. I know there were a lot of versions
20 going around.

21 Q. Do you know if the OCC exchanged drafts or
22 versions of text detailing settlement terms between
23 the parties? With other parties for the company?

24 A. I know we did share some ideas, redlines
25 with the company.

1 Q. Do you know how many intervenors are in
2 the case?

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

4 Q. Do you know how many were signatories to
5 the stipulation?

6 A. Off the top of my head, 12, that's a
7 guess. That's a somewhat educated guess. I could
8 look at the stipulation and see.

9 Q. But I think in your testimony, on page 6,
10 you indicate who those folks might be.

11 A. I think it's 11, and then IEU is a
12 nonopposing party.

13 Q. Can you tell me by looking?

14 A. Yeah, I can count it. 11, and then IEU is
15 a nonopposing party.

16 Q. And IEU, they didn't sign the stipulation,
17 did they?

18 A. No. But they did file a letter stating
19 nonopposition.

20 Q. And do you consider that the same as a
21 signatory?

22 A. The letter that was filed stated that they
23 did -- that they get the benefits of nonopposing
24 parties.

25 Q. So you don't know how many parties are in

1 the case, but we have, what is it, 11, I guess.

2 A. 11 signatories, yes.

3 Q. And you are aware that those parties, in
4 their various individual capacities, represent
5 environmental interests, trade associations,
6 competitive providers, large and small users; is that
7 correct?

8 A. One thing I do want to say, in my
9 testimony I do say I don't believe that residential
10 customers are being represented in the stipulation.

11 Q. So you are referring to -- in your
12 statement you talk about, on page 7 of your
13 testimony, OPAE, Ohio Partners for Affordable Energy?

14 A. Correct.

15 Q. You are indicating they are not
16 representing residential customers?

17 A. Correct.

18 Q. Do you happen to know who their
19 constituency is?

20 A. Their constituency are weatherization
21 providers.

22 Q. Residential?

23 A. They represent -- their -- I almost
24 associate them as a trade group as they represent
25 provider -- entities that provide weatherization for

1 a variety of customers.

2 Q. Predominantly, I am asking, folks who are
3 unable to afford to take care of certain
4 weatherization issues?

5 A. Some -- some of their customers are --
6 some of their members are -- do low-income
7 weatherization programs.

8 Q. So is it fair to say they help at least
9 some low-income residential customers?

10 A. That's taking a bit of a jump. It's --
11 they're representing a -- essentially they are
12 representing an entity that provides weatherization.
13 I wouldn't call them a "representative."

14 Q. You indicated they do weatherization. Do
15 they advocate for any other consumer issues?

16 A. I believe they do. They do some other
17 low-income programs. Off the top of my head, I am
18 not sure. That would be -- by saying that the -- the
19 entities that OPAE represents are provided low-income
20 assistance.

21 Q. The OCC didn't sign off on the
22 stipulation; is that correct?

23 A. Correct.

24 Q. The Commission staff did sign on the
25 stipulation?

1 A. Yes.

2 Q. Who does -- strike that. Let me ask the
3 question differently. What is the Commission staff's
4 constituency?

5 A. I would say the staff's constituency is a
6 little bit different in that they look at the
7 totality, and what I am stating here is that
8 residential customers, as a class, individually, are
9 not being represented in this stipulation.

10 Q. So it's your testimony that there's no
11 group party representing just residential customers?

12 A. Correct.

13 Q. Is it -- contra of that, is it fair to say
14 there are other parties representing residential
15 customers in this case among their vast constituency?

16 A. Not necessarily.

17 Q. So are you indicating that you don't
18 believe it's your opinion that the staff isn't
19 looking out for residential customers in Ohio?

20 A. As you stated earlier, the staff has a
21 different -- a different role in there in how they
22 review and how they interact and who they represent.

23 Q. So, again, let me restate my question or
24 ask it again. Do you believe staff is looking out
25 for residential customers or not?

1 MR. MICHAEL: Objection, asked and
2 answered.

3 MR. MILLER: I believe he was
4 nonresponsive.

5 MR. MICHAEL: Then move to strike it.

6 EXAMINER PARROT: Overruled.

7 MR. MILLER: I will strike my first
8 question and ask again and rephrase.

9 EXAMINER PARROT: Overrule the objection.

10 Q. I will rephrase it.

11 A. Okay. I was going to ask it to be reread.

12 Q. Is it your opinion, are you testifying
13 today that PUCO staff does not look out for
14 residential customers in Ohio?

15 MR. MICHAEL: Same objection.

16 EXAMINER PARROT: Overruled.

17 A. I'm not saying that what's happened in
18 this settlement, is that residential customers are
19 not being represented as a -- as a class. As an
20 individual class. My job, working for the
21 residential consumer advocate, is to look out for the
22 best interests of residential customers.

23 Q. I don't know that you've answered my
24 question. Does staff look out for residential
25 customers?

1 A. Not being part of staff, I can't really
2 say what their -- what their analysis was in
3 determining to sign on to the stipulation.

4 Q. Again, that wasn't my question, but let's
5 go at this a little differently. You are a
6 regulatory expert. You have a general understanding
7 and knowledge about the different components of how
8 this process works. You have been involved in cases
9 before and you have testified before the Commission,
10 this Commission before, and you have certainly had
11 involvement with the PUCO staff, correct?

