

BEFORE THE PUBLIC UTILITIES Commission OF OHIO

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In the Matter of the :
Application of Ohio Power :
Company to Initiate Phase 2:
of Its gridSMART Project : Case No. 13-1939-EL-RDR
and to Establish the :
gridSMART Phase 2 Rider. :

- - -

PROCEEDINGS

Before Dick Bulgrin, Attorney Examiner, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11C, Columbus, Ohio, called at 9:00 a.m. on
Tuesday, August 2nd, 2016.

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Volume II

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1	INDEX		
2	- - -		
3	COMPANY'S CASE		
4	WITNESSES:		PAGE
5	Andrea E. Moore		
6	Recross-examination by Ms. Bojko	231	
7	Teresa Ringenbach		
8	Direct Examination by Mr. Whitt	241	
9	Cross-Examination by Ms. Bojko	244	
10	Cross-Examination by Ms. Mooney	265	
11	OCC CASE		
12	Peter J. Lanzaotta		
13	Direct examination by Ms. Bojko	275	
14	Cross-Examination by Mr. Margard	283	
15	Cross-Examination by Mr. Nourse	292	
16	Redirect Examination by Ms. Bojko	391	
17	Recross-examination by Mr. Nourse	403	
18	Wilson Gonzalez		
19	Direct Examination by Ms. Bojko	413	
20	Cross-Examination by Mr. McKenzie	418	
21	Redirect Examination by Ms. Bojko	465	
22	- - -		
23	COMPANY EXHIBITS	IDENTIFIED	ADMITTED
24	5 - Reliability Reporting Excerpts	357	
25	6 - OCC Response 3-39	370	
	7 - Excerpted Pages 196-199	371	
	8 - 8-971-EL-SSO	451	
	9 - 13-2385-EL-SSO	454	
	10 - 15-883-GE-RDR	499	
	DIRECT ENERGY		
	1.0 - Teresa Ringenbach Testimony	240	273

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX		
- - -		
OCC EXHIBITS	IDENTIFIED	ADMITTED
13 - Peter Lanzalotta Testimony	274	
14 - 11-351-EL-AIR	391	
15 - RPD-1-16 Response	395	
16 - Attachment PPD-16	395	
17 - Response to 3-044	399	
18 - Wilson Gonzalez Testimony	412	467
19 - Gonzalez Revisions	413	467
20 - Table 3 update	415	467

- - -

1 Tuesday Morning Session,
2 August 2nd, 2016.

3 - - -

4 ATTORNEY EXAMINER: Let's go back on the
5 record. This is day two of the hearing in Case No.
6 13-1939-EL-RDR. And I take it -- are we resuming
7 testimony?

8 MR. NOURSE: Yes.

9 ATTORNEY EXAMINER: Okay. I'll remind
10 you you're under oath, then. Thanks.

11 MS. BOJKO: Your Honor, before we get
12 started I would just note for the record that we have
13 brought in copies of what's been marked as OCC
14 Exhibit 9, which is the Global Settlement Agreement
15 between IEU and AEP that was filed -- well, it was an
16 Exhibit 11 -- P3/EPISA Exhibit 11 in the
17 14-1693-EL-RDR proceeding that you took
18 administrative notice of.

19 ATTORNEY EXAMINER: Okay.

20 MR. NOURSE: And, your Honor, we have
21 submitted copies of the 12-3255 Opinion and Order
22 that was premarked yesterday as AEP Exhibit 4.
23 Everybody should have copies of that now.

24 ATTORNEY EXAMINER: Great. Thank you.
25 And the Exhibit 9 has already been moved --

1 MS. BOJKO: We haven't moved any
2 exhibits yet, but I will. Thank you.

3 ATTORNEY EXAMINER: Very good.

4 MS. BOJKO: I think you took
5 administrative notice.

6 ATTORNEY EXAMINER: All right.

7 MS. BOJKO: Are we on recross?

8 ATTORNEY EXAMINER: I believe so.

9 MS. BOJKO: Thank you, your Honor.

10 Andrea E. Moore,
11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 - - -

14 RECROSS-EXAMINATION (Continued)

15 By Ms. Bojko:

16 Q. Good morning, Ms. Moore.

17 A. Good morning.

18 Q. I just have a few follow-up questions to
19 questions your counsel asked you yesterday. I know
20 it was late yesterday, but do you recall a question
21 regarding the operational cost savings audit and the
22 Page 9 of the Stipulation?

23 I believe your counsel asked you with
24 regard to Section 6 on Page 9 of the Stipulation
25 whether the operational cost savings audit was

1 mandatory or discretionary. Do you recall that
2 question?

3 A. I'm sorry, on Page 9 of the Stipulation?

4 Q. Yes.

5 MR. NOURSE: Page 10, perhaps?

6 MS. BOJKO: Well, I mean the Section 6
7 begins on Page 9 and goes to Page 10.

8 THE WITNESS: I'm sorry, yes.

9 By Ms. Bojko:

10 Q. You stated in response to your counsel's
11 question that the operational cost savings audit
12 would occur; is that correct?

13 A. That's correct.

14 Q. Where in Section 6 on Pages 9 and 10 of
15 the Stipulation does it say that an operational cost
16 savings audit will occur?

17 A. Yeah, it's the operational benefits.

18 Q. It says in the stip that there's an
19 operation benefit audit? Where does it say that?

20 A. It's going to be the review of the
21 operational benefits.

22 Q. And where does it say that there's a
23 mandatory operational benefit review?

24 A. I think we were just clarifying that
25 that part of the Stipulation calls for a mandatory

1 operational benefits audit to occur by either Staff
2 or Staff's consultant.

3 Q. And where in the Stipulation does it say
4 that it's mandatory to have an operational benefit
5 audit?

6 A. Again, I don't know that the word
7 "mandatory" is in there. We were trying to clarify
8 that the point of this section is that the
9 operational benefit audit will occur either by Staff
10 or the Staff's consultant, and the results of that
11 operational benefit audit will be used to offset the
12 costs of the gridSMART Rider.

13 Q. But the word "audit" is not in that
14 language and the word mandatory or will occur is not
15 in that language; is that correct?