12 A. Yes.

13 Q. Do you have at least a general
14 understanding of what their responsibility is in the
15 process, correct?

16 A. Generally.

17 Q. Knowing what they do and how they do what
18 they do, because you have had experience witnessing
19 them and being a part of those processes and talking
20 to staff, I'm sure over time, is it your opinion that
21 they do not represent residential consumers in the
22 State of Ohio?

23 MR. MICHAEL: Objection, asked and
24 answered now three or four times.

25 EXAMINER PARROT: I disagree.

1 MR. MILLER: I don't believe I received a
2 direct answer.

3 EXAMINER PARROT: I disagree, Mr. Michael.

4 THE WITNESS: Could you reread the
5 question?

6 (Record read.)

7 A. I'm not sure that we may be picking at
8 straws here that the Commission staff necessarily --
9 strike that. Let me go back and start over.

10 I believe that the staff does consider the
11 residential class in this, I believe the -- as I
12 state in my testimony, I believe the residential
13 class was not represented well in the stipulation.
14 There is not present a good deal in the stipulation.

15 Q. Is it fair to say that the staff of the
16 Public Utilities Commission is charged with
17 representing all Ohio citizens?

18 A. That would be a good -- I believe I stated
19 that earlier.

20 Q. Let's move on. In your testimony at page
21 7 and 8 you talk about the stipulation, you talk
22 about it contains various limitations and caveats
23 that are placed by several of the signatory parties;
24 is that correct?

25 A. Yes.

1 Q. I think one of the threads throughout your
2 testimony, and correct me if I am wrong, is that
3 folks didn't review this carefully? Perhaps people
4 didn't look at this closely? Is that true?

5 A. It's more that they -- they did not --
6 there were certain parties that opted out of certain
7 I would say key provisions. And that's my issue that
8 this should not be considered as a package when
9 certain intervenor -- certain signatory parties are
10 opting out of certain key provisions.

11 Q. Would you disagree with me -- strike that.

12 In your experience wouldn't such actions
13 regarding parties very carefully parsing the
14 agreement to determine what it is and how -- how it
15 would impact them perhaps differently, wouldn't it
16 serve to carefully review the stipulation and be very
17 thoughtful in considering its position and
18 communicating that to the company and the rest of the
19 signatories prior to incorporating details in the
20 stipulation, prior to everyone signing?

21 THE WITNESS: Can you reread the question,
22 please?

23 (Record read.)

24 MR. MICHAEL: Object to form.

25 EXAMINER PARROT: Overruled.

1 Mr. Haugh, if you need some clarification
2 as to what the question is intended to get out of
3 you, let us know.

4 A. Yeah. It's a -- I can agree that
5 signatory parties should carefully read the document.

6 Q. Would you agree that based on your review
7 of the document, the signatory parties must have
8 carefully reviewed it in order to place footnotes and
9 caveats throughout the agreement in certain cases?

10 A. I can't say if they -- how they reviewed
11 it.

12 Q. Would it be your opinion that those
13 footnotes and caveats were simply guesses on
14 locations and terms?

15 A. Well, I am saying I can't -- I can't get
16 in their minds as to why they did certain things, but
17 I can say that they don't -- from reading the
18 footnotes and reading the stipulation, they don't --
19 they don't appear to agree with the entirety of the
20 stipulation.

21 Q. And in order to not agree, one must
22 understand what it says.

23 A. I -- they do -- they understand what
24 they're footnoting out of, yes, so.

25 Q. So they would have had, likely, in your

1 opinion, had a thoughtful and careful review of the
2 document and its terms.

3 A. And I am just saying that they -- I am not
4 stating that they had a full review of the entire
5 document. I'll agree that, yes, they did review the
6 areas they footnoted. I would have to assume they
7 read those if they did, in fact, put a footnote
8 there.

9 Q. Okay. We discussed a little bit about the
10 three-prong test and I think you read it in your
11 testimony. Can you turn back to page 3 real quickly.

12 A. Yes.

13 Q. Thank you.

14 A. I'm there.

15 Q. So on line 21, what's the fourth word?

16 A. "Package."

17 Q. And on line -- on line 1 of the next page.
18 What's the sixth word?

19 A. "Package."

20 Q. And so as you have indicated and read into
21 the record, this is the standard that the PUCO, the
22 Commission has given as to evaluate proposed
23 settlements, correct?

24 A. Yes.

25 Q. So can we be in agreement that prongs 2

1 and 3 of the three-prong test require the Commission
2 to review the settlement in terms of a package when
3 reaching its conclusion?

4 A. Yes.

5 Q. So if you turn to page 4, line 6, you
6 indicate that the stipulation should not be judged as
7 a package; is that correct?

8 A. This particular settlement should not be.
9 Because all of the signatory parties are not in
10 agreement with the entirety of the stipulation.

11 Q. Well, I didn't ask you to evaluate the
12 stipulation, with all due respect. It's my
13 understanding, I think we just confirmed in our
14 discussion, that the Commission has to evaluate the
15 stipulation as a package, correct?