16 A. Yeah, I mean audit, study, I agree.

17 Q. And nowhere does it say that there's a
18 mandatory study or review, correct?

19 A. I don't see those words. Again, the
20 Stipulation -- the language in the Stipulation was
21 meant to require an operational benefit study, the
22 results of which would roll through the gridSMART
23 Rider or another rate mechanism.

24 Q. And you believe that a written
25 Stipulation should speak for itself?

1 MR. NOURSE: Your Honor, I object. It
2 sounds like invoking a legal concept.

3 ATTORNEY EXAMINER: Sustained.

4 MR. NOURSE: Ms. Moore has been tendered
5 to sponsor, among other things, and defend Section 6
6 and explain it, so that's what she's doing.

7 ATTORNEY EXAMINER: Sustained.

8 By Ms. Bojko:

9 Q. Do you also recall a discussion with
10 your counsel yesterday about the storm costs, the
11 Ohio Power Storm Damage Recovery Rider proceeding
12 12-3255-EL-RDR?

13 A. I don't have it in front of me, but it
14 was the storm case, yes; the order for that case.

15 Q. And that's been marked as AEP Ohio
16 Exhibit 4.

17 MR. NOURSE: I've got a copy if you want
18 me to give it to her.

19 MS. BOJKO: I have an extra.

20 By Ms. Bojko:

21 Q. Is this the order that you reviewed on
22 the computer with your counsel yesterday?

23 A. Yes.

24 Q. And I believe you referenced Page 15
25 with your counsel yesterday?

1 A. Yes.

2 Q. Okay. Isn't it true that on Page 15 the
3 Commission reiterated the obligations set forth in
4 the Long-Term Forecast report case that we discussed
5 yesterday as Case No. 10-501-EL-FOR?

6 A. I'm sorry, can you repeat the question?

7 Q. Sure. If you look at the second
8 sentence of the first full paragraph on Page 15, this
9 Commission order, the Commission referenced the
10 Long-Term Forecast report that we discussed and
11 reviewed and looked at yesterday; is that correct?

12 A. The Long-Term Forecast report is
13 referenced there, yes.

14 Q. And the Commission in this order, the
15 storm case, reiterated the obligation put upon the
16 Company, AEP Ohio, to spend the \$20 million in a
17 Turning Point or similar project by the end of 2013;
18 is that correct?

19 MR. NOURSE: I'm sorry, I object. I
20 think, you know, the second sentence, as I'm seeing
21 it, says, "OCC argument is based on a misguided
22 interpretation of our order." I think you're
23 referring to some other language. If you could
24 clarify that.

25 MS. BOJKO: Well, I thank counsel for

1 reading that into the record, but the next sentence,
2 which I think is what the witness was referring to,
3 is the Long-Term Forecast report case, and it's the
4 third sentence.

5 MR. NOURSE: Thank you.

6 THE WITNESS: I see that, but I think
7 you have to continue reading that sentence to state
8 that the Company should submit a proposal for another
9 appropriate use of the \$20 million investment.

10 By Ms. Bojko:

11 Q. Absolutely. So that's what I was
12 asking. I want to make sure that it referenced the
13 Long-Term Forecast report case that we talked about
14 yesterday first. It does, right?

15 A. It's in there.

16 Q. And then in the footnote of the part of
17 the sentence that you just read, the footnote
18 explains that the obligation stems from the
19 Commission's SEET test, which is 10-1261-EL-UNC,
20 which is also the Opinion and Order from January 11,
21 2011, that we referenced yesterday?

22 A. That's correct.

23 Q. Okay. So the Commission in this -- in
24 the storm case order has gone back and explained the
25 history that the obligation first arose from the SEET

1 test, the 2009 SEET test, and then that the
2 Commission also reiterated the directive to spend the
3 money in the Long-Term Forecast report case; is that
4 correct?

5 A. That's correct. And then it also
6 referenced the gridSMART Phase 2 proceeding that the
7 Company has in the Stipulation.

8 Q. Getting there. Thank you. Yes. Isn't
9 it true that the Commission said it would consider
10 AEP's proposal to include the 20 million investment
11 in gridSMART because AEP had already filed that
12 proposal? Isn't that correct?

13 A. That's correct.

14 Q. And you didn't mean to -- or you're not
15 suggesting or explaining here today or yesterday that
16 the Commission preapproved the 20 million investment
17 in gridSMART, are you, through the storm case?

18 A. No, I don't think that the \$20 million
19 investment was preapproved in the storm case, I think
20 that we were looking at this case for the
21 Commission's consideration of that paragraph.

22 Q. And you don't believe sitting here today
23 that the obligation or requirement on AEP Ohio
24 stemming from the 2009 SEET case has changed from the
25 Commission's perspective, do you?

1 A. I'm sorry, when you say that our
2 obligation has changed, I'm not sure.

3 Q. You're -- the Commission continues to
4 reiterate the directive to spend the \$20 million in
5 Turning Point or similar project by the end of 2013.
6 You're not suggesting that that has somehow -- this
7 order somehow changed that directive, are you?

8 MR. NOURSE: Your Honor, I object. I
9 think she's asking about the Commission's --

10 ATTORNEY EXAMINER: Sustained.

11 MS. BOJKO: Well, your Honor, she's
12 giving her opinion about these orders. I have a
13 right --

14 ATTORNEY EXAMINER: But you're asking
15 her to speculate on the Commission's viewpoint.

16 MS. BOJKO: I think she's been
17 speculating on the Commission's viewpoint when she
18 answered the questions yesterday. I'll rephrase.

19 ATTORNEY EXAMINER: Thank you.

20 By Ms. Bojko:

21 Q. You believe that AEP Ohio still has the
22 obligation per the Commission's previous orders to
23 expend the \$20 million in Turning Point or a similar
24 project, or submit a proposal for another appropriate
25 use of the \$20 million investment?

1 A. I believe that we have that obligation,
2 and I believe that that obligation is what is
3 addressed in the Stipulation on Page 6 and 7 for the
4 VVO investment.

5 Q. You believe that the obligation to
6 submit a proposal for another appropriate use is
7 what's in the Stipulation, correct?

8 A. Yes.

9 Q. The Commission still has to approve your
10 treatment of the \$20 million, correct?

11 A. Agreed.

12 Q. And the Commission would also have to
13 approve the treatment you requested to recover the
14 \$20 million and earn a return on and of the
15 investment, correct?