16 A. And I am saying that this settlement
17 should not be. That the Commission does -- the
18 three-prong test does require them to, but this
19 particular stipulation should not be.

20 Q. So you're suggesting the Commission should
21 review the stipulation differently?

22 A. Yes.

23 Q. So they shouldn't use the three-prong
24 test.

25 A. The three-prong test isn't the proper way

1 to fully evaluate this stipulation.

2 Q. I think you indicated that the stipulation
3 troubles you because of the various footnotes, et
4 cetera.

5 A. That's one of them, one of the reasons,
6 yes.

7 Q. In your experience with the OCC, has the
8 OCC entered into stipulations where footnotes have
9 been present?

10 A. Yes.

11 Q. Has the OCC entered into stipulations
12 where they agreed to part of a stipulation and not
13 all of it?

14 A. Do you have a particular instance? I have
15 been in numerous.

16 Q. Just in your experience which is vast.

17 A. I'll say I don't believe we have entered
18 into many stipulations on my second tour here. The
19 first time was many years ago, so I can't recall
20 every stipulation that was signed and how they were.
21 I know there were footnotes. I can't remember all of
22 the footnotes and what they addressed.

23 Q. But, generally speaking, historically in
24 your experience, the OCC has entered into such
25 agreements?

1 A. What do you mean by "such agreements"?

2 Q. Stipulations that contain limited caveats?

3 A. Once again, I would have to -- I would
4 have to -- if you could point me to a particular one,
5 I would be willing -- I would explain that to you,
6 but yeah, off the top of my head I can't necessarily
7 commit to once, again, as I can say, I know there
8 were footnotes. I'm not always sure what -- what
9 those footnotes note.

10 Q. On page 5 of your testimony, you reference
11 a prior PUCO case in Footnote No. 3.

12 A. Yes.

13 Q. Have you had an opportunity to read the
14 Commission's entries and orders in that case?

15 A. All of them dating back to the -- I've
16 read -- that was one particular case that I was on
17 previously and was able to revisit on my return 10
18 years later.

19 Q. What goes around comes around, right?

20 A. Yes.

21 Q. What was that case about?

22 A. That original case was about AEP
23 constructing an integrated gasification combined
24 cycle plant. It was certain costs were approved by
25 the Commission and then remanded by the Supreme Court

1 giving a very high-level general overview of this.

2 The most recent order was regarding a
3 settlement of the refund of the funds that were
4 collected by AEP in the -- from the first phase of
5 the hearing.

6 Q. And just thinking about that settlement,
7 the issue you just mentioned, the refunding of money
8 to customers.

9 A. Uh-huh.

10 Q. That was money to be refunded to customers
11 that had already been paid to the company.

12 A. Yes. The company collected them --
13 collected the funds in I want to say 2007 and then,
14 at the time, was refunding those back to customers.

15 Q. And you've read the stipulation in that
16 case, correct?

17 A. Yes.

18 Q. Were there additional payments to
19 intervenors in that case there weren't comprised of
20 money that was being refunded? In other words, were
21 there payments in that case to parties that
22 weren't -- that wasn't refund money?

23 A. Yes, I believe there were payments paid to
24 a few different parties involved in that case.

25 Q. It wasn't just money being refunded --

1 A. Correct.

2 Q. -- like to customers, correct?

3 A. I'm trying to remember exactly how those
4 funds were distributed among the other intervening
5 parties -- I would have to -- if you have the order,
6 I could refresh my memory, but off the top of my head
7 I am not positive how they were refunded.

8 Q. But there were other monies that were
9 refunded to customers directly by AEP and not
10 funneled through intervenors in that case?

11 A. Yeah, for example, the residential
12 customers received a refund directly on their bills.

13 Q. Do you know how much money we are talking
14 about? Do you recollect?

15 A. 4 or 5 dollars. I believe it was a 4- or
16 5-dollar one-time payment.

17 Q. Was the OCC a signatory party in that
18 case?

19 A. Yes.

20 Q. Do you know if any party in the case
21 opposed the stipulation?

22 A. I don't believe so.

23 Q. Can you take a look at page 12. You make
24 a statement -- you make -- the testimony makes a
25 statement, lines 7 through 15, that AEP failed to

1 meet its burden to address the four factors regarding
2 the potential PPA rider as outlined by the
3 Commission. We talked a little bit about that
4 before.

5 A. Yes.

6 Q. In the ESP III decision. In making that
7 statement, per the footnote, again we are back to
8 footnotes, on page 12 you indicate you are relying on
9 the direct testimony of the other OCC witnesses
10 Dormady, Jackson, Wilson, et cetera?

11 A. Yes.

12 Q. Is the testimony you are relying on,
13 referring to the "relying on" there, that what was
14 filed in the amended PPA case prior to the filing of
15 the stipulation in the record and Mr. Allen's
16 testimony?

17 A. Yeah, those were the witnesses that were
18 presented by the OCC in the, I am not sure what we
19 are calling it, the first hearing in this case. The
20 hearing that occurred in October, November.

21 Q. Okay. So your opinion which is
22 communicated in those lines that I referenced on that
23 page, page 12, is in reliance of the testimony that
24 was previously filed in the first go-round or the
25 proceeding that was held in -- the amended

1 proceeding, amended filings in October, November.

2 And are you relying on anything else to formulate
3 that opinion, other than just that testimony and the
4 witnesses that OCC put on?

5 A. The position of the OCC is that the four
6 factors were not met and that was basing that on the
7 OCC witnesses in that case.

8 Q. So you are relying on the testimony of
9 your peers at the OCC. Do you know what the four
10 factors are?

11 A. Okay. I actually have them written down.
12 It's financial need, reliability, supply diversity,
13 environmental compliance, and oh, economic impact of
14 the -- and impact on energy prices as a result of the
15 generating plants closing.

16 Q. So in your reliance on your peers at the
17 OCC, you are certainly hopeful they are correct, did
18 you make any independent determination or perform any
19 analysis regarding the financial need of the PPA
20 plans?

21 MR. MICHAEL: Your Honor, I just want to
22 character of them as peers of his at the OCC. I am
23 not quite sure what that means, but I think it means
24 they are folks that work at OCC, and these were all
25 independent consultants hired that provided their

1 independent opinion on the subject matters during the
2 hearing.

3 MR. MILLER: I will be happy
4 recharacterize peers and co-workers, comrades.

5 EXAMINER PARROT: Rephrase.

6 MR. MILLER: Whatever. But, yes, for
7 clarification for the record I mean, his co-workers
8 from OCC.

9 MR. MICHAEL: I apologize, your Honor, but
10 this is an important point, they are not co-workers.

11 EXAMINER PARROT: I don't think that
12 solves the problem.

13 MR. MILLER: Yes, I am sorry. Let me --

14 Q. Witnesses the OCC has put on in the case.

15 A. I depended on them for their
16 subject-matter expertise.

17 Q. So, again, let me go back and ask my
18 question that I was asking prior to Mr. Michael's
19 objection. Did you make any independent
20 determination or perform any analysis regarding the
21 financial need of the plants, the PPA plants,
22 yourself?

23 A. No. I believe that was OCC Witness Wilson
24 that did that.

25 Q. You didn't make any independent

1 determination or perform any analysis regarding the
2 necessity of those plants in regards to future
3 reliability including supply diversity?

4 A. No. I believe that was Witness Sioshansi.

5 Q. And no independent determination or
6 analysis regarding how the affiliate PPA units would
7 comply with any pertinent environmental regulations
8 or AEP proposed to comply with any pending
9 regulations?

10 A. I believe that was OCC Witness Jackson.

11 Q. And, finally, just to be clear no
12 independent information or analysis regarding the
13 impact the closure of the plants would have on Ohio
14 or electric prices?

15 A. And I think you hit OCC Witness Dormandy
16 on that one.

17 Q. Okay. Just checking.

18 On pages 15 and 14, sorry, 14 and 15, you
19 have some testimony that discusses the rider EDR
20 automaker credit.

21 A. Yes, I am there.

22 Q. And you talk a little bit about the fact
23 that it's your opinion that the stipulation picked a
24 baseline year of 2009; is that correct?

25 A. Correct, yes.

1 Q. And you think that baseline year is
2 flawed, correct?

3 A. Yes.

4 Q. And you refer to some information that was
5 obtained from, and I believe, correct me if I am
6 wrong, the Organization of International Constructors
7 of Automobiles, which I think we call the
8 Organization of Motor Vehicle Manufacturers?

9 A. Yes, it's an international trade group.

10 Q. Can you tell me anything about them?

11 A. Yeah. They basically, as I said, it's an
12 international trade group. They do a variety of
13 research on automotive manufacturing and different
14 trends in the automobile industry.

15 Q. Internationally?

16 A. Internationally, yes.

17 Q. Do you know how they compile their data
18 regarding auto manufacturing?

19 A. I believe it's through some independent
20 sources and also through some public information.

21 Q. Do you happen to know the actual
22 production of automobiles produced in Ohio in 2009?

23 A. Ohio, specifically, no, I don't have that
24 data.

25 Q. Nor 2014?

1 A. Correct. I believe, though, I would
2 assume that Ohio would be on par with the rest of the
3 United States.

4 Q. Why would you assume that?

5 A. Ohio has an automobile manufacturing base
6 similar to the rest -- similar to other large
7 manufacturing -- other automotive manufacturing
8 states and I would assume they would move along in
9 the same direction as other manufacturing states in
10 Ohio -- or in the U.S.

11 Q. So in regards to Ohio, I grew up in
12 Dayton, Ohio, we used to have a manufacturing,
13 automobile manufacturing place that doesn't exist any
14 more.

15 A. I grew up in Toledo and the Jeep plant is
16 much larger than it was --

17 Q. Toledo has gotten lucky.

18 A. -- when I was younger.

19 Q. What about in the service territory in
20 regards to production of automobiles in '09 or '14,
21 do you have any knowledge what the numbers would be?

22 A. No. No. I didn't break it down for Ohio
23 and I don't know specifically the AEP service
24 territory.

25 Q. And you are relying on the data from the

1 international entity?

2 A. Yeah, which provided U.S. production
3 numbers.

4 Q. Not broken down by state.

5 A. Correct.

6 Q. So you can't say with any real certainty
7 that automobile production in the AEP service
8 territory was down in 2009?