16 A. I believe that is stated in the
17 Stipulation, yes.

18 MS. BOJKO: Thank you. I have no
19 further questions.

20 MR. NOURSE: Thank you, your Honor. The
21 Company renews its motion to admit Exhibit 3 and 4.

22 MS. BOJKO: Your Honor, I would note the
23 objection and the granting of the motion to strike in
24 part of the one sentence, so we would oppose the
25 admittance in its entirety.

1 ATTORNEY EXAMINER: Yes, so it will be
2 admitted subject to your -- my ruling on your motion
3 to strike.

4 MS. BOJKO: Thank you.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 MS. BOJKO: And did you say 4 as well,
7 Mr. Nourse?

8 MR. NOURSE: I think 4 was already ruled
9 upon actually.

10 MS. BOJKO: I just thought we took
11 administrative notice, I didn't think it was
12 admitted.

13 MR. NOURSE: That's correct.

14 MS. BOJKO: So, your Honor, at this time
15 OCC would move the admittance of OCC Exhibit 9, and
16 then I believe that administrative notice I guess --
17 do we take administrative notice of that one, too?

18 Then we would just -- I think OCC
19 Exhibits 9 through 12 have been administratively
20 noticed, so there's no need to move. Thank you.

21 ATTORNEY EXAMINER: Okay. I think
22 you're done. Thank you.

23 (Witness excused.)

24 MR. NOURSE: And, your Honor, I believe
25 the Direct Energy witness is going to be next.

1 ATTORNEY EXAMINER: Yes.

2 MR. WHITT: Happy to do that.

3 (Witness sworn.)

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 - - -

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

9 DIRECT EXAMINATION

10 By Mr. Whitt:

11 Q. Good morning, ma'am. Could you please
12 introduce yourself by giving your full name and
13 business address?

14 A. My name is Teresa Ringenbach. I'm the
15 Senior Manager of Government and Regulatory Affairs
16 for Direct Energy. My business address is 21 East
17 State Street, 19th floor, Columbus, Ohio 43215.

18 Q. Do you have in front of you a document
19 that has been marked for identification purposes as
20 Direct Energy Exhibit 1.0?

21 A. Yes.

22 Q. What is that document?

23 A. It's my testimony in this case.

24 Q. Do you have any changes or corrections
25 to make to your testimony?

1 A. Yes, I have three. So Page 2 of 5, Line
2 24, "Rush Hour Rewards" is now a program called
3 "Reduce Your Use".

4 Q. Okay.

5 A. And Line (sic) 3 of 5, Line 10, also
6 change "Rush Hour Rewards" to "Reduce Your Use".

7 Q. I think you said "Line 3 of 5", you
8 meant --

9 A. I meant Page 3 of 5, Line 10. And then
10 Page 3 of 5, Line 12, that program is no longer
11 banked credits, it's a percent off credit to offset
12 charges on customers' electric bills.

13 Q. And for clarity, I think that the first
14 two changes are reasonably clear. We would replace
15 the term Rush Hour Rewards with Reduce Your Use,
16 correct?

17 A. Yes.

18 Q. And with respect to the third change on
19 Page 3, beginning at Lines 11, I'm going to try to
20 read what I believe should be the corrected sentence,
21 and you listen along with me and make sure I get it
22 correct.

23 A. Okay.

24 Q. But the new sentence should say, "These
25 credits may be a percent off credit to offset future

1 charges on customers' electric bills."

2 A. I would remove the word "future." It's
3 to offset charges on their electric bills.

4 Q. Okay. I think that will be clear when
5 we read the record.

6 MR. NOURSE: And, Mr. Whitt, was there
7 also a reference to "Rush Hour Rewards" on Line 9 in
8 question 10, Page 3? Did you already get that one?
9 I only heard Line 10.

10 By Mr. Whitt:

11 Q. Do you in fact, ma'am, have four changes
12 to make?

13 A. Yes. Good catch.

14 Q. And in case any of us missed it, would
15 it be the case that anywhere in your prefiled
16 testimony that says "Rush Hour Rewards", it should
17 say "Reduce Your Use"; is that fair?

18 A. Yes.

19 Q. Okay. Now, subject to the changes you
20 have identified, if I were to ask you the same
21 questions that are in your prefiled testimony today,
22 would your answers be the same?

23 A. Yes.

24 MR. WHITT: Thank you. The witness is
25 available for cross.

1 ATTORNEY EXAMINER: Thanks. Ms. Bojko.

2 MS. BOJKO: Thank you.

3 - - -

4 CROSS-EXAMINATION

5 By Ms. Bojko:

6 Q. Good morning, Ms. Ringenbach.

7 A. Good morning.

8 Q. Your testimony is limited to how
9 gridSMART will facilitate Direct's development in
10 offering of new energy products and services; is that
11 correct?

12 A. That's correct.

13 Q. And Direct Energy is a certified CRES
14 provider in Ohio?

15 A. Yes.

16 Q. And does Direct Energy currently have
17 any CRES offers active in AEP's service territory?

18 A. Yes.

19 Q. And does Direct Energy currently have
20 any time-of-use programs active in AEP's service
21 territory?

22 A. In AEP Ohio, no.

23 Q. Thank you. AEP Ohio. And if I say AEP
24 today, I'm just referring to AEP Ohio.

25 A. Okay.

1 Q. Does Direct Energy currently have any
2 time-of-use programs in other distribution utility
3 service territories in Ohio?

4 A. No, not in Ohio.

5 Q. Direct Energy is a signatory party to
6 the Stipulation in this proceeding?

7 A. Yes.

8 Q. And during the initial 15 to 18 months
9 in the transition period for time-of-use programs,
10 the Stipulation envisions that CRES providers could
11 offer the same three time-of-use programs that AEP
12 currently offers; is that correct?

13 A. Yes.

14 Q. And has Direct Energy committed to offer
15 AEP's time-of-use programs during the transition
16 plan?

17 A. Yes.

18 Q. Have you committed to offering all three
19 programs?

20 A. I believe we have had discussions on
21 each of the three programs. I think the plan is to
22 offer all three, but it's been several months. So
23 we'd have to go back and see which one comes first
24 and how long that takes.

25 Q. And currently Direct Energy is the only

1 CRES provider that has committed to offer AEP's
2 time-of-use programs, correct?

3 MR. WHITT: Objection. Calls for
4 speculation.

5 By Ms. Bojko:

6 Q. If you know.

7 A. I don't, I just know that we have
8 committed to do it.

9 Q. Could you turn to Page 4 of your
10 testimony, please? Page 4, Line 7 -- well, first of
11 all, the question on Page 4, question 14, it says
12 will Direct Energy offer similar programs, and those
13 similar programs that you're referring to are the
14 three AEP Ohio current time-of-use programs, correct?

15 A. Yes.

16 Q. Okay. And then in Line 7 you say yes,
17 once gridSMART Phase 2 is complete. And "complete",
18 do you mean after deployment is complete, after the
19 72 months?

20 A. I think right here what I'm talking
21 about for those specific three programs, it means
22 once it's all approved.

23 Q. Approved. Okay. Not that the
24 deployment is complete?

25 A. No. So the --

1 Q. Excuse me. So you envision after
2 approval of the Stipulation in this proceeding that
3 you would begin offering or discussing, providing or
4 committing to provide those three programs?

5 A. So within six months our plan is to have
6 programs running out -- sorry -- out there we'll be
7 marketing them, we'll be enrolling customers.

8 Q. Within six months of the approval?

9 A. The similar programs to AEP, for these
10 three programs, yes.

11 Q. At what prices has Direct Energy agreed
12 to provide the time-of-use programs?

13 A. We don't set our prices six months in
14 advance.

15 Q. Do you know if the pricing structure
16 will be similar to that of AEP Ohio's?

17 A. The pricing structure has to match up
18 with the way it is today because it has to match what
19 their systems are currently capable of. The prices,
20 I can't answer if those are going to match.

21 Q. Do you know whether Direct Energy's
22 prices will be comparable to AEP's?

23 A. I can't say where the market is going to
24 be at the point this is approved and we finally roll
25 everything out.

1 Q. So your pricing will be based on the
2 current market at the time you begin offering the
3 programs; is that correct?

4 A. Yes.

5 Q. And that could be higher or lower than
6 AEP's current time-of-use price?

7 A. Yes.

8 Q. You are aware that there is a cost
9 associated with the transition plan, correct?

10 A. Yes.

11 Q. And you're aware that there's a cost
12 associated with the AMI CRES web portal?

13 A. Yes.

14 Q. Do you know what that cost is?

15 A. Not off the top of my head, no.

16 Q. Is it your understanding that customers
17 will pay for those costs of the transition plan in
18 the web portal?

19 A. At this point, yes.

20 Q. And the Stipulation does not provide for
21 CRES providers to contribute to the costs; is that
22 correct?

23 A. That's correct.

24 Q. And the costs that will be collected
25 from customers through the transition phases, Steps

1 One through Five outlined in Mr. Osterholt's
2 testimony, will be collected through the gridSMART
3 Rider; is that your understanding?

4 A. I don't have his testimony in front of
5 me.

6 Q. Well, the transition plan and the web
7 portal, those costs will be collected from customers
8 through the gridSMART Rider; is that your
9 understanding?

10 A. My understanding from the Stipulation is
11 all the costs will go through a rider that will be
12 trued up quarterly with an annual prudence review.

13 Q. And it's your understanding that those
14 costs will be collected from customers regardless of
15 whether they participate in the actual time-of-use
16 program or not?

17 A. It's a nonbypassable rider.

18 Q. On Page 2 of your testimony you state
19 that Direct Energy has used AMI data in other states
20 to offer certain products. Are those products then
21 listed on Page 3 of your testimony?

22 A. So it's not -- it's -- I'll just list
23 them for you. So there's categories; time-of-use
24 which is traditional hourly changes in price, on- and
25 off-peak pricing, so you'll have peak prices during

1 peak times versus lower prices during off-peak times,
2 free weekends, which is generally more like a peak
3 product.

4 There's also pick your free day where
5 you can pick a day of the week, prepaid. And then
6 Reduce Your Use is actually you get credit for
7 reducing your use during peak times -- or I'm sorry,
8 you actually get a 5 percent discount now, so you
9 reduce your peak usage and you get a 5 percent
10 discount off your bill.

11 Q. And the programs that you have listed on
12 Page 3 of your testimony, those are examples of such
13 programs?

14 A. Yes.

15 Q. And the programs and products that you
16 have listed on Page 3, you offer all those products
17 currently in Texas; is that correct?

18 A. On Page 3, Texas, Pennsylvania, and
19 Illinois all have versions of those products, except
20 for prepaid. Prepaid is only in Texas.

21 Q. Okay. It's my understanding that only
22 the free weekend plans were also offered in
23 Pennsylvania and Illinois. Are all of these programs
24 listed also offered in Pennsylvania and Illinois?

25 A. So is your question are all of these

1 products only in Texas?

2 Q. No, I didn't use the word "only". I
3 said are all of these products offered in Texas
4 currently?

5 A. Yes, all of these products are in Texas.

6 Q. And then one of the programs, the free
7 weekends, is also offered in Pennsylvania and
8 Illinois currently?

9 A. Yes.

10 Q. And in response to my -- a prior
11 question, is it fair to say that none of these --
12 none of these programs or products on Page 3 are
13 currently offered in Ohio; is that correct?

14 A. That's correct.

15 Q. And you're not testifying today whether
16 any of these programs are permitted by Ohio law; is
17 that correct?

18 A. That's correct.

19 Q. And in order to offer the programs that
20 you set forth in your testimony, AEP will have to
21 create an AMI web portal, correct?

22 A. The free weekend types of products and
23 things like that, yes -- well, let me correct that.
24 They are offering to put in place a portal.

25 There are other ways to do it through

1 just straight EDI information that doesn't have to be
2 a web portal that you scrape, there's different ways
3 that you can get the information that you can create
4 these products from. But what's in the Stipulation
5 is to do it through a web portal.

6 Q. And currently AEP doesn't have the types
7 of systems you just mentioned in order to support
8 CRES offerings of time-of-use rates; is that correct?

9 A. They only have the system necessary to
10 offer the time-of-use rates that are currently
11 offered by AEP, which is what we're going to use to
12 offer our own versions of those products.