9 A. Once again, I would rely on the -- on the
10 national numbers. And also the fact that '09 was
11 during a recession in the market and automakers
12 across the country were at a low point.

13 Q. So this provision, this automaker credit,
14 is that an economic development tool?

15 A. It's a tool, but as I am stating here it
16 is not a very good tool. It's essentially -- I
17 understand the idea is to get automakers to increase
18 their production. But this is essentially taking a
19 baseline which was depressed at a depressed time and,
20 currently, without changing their production
21 automakers, would be able to essentially show an
22 increase in production without any real increase in
23 production.

24 A more realistic way -- a more realistic
25 baseline should be on a more recent year that has a

1 more similar production as -- as -- for the ongoing
2 years, so going from 2016, forward, it should be
3 based on a more recent year.

4 Q. Again, to be clear, we don't know that it
5 was depressed in 2009, do we, in the service
6 territory?

7 A. I am using that on the basis of the
8 economy as a whole.

9 Q. The international economy as a whole?

10 A. And the U.S.

11 Q. And the U.S. But not the Ohio economy?

12 A. Whether or not the -- it was depressed,
13 2009 is seven years ago. And that's too far in the
14 past to really make a good baseline.

15 Q. So in your opinion it would be more
16 appropriate to true that process up and use a more
17 recent number year-wise?

18 A. As a whole, I'm not entirely in favor of
19 this provision. I don't -- I would say I don't
20 approve of this provision in the stipulation. If the
21 Commission were to approve it, then, yes, it should
22 be a more recent baseline.

23 Q. So is it fair to say one could make it
24 better? By using a different year as the baseline?

25 A. I'm dealing with the stipulation right

1 now. And I am saying that, no, it shouldn't be
2 approved. I mean, it could also be better if it were
3 reduced to only \$100,000 a year as opposed to 500.
4 There is numerous ways you can improve it. From the
5 residential perspective, it could benefit to put it
6 at zero.

7 Q. The purpose of this is to incent
8 production and attract new production to the state,
9 so car producers increasing and new producers coming;
10 is that your understanding?

11 A. That's -- that's the theory behind it,
12 yes.

13 Q. Would you be more comfortable if it were a
14 million dollars and we realized \$2 million worth of
15 jobs?

16 A. I would have to analyze that. I don't --

17 Q. Do you have any background in economic
18 development?

19 A. No. Other than classes that were taken.

20 Q. Classes at Ohio State or?

21 A. Yes or at other -- no specific.

22 Q. Your testimony on page 2, lines 17 through
23 21?

24 A. Did you say page 2?

25 Q. Yeah, I'm sorry, page 2, lines 17 through

1 21.

2 A. Yes.

3 Q. You represent your testimony is intended
4 to address the statutory test for an ESP versus an
5 MRO.

6 A. Yes.

7 Q. Can you tell me what that test consists
8 of?

9 A. Sure. It's basically that the Commission
10 will judge if the ESP is better than a market rate
11 option.

12 Q. How does one go about doing that? Do you
13 know?

14 A. I believe the Commission weighs
15 quantitative and qualitative tests to determine that.

16 Q. And at page 2, the footnote indicates that
17 you relied upon Ms. Hixon's previous testimony as
18 filed to formulate your opinion?

19 A. Yes.

20 Q. Did you review the transcript of
21 Ms. Hixon's direct testimony and cross from October
22 13th, 2015, in the October portion of this
23 proceeding?

24 A. Yes, I did.

25 Q. I believe in that cross-examination

1 portion Ms. Hixon indicated she was advised by legal
2 counsel what the MRO -- I'm sorry, the ESP versus MRO
3 test requires. Have you also been advised by your
4 legal counsel as to what that test requires?

5 A. At some point, yes.

6 Q. And so that's how you came by your
7 understanding?

8 A. Yeah, as I said, it's very high level.

9 Q. And I think you talked about balancing.
10 Is it your opinion that the ESP versus MRO test
11 requires the Commission to balance pricing and all
12 other terms and conditions of the proposed ESP
13 against an MRO?

14 A. Yes.

15 Q. What constitutes pricing? Can you tell
16 me?

17 A. It would be, my understanding, the pricing
18 of the standard service offer defaults, however you
19 want to call it, whatever you want to call it.

20 Q. And what about all of the terms and
21 conditions, what goes into that bucket, if you will?

22 A. Yeah, I guess, yes.

23 Q. Well, I guess I am asking what goes into
24 "all other terms and conditions?" What does that
25 mean?

1 A. Terms and conditions of the default
2 supply.

3 Q. Well, no, no. Let me back up. It's
4 balancing pricing and all other terms and conditions,
5 that's the test.

6 A. Okay.

7 Q. Can we agree on that?

8 A. Yes.

9 Q. We talked a little bit about the pricing
10 component, and I guess we view them as a
11 teeter-totter. So you have got pricing on one hand,
12 we talked a little bit about what that was. What
13 goes into the "all other terms and conditions"
14 bucket?

15 A. Oh. On the -- if you are saying -- if you
16 are -- the one side, if you are talking of the scale.

17 Q. Balancing.

18 A. That one side would be a, essentially an
19 MRO, what would be the result of a market rate
20 option. And then on the other side it's the full
21 bucket. Am I correct?

22 Q. What I am asking is there -- let me say it
23 this way. There is a test, correct?

24 A. Yes.

25 Q. The test requires the balancing of pricing

1 and other terms and conditions of the proposed ESP
2 against an MRO. I guess it's a double teeter-totter.
3 So we talked about what the pricing is.

4 A. Yes.

5 Q. And I think what you said it's the cost.
6 Am I putting words in your mouth?

7 A. Yes, a little bit. With that
8 clarification, I was -- I was on two buckets;
9 apparently there were more. The -- on the -- if you
10 don't mind I will -- I will go with two buckets, one
11 side being the MRO, that what the result of an MRO
12 is, versus ESP which would be the totality of the
13 ESP, including all of the riders and everything else
14 that would be included in that.

15 In this case it would be -- you are
16 testing my memory a bit, but I know there was a
17 distribution incentive rider, there is obviously the
18 PPA rider, a number of other things that were in this
19 particular ESP.

20 Q. So, in your opinion, do you agree the
21 Commission, when conducting the test, will review
22 both quantitative and qualitative benefits?

23 A. Yes. That was -- I believe that was in
24 one of the ESP orders.

25 Q. And in your testimony I think you indicate

1 you relied upon, again, Ms. Hixon, in reaching your
2 conclusion, that the test, when performed, doesn't
3 allow for, in this case, the ESP to prevail.

4 A. Correct. As I state back on I believe --
5 yes, actually question 27 on page 20, using OCC
6 Witness Wilson's estimates in this and also using
7 what benefits were from the current ESP and from the
8 order and stating that it would fail based on the
9 cost of the PPA in this case.

10 Q. And you personally didn't perform any
11 independent analysis?

12 A. Once again, I am utilizing the experts in
13 this case.

14 Q. Are you aware that Ms. Hixon indicated in
15 her cross from the October 13 portion of this hearing
16 that it was the OCC's position that the MRO versus
17 ESP test should be evaluated by the Commission by
18 only using quantitative analysis rather than both
19 quantitative and qualitative?

20 A. Yes, I believe that was also -- I believe
21 that's at the Supreme Court also.

22 Q. So you are aware that was --

23 A. Yes.

24 Q. -- her understanding of the OCC's
25 position.

1 A. Yes.

2 Q. Do you agree with that statement?

3 A. Yes.

4 Q. Take a look at your testimony on page 16.
5 This is testimony you provided regarding renewable
6 energy projects.

7 A. Yes.

8 Q. Are you aware of any large, when I say
9 large, over 20 megawatts, wind or solar projects
10 being built in Ohio in the last five years?

11 A. Specifics on those, no. I know there are
12 some large projects, but the specifics I don't know.

13 Q. And you don't have any idea how those are
14 being funded?

15 A. No.

16 Q. I think Mr. Kurtz talked about issues
17 regarding the IRP with you.

18 A. Yes.

19 Q. In general are you aware that a number of
20 the IRP issues are still pending on rehearing?

21 A. Yes.

22 Q. Look at, if you would, in your testimony
23 at page 13. At line 2, for example, talks about
24 "incentives given to signatory parties that are not
25 in the public interest."

1 A. Yes.

2 Q. Quote the header there. In line 8 of that
3 page you reference "payment to the IEU"; is that
4 correct?

5 A. Yes.

6 Q. And, again, I believe we talked about this
7 but just for clarity is the IEU a signatory party?

8 A. No. As I stated, they receive the
9 benefits of a nonopposing party.

10 Q. And you understand what the Global
11 Settlement Agreement is when we refer to that in
12 regards to the IEU, what that means?

13 A. Yeah, the agreement between IEU and AEP
14 Ohio.

15 Q. Can you tell me, do you know if the OCC
16 received through discovery that Global Settlement
17 Agreement between the IEU and AEP?

18 A. Yeah, I believe it was through discovery.

19 Q. Do you know when it was disclosed by AEP?

20 A. I believe it was the week of the --
21 December 27.

22 Q. Can you tell me if that was the same day
23 the IEU letter of nonopposition was filed in the
24 docket?

25 A. Off the top of my head, I don't know. I

1 know they were very close to each other.

2 Q. Subject to check, was it the same day?

3 A. This is subject to check, yes.

4 Q. So as far as you are aware, they were
5 contemporaneous or close within that same --

6 A. Yes. I am not sure -- as I said, I am not
7 sure which was -- which came first essentially.

8 Q. So since you are uncertain of the date,
9 can I show you a document that I don't know if I want
10 to enter as an exhibit.

11 A. If you need confirmation, sure, that's
12 fine.

13 MR. MILLER: Can I approach?

14 EXAMINER PARROT: You may.

15 MR. MILLER: Can we approach?

16 Q. And I believe what you are looking at is
17 the OMAEG Exhibit 27.

18 A. This e-mail is?

19 MR. MICHAEL: Objection. I don't know
20 that this has been entered into the record yet. I
21 don't think I have ever seen it before.

22 Q. So for the moment why don't you take a
23 look at that and refresh.

24 A. Okay. I have looked at it.

25 Q. So, again --

1 MR. MICHAEL: Your Honor.

2 EXAMINER PARROT: Let's clear up the
3 record, though. This is not OMAEG Exhibit 27. I
4 just want to get that out there.