13 Q. And so on Page 4 of your testimony, on
14 question 5 -- 15, you mention system modifications.

15 A. Yes.

16 Q. Are these different and distinct from
17 the modifications set forth in the Stipulation and
18 that were included in the revised Business Case, or
19 are these the same modifications?

20 A. These are the same ones. These are the
21 ones that come next after we start offering what they
22 currently can do, these are the next ones, the stuff
23 that will be through the Collaboratives and things
24 like that.

25 Q. Through the transition plan that leads

1 up to the creation of the web portal?

2 A. Yes.

3 Q. Will customers need additional equipment
4 for the programs or products that you cite to on
5 Pages 3 and 4, or Page 3?

6 A. So everything on Page 3 requires an AMI
7 meter that reads 15 minutes to hourly. That would be
8 the equipment that they would need to participate in
9 these programs.

10 Q. No other equipment is needed for these
11 programs?

12 A. No, not for these programs.

13 Q. Would Direct Energy have to do the
14 billing associated with offering these products for
15 these programs?

16 A. No, we actually don't have to do the
17 billing. As long as there's a bill ready option, we
18 can offer these products.

19 Q. But you have to have the bill ready
20 option?

21 A. For the most part. I think for some of
22 the time-of-use products you could probably just use
23 rate ready because it's just a straight rate per
24 hour, but for things -- even the Stipulation talks
25 about it. But for certain on and off peak where

1 you're lumping things together, you're going to want
2 a bill ready option to calculate it on your side.

3 Q. Do you pay for access to interval data
4 in some states?

5 A. We do.

6 Q. And does the Stipulation require Direct
7 Energy or any CRES provider to pay for access to
8 interval data through these programs?

9 A. For the CMI items, I'd have to go back
10 and look at the tariff because it's the same as
11 today, and I think we have a charge if we don't do it
12 through EDI requests. But there's nothing in the
13 Stipulation that basically lays out exact charges,
14 no.

15 Q. And what about for -- you said CMI?
16 What about for residential?

17 A. For residential, I don't know if there's
18 currently any charges for historical usage requests
19 or things like that, I'd have to go back and look at
20 the tariff.

21 Q. And again, that's not set forth in the
22 Stipulation that there would be a requirement that
23 you would pay for interval data like you do in other
24 states?

25 A. There's nothing in the Stipulation that

1 lists out a charge.

2 Q. Were you involved in the settlement
3 negotiations that led up to the Stipulation in this
4 proceeding?

5 A. Yes.

6 Q. And were you involved in every single
7 settlement meeting, do you know?

8 A. So this settlement discussion goes back
9 three years, so prior to me it was Jennifer Spinozi
10 on my team.

11 Q. But was Direct Energy invited to every
12 settlement discussion?

13 A. Yes.

14 Q. And were there any settlement agreements
15 or settlement concepts reached outside of Direct
16 Energy's involvement?

17 MR. WHITT: I'll object insofar as the
18 question calls for speculation.

19 MS. BOJKO: If she knows.

20 ATTORNEY EXAMINER: You can answer.

21 THE WITNESS: There was a draft
22 settlement before this one, and then when the -- I'm
23 just going to call it the PPA case -- when the PPA
24 case was settled, that led to some rewrites to the
25 settlement which is what we have today.

1 By Ms. Bojko:

2 Q. And is it fair to say that you were
3 involved in all of those revisions and modifications
4 to the settlement document?

5 A. To this settlement document?

6 Q. Yes.

7 A. Sorry. When you say "you", do you mean
8 Direct Energy or do you mean me?

9 Q. Well, I was talking about you, but you
10 can answer for Direct Energy, too.

11 A. I believe for some of the meetings
12 Jennifer Spinozi was involved, and then as she
13 transitioned away, it was me. If there was a meeting
14 without me, I'm not aware of it.

15 Q. For obvious reasons.

16 A. Yeah.

17 Q. Are you aware that there were settlement
18 agreements reached that were not brought to the full
19 signatory parties in this proceeding?

20 MR. NOURSE: I object. I think that
21 assumes facts not in evidence.

22 MS. BOJKO: Actually we have facts in
23 evidence, we have an exhibit now.

24 MR. WHITT: I'll object on additional
25 grounds that until an agreement is submitted and

1 approved by the Commission it can't fairly be
2 characterized as an agreement or settlement, it could
3 be some proposal or draft. But the only settlement
4 for the Commission's consideration is the one that's
5 being reviewed now in this proceeding.

6 MR. NOURSE: Furthermore, Ms. Bojko's
7 question actually said facts that's not in evidence
8 that the parties to this Stipulation were not aware
9 of the IEU Global Settlement Agreement, which was
10 blasted all over the record in the prior case and
11 reported in the media and everything else. So that's
12 just an untenable assumption.

13 ATTORNEY EXAMINER: I'm going to sustain
14 the objection. And do you care to rephrase?

15 MS. BOJKO: Well, I'm going to object
16 first to the misstatements and mischaracterizations
17 on the record.

18 By Ms. Bojko:

19 Q. But were you involved in settlement
20 discussions that did not include all the parties to
21 this proceeding?

22 A. For this specific case?

23 Q. Yes.

24 A. As far as I know, every meeting that was
25 specific to this case that -- where we dealt with

1 settlement we attended.

2 Q. All the parties or all the signatory
3 parties were invited to those meetings -- not whether
4 you attended, were all the parties to the proceeding,
5 nonsignatory parties and signatory parties, invited
6 to the meeting?

7 A. I don't know. I didn't take roll call.
8 If I got an invite, I came.

9 Q. Are you aware that there are parties to
10 the proceeding that did arrive at agreements outside
11 of this current proceeding that resolved issues in
12 this proceeding?

13 A. If you're referring to the PPA
14 settlement in that case, then yes.

15 Q. Well, are you familiar with what's been
16 marked as OCC Exhibit 9, which is the IEU global
17 settlement that resolved issues in this proceeding?

18 A. I am -- I don't have it in front of me,
19 so I'm not sure what you're talking about.

20 MS. BOJKO: May I approach, your Honor?

21 ATTORNEY EXAMINER: Yes.

22 By Ms. Bojko:

23 Q. Given your statements that you
24 participated in the PPA proceeding, I'm assuming that
25 you're familiar with this document.

1 A. Yes.

2 Q. And were you invited to the settlement
3 meetings -- was Direct Energy invited to the
4 settlement meetings that led up to the IEU Global
5 Settlement Agreement that resolved issues in this
6 proceeding?

7 MR. NOURSE: Your Honor, I object on two
8 bases. Number one, we're getting really far afield
9 here. The Company disclosed this again here in a
10 spirit of a hundred percent transparency. There is
11 nothing in this Global Settlement Agreement that
12 resolves any issues in this case.

13 IEU agreed to withdraw its intervention
14 long ago, and did so long ago, and has nothing to do
15 with the Stipulation that was reached here.

16 We disclosed this voluntarily yesterday
17 to clarify that there was this settlement agreement
18 that addressed intervention only that was publicly
19 disclosed again in that case, in the spirit of full
20 transparency.

21 Now, there's no relationship to the
22 three-part test here and, you know, Ms. Bojko is
23 trying to use this Intervenor witness when Ms. Moore
24 was just on the stand for several hours and she
25 sponsored the three-part test for the Stipulation

1 parties in general. So I think it's inappropriate.

2 MR. WHITT: I will second the objection.

3 MS. BOJKO: Your Honor, she's made
4 statements about people being invited and people in
5 attendance, and I'm asking merely if Direct Energy
6 was involved.

7 This case number is actually listed on
8 the OCC Exhibit 9. It was mentioned by a witness
9 yesterday as being something that resolved an issue
10 in this case for a particular Intervenor, and the
11 reason why that Intervenor is no longer raising its
12 objections or concerns.

13 So given that it references this case it
14 is very relevant and appropriate to ask her if she
15 was -- that's really my question. My only question
16 was, was she involved in the settlement discussions
17 that led up to this case that mentions 13-1939.

18 ATTORNEY EXAMINER: I think the question
19 that you just put forth deserves an answer, but I
20 note the objections of the Company and Direct Energy
21 as well. So I guess again, the question was were you
22 aware of this Global Settlement Agreement.

23 THE WITNESS: If the question is was I
24 aware? Yes, as part of the PPA case people were made
25 aware of the global settlement.

1 MS. BOJKO: I think my question was,
2 your Honor, did she participate in the discussions
3 that led up to the Global Settlement Agreement that
4 references 13-1939.

5 MR. WHITT: I'm going to object in
6 addition to the other reasons that have been
7 articulated on issues of basic relevance at this
8 point.

9 Direct Energy is not a signatory party
10 to this document, is not taking a position that any
11 issues were settled in some other case.

12 If OCC wishes to make the point or try
13 to establish that it or anyone else was excluded from
14 settlement discussions, they can sponsor a witness
15 and make that point. But it's inappropriate to
16 attempt to do that through Ms. Ringenbach.

17 MR. NOURSE: Company joins that.

18 ATTORNEY EXAMINER: Okay. I'll sustain
19 those objections.

20 By Ms. Bojko:

21 Q. Were there any settlement meetings in
22 the PPA proceeding that resolved issues related to
23 the gridSMART case, this case?

24 A. There was something in the PPA
25 settlement that talked about gridSMART and further

1 rollout in addition to access to data. I don't have
2 it in front of me, so I can't tell you the exact
3 wording.

4 Q. In the PPA settlement?

5 A. In the PPA settlement.

6 Q. So there were issues regarding this case
7 that were resolved outside of the current proceeding
8 that we're in; is that correct?

9 MR. NOURSE: Your Honor, I object. You
10 know, the Stipulation references the PPA Stipulation
11 and brings it directly in explicitly through the
12 language in the Stipulation, and that's what's in
13 front of the Commission.

14 It's not fair to say that issues were
15 resolved outside of this proceeding. It was agreed
16 that there would be certain things in the Stipulation
17 and they are in there, and they reference the PPA
18 Stipulation.

19 That's all been very transparently
20 disclosed and discussed, and Ms. Moore was up on the
21 stand to support all that and didn't get a question
22 about it. So I think it's beyond -- it's irrelevant
23 at this point to go into that.

24 MS. BOJKO: Your Honor, it's very
25 relevant. He just made my point for me.

1 MR. NOURSE: It's inaccurate.

2 MS. BOJKO: There are issues that were
3 resolved in other cases that have to do with 13-1939.
4 13-1939 was filed before those other proceedings. We
5 now have evidence before us that there was a global
6 settlement with IEU that resolved issues prior to
7 this case, and we also have now before us information
8 that there were issues settled in the PPA case that
9 related directly to this case. So it is all related
10 to 19-1393.

11 ATTORNEY EXAMINER: I agree, but this is
12 probably not the appropriate witness to answer
13 questions on that, so I'm going to sustain the
14 objections.

15 MS. BOJKO: But, your Honor, she was
16 involved in both settlements and is making statements
17 that all parties were involved in the settlements,
18 and I'm trying to understand that.

19 MR. WHITT: I need to object at this
20 point because that mischaracterizes the witness'
21 testimony.

22 Secondly, to the extent there's an
23 implication of res judicata or some suggestion that
24 we are litigating issues that have been determined in
25 a prior case, that is a legal issue that this witness

1 isn't competent to testify about.

2 MS. BOJKO: I thought she said he was
3 involved in the PPA settlement. I didn't --

4 MR. WHITT: You said that she said that
5 she was involved in all of the meetings that all of
6 the parties attended and that wasn't accurate. What
7 she said was when she got invites she went and didn't
8 take roll of who else was there.

9 ATTORNEY EXAMINER: I'm sustaining the
10 objection.

11 MS. BOJKO: Well, I didn't mean to
12 mischaracterize your testimony, so I'll just ask you
13 since your counsel said you said.
14 By Ms. Bojko:

15 Q. It's fair to say then you don't know
16 whether all parties were invited to every settlement
17 discussion that discussed 13-1939; is that correct?

18 A. That's correct.

19 Q. And it's fair to say that you don't know
20 whether other parties resolved issues outside of the
21 Direct Energy's involvement in this case, 13-1939?

22 A. I do not know that. I know what
23 happened in both settlements and what was filed and
24 what we signed.

25 Q. And it's fair to say you wouldn't -- you

1 weren't involved in any other parties' settlement
2 discussions that may or may not have led to a
3 separate independent agreement?