5 MR. MILLER: Yeah. This is not OMAEG
6 Exhibit 27. So let's just take a look at this
7 document and strike the reference.

8 EXAMINER PARROT: Yes.

9 Q. (By Mr. Miller) And so for clarity OMAEG's
10 document, Exhibit 27, is a letter that's in the
11 record from IEU to the docket, to the Commission. I
12 asked you about it previously, and you were uncertain
13 as to whether or not the OCC had obtained the
14 settlement -- Global Settlement Agreement
15 contemporaneous with what was entered in the docket;
16 is that correct? I refreshed you with the -- an
17 e-mail in regards to the OCC receipt. Can you now
18 testify to whether or not those were contemporaneous,
19 same day?

20 MR. MICHAEL: I am going to object, your
21 Honor. He hasn't established Mr. Haugh has seen this
22 document. He hasn't refreshed anything yet. All he
23 has done is given him an e-mail, so I am not quite
24 sure where we are on this.

25 MR. MILLER: I asked Mr. Haugh if he was

1 aware that the OCC had received it. He said he was.
2 I don't know whether he saw it. I can ask him if he
3 did, but apparently he had knowledge of them
4 receiving it. And he believed that they were
5 contemporaneous, but he wasn't sure, and I am trying
6 to clear up that discrepancy.

7 MR. MICHAEL: Then I am not quite sure
8 what you are asking him because he gave him this
9 e-mail dated Tuesday, December 22. Are you asking
10 him about that now or some separate document? I am
11 just not sure.

12 MR. MILLER: I am not asking -- I am
13 asking -- I am suggesting that he refresh his memory
14 with it by providing it to him. And I think that's
15 what we've done.

16 MR. MICHAEL: Okay. Well, then perhaps we
17 should ask him if his memory is refreshed by the
18 document, if he has ever seen it. That hasn't been
19 done yet.

20 EXAMINER PARROT: That was my
21 understanding of the question that was asked. Was
22 that your intention, Mr. Miller?

23 MR. MILLER: That was my intention.

24 EXAMINER PARROT: With that the objection
25 is overruled.

1 A. The -- I am not sure if I have seen this
2 particular e-mail. We received a lot of discovery
3 from AEP. And also this e-mail does not contain the
4 Global Settlement either.

5 Q. Would it be helpful if you had the
6 attachment?

7 A. The only -- the only issue is that I
8 know -- I am assuming you are referring to OCC
9 INT-S1-002. There were -- and this -- I don't know
10 if it's going to correspond directly to this e-mail
11 but there were a few different items that were
12 provided in interrogatory S1-002. But I am not sure
13 of the dates. I know there was -- there was -- I
14 believe there was one that was with -- obviously the
15 Global Settlement was one and there was another one
16 with Sierra Club and I'm not sure. Those were
17 received on two different dates.

18 Q. And this would be 02. You asked the
19 question.

20 A. OCC INT-S1-002, there were two documents
21 that came with that. One was the Global Settlement
22 with IEU and the other was an agreement with Sierra
23 Club.

24 Q. So the Global Settlement did come with --

25 A. I am not sure if it came with this e-mail

1 is what I am saying. I know we received those two
2 agreements on two different dates. Basically this
3 e-mail does not designate if it's the IEU agreement
4 or the Sierra Club agreement.

5 MR. MILLER: Can you give us a moment?
6 Thank you.

7 I think we are ready if the Bench is.

8 Q. (By Mr. Miller) Did you see on the refresh
9 document that I provided you and I think you
10 mentioned the reference on attachments in the bottom
11 part of the header.

12 A. Yes.

13 Q. You referenced OCC-S1-02 which is
14 Attachment 1?

15 A. Yes.

16 Q. Are you familiar with the EPSA/P3 document
17 that is, I believe, already in the record?

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

19 Q. Exhibit 11.

20 A. No, I haven't been keeping track of
21 exhibits.

22 Q. Which would be the Global Settlement
23 Agreement.

24 A. IEU's Global Settlement Agreement,
25 correct?

1 Q. Yes.

2 A. Yes, I am familiar with that.

3 Q. And you have seen that?

4 A. Yes, attached to my testimony.

5 Q. And it's in the record but perhaps if I
6 show you that agreement to refresh?

7 A. As I said, I have it in my testimony so.

8 Q. And it says attachment on that agreement
9 in your testimony? It says Attachment 1?

10 A. Yes.

11 Q. Would that correspond to Attachment 1 on
12 the refresh document to your knowledge?

13 A. Once again, I can't sit up here under oath
14 and say that, yes, it definitely is because as I
15 mentioned earlier, I know that S1-002 were two --
16 included two different agreements. One with Sierra
17 Club and one with IEU, and I know they were received
18 on different days. I am not sure which one.