4 MR. WHITT: Objection. Asked and
5 answered.

6 ATTORNEY EXAMINER: Sustained.

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

9 ATTORNEY EXAMINER: Ms. Mooney.

10 MS. MOONEY: Yes, I have a few
11 questions.

12 - - -

13 CROSS-EXAMINATION

14 By Ms. Mooney:

15 Q. Yesterday AEP's witness Mr. Osterholt
16 was referring to the three time-of-use programs that
17 AEP is currently offering which you're referring to
18 in your testimony as well.

19 The first of those programs, the first
20 time-of-use does not require any kind of knowledge or
21 information on the part of the customer. What I want
22 to mostly address is the customer's role if the
23 customer is participating in the time-of-use program.

24 But AEP also provides to customers who
25 are participating in the second and third program a

1 device which is hooked up to the AMI meter, and then
2 that device gives the customer -- residential
3 customer in their home information. Are you aware of
4 that?

5 A. So can you -- you're saying first
6 program, second program, third program. Are you
7 pulling from a list? I'm not sure -- if you want to
8 just use the name of the program, Colleen, it will
9 help me.

10 Q. Well, it's -- you refer to them on Page
11 4 of your testimony, there's the -- and just right at
12 the top.

13 A. Okay. That helps.

14 Q. AEP Ohio developed the SMART Shift, the
15 SMART Shift Plus, and the SMART Cooling. Do you see
16 that?

17 A. Yes, I have it.

18 Q. Now, if we're talking about just the
19 SMART Shift, and that's a rate differential -- a
20 time-of-use rate differential and the customer -- and
21 I think there's about a thousand AEP Ohio customers
22 that are on that program right now.

23 And basically it's just a basic time of
24 day, and what I'm trying to get information about is
25 the information that the customer needs to

1 participate in this program.

2 And I understood from yesterday that the
3 customer doesn't really need any information to do
4 the SMART Shift program; is that correct?

5 A. I think it depends on how you are
6 promoting the product. If you want them to actively
7 shift, then you're going to send them information on
8 things that they can do during the lower price times,
9 which is how many of our programs work.

10 But you don't -- how active do you want
11 the customer to be, how much does the customer really
12 want to engage is going to determine the amount of
13 information that they really need.

14 Q. But for the AEP customers that are on
15 the SMART Shift Plus and the SMART Cooling thermostat
16 rate programs, those customers have devices inside
17 their home that are provided by AEP Ohio where they
18 are able to see a rate that's available at that
19 particular time. Are you aware of that?

20 A. I'm aware that there are devices that
21 hook up to a meter that give you different
22 information. I'm also aware that there's direct load
23 control with air conditioners, too, yeah.

24 Q. And for a customer to participate in
25 that kind of program, that customer does not need an

1 internet connection, is that correct, their own
2 personal internet connection?

3 A. For that, I don't know specifically for
4 that program. Those are the future conversations
5 with AEP. I can tell you we have partnerships with
6 Silver Spring Networks and others that have those
7 devices and they don't require the internet
8 connection to connect to the meter, but they do
9 require an internet connection if you want to use the
10 information in a better way to hook into the things
11 that we offer.

12 Q. The customer would need an internet
13 connection to participate in the program in a better
14 way, is that --

15 A. In a better way, yes.

16 Q. Now, if AEP currently is providing a
17 device inside, noninternet connected, but the device
18 that hooks up to the meter inside the resident's
19 house, and that goes for the thermostat program and
20 the critical peak pricing, and at some point under
21 the Stipulation if the Commission determines that the
22 market is competitive and only CRES providers will
23 provide time-of-use rates, at that point would Direct
24 Energy also provide those devices to those customers
25 who are on the program now?

1 A. I think there's -- the Stipulation talks
2 about a transition of those customers, so the
3 conversation about whether or not the device
4 disappears completely or the device transitions with
5 the customers, that still has to occur.

6 All we're saying here is we're going to
7 take on responsibility for these products. We're
8 going to create our own products that match up with
9 what their systems are capable of doing. So there is
10 a whole sentence in the Stipulation that says there's
11 going to be a transition, and we have to talk about
12 what that means.

13 So I think your question assumes that
14 the device disappears from the customer, but the
15 reality is it may not, we may use the device they
16 already have.

17 In addition to that, as I said, we do
18 have relationships with certain Silver Spring
19 Networks that do offer devices in the home where we
20 could offer a device to customers who don't have one.

21 Q. And in those cases where Direct is
22 offering the device, who is paying for that device?

23 A. It depends on the products. Obviously
24 we buy it, and then whether or not we incorporate it
25 into our rates is a decision of our company.

1 Q. I also want to ask you a few questions
2 about the prepaid service in Texas that you provide.
3 And you realize in this Stipulation for the 13-1939
4 case there's a reference to prepay, but it's just
5 something that's also going to just be talked about
6 in the future; is that correct?

7 A. Yes.

8 Q. How does this prepay service that Direct
9 offers in Texas, how does that work?

10 A. So there's two different versions of it.
11 There's Power to Go, which is the customer -- it's
12 just a straight prepaid option. The customer puts
13 some amount that they load up on their account, and
14 then they have several options. They can get regular
15 alerts, e-mail, texts, however they chose it, that
16 gives them updates when their accounts hit certain
17 thresholds so they know when they can reload it.

18 They can simply just load it up and
19 check on their own without receiving alerts, log in,
20 call, however they want to do it, so that's Power to
21 Go.

22 Power to Go can be as detailed or as
23 noninvasive as the customer chooses. They choose
24 whether or not they want to receive alerts that give
25 them tips on how to use their power better.

1 Those tips can be things like you have
2 \$30 left, it's going to last you another three days,
3 or it can just be you have \$20 left in your account,
4 or it can be log in and check it yourself.

5 The other option is customers can choose
6 to use a prepaid option when they don't want to
7 actually do any sort of deposit to start service.

8 So Texas is a different market where
9 everything runs through your retail supplier. So in
10 Ohio you would normally -- if your credit rating
11 isn't there, whatever, you would put forth a deposit
12 that the utility holds in Ohio. In Texas you do that
13 with your supplier.

14 So your supplier has the option to
15 basically say your credit isn't good enough, you need
16 to have a deposit. In Direct Energy's case we used
17 prepaid to say you don't have to be on prepaid
18 forever, but if you're on prepaid for three months
19 and your balance never falls to zero, we waive your
20 deposit requirement and then you can go to post paid,
21 which is your traditional you pay when you get your
22 bill at the end of the month.