19 MR. MILLER: Your Honor, I think if you
20 give us just a minute, I think we may be finished.

21 MR. MICHAEL: Your Honor, could we take a
22 short break while Mr. Miller is organizing himself?

23 EXAMINER PARROT: Mr. Miller, if I heard
24 you correctly, you thought you may be about done; is
25 that correct?

1 MR. MILLER: That's correct.

2 EXAMINER PARROT: Then we are just going
3 to wait, Mr. Michael.

4 MR. MICHAEL: Okay. Thank you, your
5 Honor.

6 MR. MILLER: I think we have collected
7 ourselves.

8 EXAMINER PARROT: Okay.

9 Q. (By Mr. Miller) Mr. Haugh, are you
10 familiar with OMAEG Exhibit in this case 26?

11 A. You would have to refresh my memory. I am
12 not keeping track of the exhibits. I'm sorry.

13 Q. If I provided that to you.

14 A. Yeah, no problem.

15 Q. See if the court reporter has it. Why
16 don't you take a moment to look at that, if you
17 would, please.

18 A. Oh, I have it, yes.

19 Q. And would you look with me -- or I guess
20 look with me to the second page, if you will, there
21 is a similar header to the Global Settlement
22 Agreement document we refreshed you with a moment
23 ago?

24 A. Yes. And I see that this is -- that the
25 Sierra Club is actually Interrogatory S1-005 so.

1 Q. I believe you had indicated you thought
2 that there were two pieces of discovery that came in
3 on separate days?

4 A. Yes.

5 Q. I think we established that December 22
6 was the date that the Global Settlement Agreement
7 appeared?

8 A. Well, the one issue that I still have with
9 this is I -- this is an e-mail and I can't see the
10 attachment. I can't see what's encompassed in it. I
11 was confused by saying that it was the Sierra Club
12 agreement, but I can't verify -- without being able
13 to open up the attachment, I can't say what it is
14 essentially.

15 Q. You are suggesting without seeing it in
16 its electronic form.

17 A. Without being -- without the electronic
18 form being able to click it open and review the
19 document.

20 Q. So to be clear, the letter was filed in
21 the docket by IEU on December 22, correct?

22 A. Subject to check.

23 Q. But generally speaking, subject to check,
24 that would be your belief. The -- there is a refresh
25 with a discovery response that appears to have come

1 in on December 22?

2 A. This -- this particular discovery
3 response --

4 Q. Correct.

5 A. -- was received on December 22.

6 Q. It references an attachment.

7 A. Yes.

8 Q. And it references an attachment that
9 appears to mirror?

10 A. Yes. As I said, the header on Exhibit
11 MPH-1 is OCC Set S1-INT-002 Attachment 1, but the
12 e-mail is a printed e-mail and says that -- states an
13 attachment. I can't sit here and say that -- I can't
14 acknowledge what the attachment was without being
15 able to click this particular e-mail. I am not in a
16 position to confirm that.

17 Q. Appreciate that.

18 MR. MILLER: I would ask your counsel the
19 question whether he would stipulate?

20 MR. MICHAEL: I could.

21 MR. MILLER: That would be preferable.

22 Thank you very much.

23 MR. MILLER: Just to be clear the
24 stipulation would be that the OCC received the Global
25 Settlement Agreement on December 22 appended to an

1 e-mail dated 1:12 p.m.?

2 MR. MICHAEL: I think you want to rephrase
3 that. It's an e-mail of December 22 at 1:12 p.m.

4 MR. MILLER: An e-mail dated December 22
5 at 1:12 p.m.

6 MR. MICHAEL: Correct.

7 MR. MILLER: Eastern Standard Time. Is
8 that fair?

9 MR. MICHAEL: That's fair.

10 MR. MILLER: Thank you. We have nothing
11 further for cross.

12 EXAMINER PARROT: Mr. Margard?

13 MR. MARGARD: No questions. Thank you,
14 your Honor.

15 EXAMINER PARROT: Now, at this point,
16 Mr. Michael, we will take that short break.

17 MR. MICHAEL: Thank you, your Honor. I
18 appreciate it.

19 (Recess taken.)

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

22 Any redirect?

23 MR. MICHAEL: Thank you, your Honor. No
24 redirect.

25 EXAMINER PARROT: Thank you, Mr. Haugh.

1 Mr. Michael, I believe you already moved
2 for the admission of Exhibit 33. Are there any
3 objections?

4 All right. Hearing none, OCC Exhibit No.
5 33 is admitted into the record.

6 (EXHIBIT ADMITTED INTO EVIDENCE.)

7 EXAMINER PARROT: Let's go off the record
8 for a minute.

9 (Discussion off the record.)

10 EXAMINER PARROT: Let's go back on the
11 record. We are ready to break for the evening. We
12 are -- I am going to give you a little gift. We are
13 going to reconvene tomorrow at 9:30 a.m. instead of
14 9 o'clock, so don't say I am never generous.

15 Have a good night, everyone.

16 (Thereupon, at 5:49 p.m., the hearing was
17 adjourned.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Thursday, January 7, 2016, and carefully compared with my original stenographic notes.

Karen Sue Gibson, Registered Merit Reporter.

Carolyn M. Burke, Registered Professional Reporter.

(KSG-6136)

- - -

This foregoing document was electronically filed with the Public Utilities

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1/11/2016 8:44:00 AM

in

Case No(s). 14-1693-EL-RDR, 14-1694-EL-AAM

Summary: Transcript In the Matter of the application of Ohio Power Company hearing held on 01/07/16 - Volume XXI
electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.