23 Q. Now, if you're on prepay in Texas and
24 say you have \$30 as you described, and then you run
25 out, you don't deposit anymore -- by the way, how do

1 you deposit?

2 A. You can do it -- so you can do it
3 through direct checking account deposit, you can do
4 it through some version of a credit card, whether
5 it's like a prepaid credit card or however you do it,
6 those are your basic options.

7 Q. Okay. So I'm on prepay in Texas and
8 I -- and my account runs down to zero, what happens?

9 A. So depending on if you're low income,
10 which have their own rules and protections around
11 them, and depending if you're during like a shut off
12 period, because it gets really hot down there you
13 can't just shut people off, you will be shut off.

14 So if you're a normal customer -- see,
15 let's back up for a second. Texas doesn't work like
16 other markets, it's 100 percent Smart Grid. So when
17 I say "shut off", I mean literally you could be shut
18 off. Now, call us up, put money in your account and
19 be turned back on within the hour.

20 Q. But I would be literally shut off when
21 my money runs out?

22 A. If you're not part of like any of the
23 other -- there are conditions around it. We're not
24 just shutting people off and let them heat up in
25 their house forever, but you're just a traditional

1 customer and it's not during certain periods of time,
2 yes, you get shut off.

3 Q. And does Texas have any rules about what
4 a utility, or in this case a CRES provider, has to do
5 to inform customers that they are going to be shut
6 off?

7 A. There are rules. Generally, as I just
8 talked about, there's certain -- you can't just shut
9 people off who are in certain conditions. I don't
10 know all the rules and detail off the top of my head,
11 but there are rules around it, yes.

12 Q. And that refers to prepaid customers,
13 too, whose balance goes down to zero, are there rules
14 in place that you can't just -- when I'm down to zero
15 you just can't shut me off or you can just shut me
16 off?

17 A. I'd have to look at all the rules.
18 There are rules, Colleen. I don't know them off the
19 top of my head, but there are rules around shutoff.

20 Q. And this whole prepay concept is
21 something that is going to be discussed in the future
22 pursuant to this settlement; is that correct?

23 A. The settlement agrees to discuss
24 prepaid, yes.

25 MS. MOONEY: That's all the questions I

1 have.

2 ATTORNEY EXAMINER: All right.

3 Mr. Whitt, any redirect?

4 MR. WHITT: No redirect, your Honor.

5 ATTORNEY EXAMINER: You're excused.

6 Thank you.

7 (Witness excused.)

8 MR. WHITT: And Direct Energy would move
9 for the admission of Direct Energy 1.0.

10 ATTORNEY EXAMINER: So admitted.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 MR. ETTER: Your Honor, could we go off
13 the record for a moment?

14 (Discussion off the record.)

15 ATTORNEY EXAMINER: Let's go back on the
16 record.

17 MS. BOJKO: Your Honor, at this time the
18 Office of Ohio Consumers' Counsel would like to call
19 Peter J. Lanzalotta to the stand.

20 (Witness was sworn.)

21 ATTORNEY EXAMINER: Please be seated.

22 Thank you. Ms. Bojko.

23 MS. BOJKO: Thank you, your Honor.

24 - - -

25 Peter J. Lanzalotta

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

3 DIRECT EXAMINATION

4 By Ms. Bojko:

5 Q. Could you please state your name and
6 business address for the record?

7 A. Peter J. Lanzalotta, 67 Royal Point
8 Drive, Hilton Head Island, South Carolina.

9 Q. Sir, did you file or cause to be filed
10 testimony in this case, Case No. 13-1939, regarding
11 the Ohio Power Company's gridSMART project?

12 A. Yes.

13 Q. And did you file that testimony on July
14 22nd, 2016, as revised on August 1st, 2016?

15 A. Yes.

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

17 ATTORNEY EXAMINER: Sure.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 By Ms. Bojko:

20 Q. Do you have in front of you what's been
21 marked as OCC Exhibit 13?

22 A. Yes.

23 Q. Do you recognize this document as your
24 testimony filed in this proceeding?

25 A. Yes.

1 Q. Was the testimony prepared by you or
2 under your direction?

3 A. Yes.

4 Q. And on whose behalf are you testifying
5 today, sir?

6 A. Office of Consumers' Counsel.

7 Q. Since the filing of your testimony as
8 revised on August 1st, 2016, do you have any
9 additional changes?

10 A. No.

11 Q. With those changes if I were to ask you
12 the same questions today as they appear in your
13 revised testimony, would your answers be the same?

14 A. Yes.

15 MS. BOJKO: At this time, your Honor, I
16 would like to move OCC Exhibit No. 13, subject to
17 cross-examination, and I tender the witness for
18 cross.

19 ATTORNEY EXAMINER: Okay. This is
20 Exhibit No. 13. Okay. All right. Mr. Margard.

21 MR. MARGARD: Thank you, your Honor.

22 MR. NOURSE: I'm sorry to interrupt. I
23 do have some motions to strike, your Honor, if I
24 could be heard at this time.

25 ATTORNEY EXAMINER: Sure.

1 MR. NOURSE: Thank you. I apologize.
2 Two motions to strike, your Honor. Page 19, Footnote
3 27, this references -- it's hearsay within hearsay.
4 It references a newspaper story that's attached to
5 Mr. Lanzalotta's testimony as Exhibit P JL-4 which is
6 also a part of the motion to strike.

7 It's really not related to the sentence
8 that it's attached to in the testimony on Lines 3
9 and 4, and the newspaper article makes various quotes
10 and statements that are themselves hearsay as well,
11 not the least of which is referencing in a very
12 selective and limited fashion a study report from
13 J.D. Powers, and of course none of the sponsors of
14 the report or the newspaper reporter or the people
15 quoted in the news article are present to be
16 cross-examined.

17 And the second motion to strike, your
18 Honor, is on Page 19, and that is Footnote 27 -- I'm
19 sorry. It's Page 29 -- I'm going to the second one
20 now. Page 29, and it's Footnote 46. And that is --

21 ATTORNEY EXAMINER: I think you're in
22 revised testimony.

23 MR. NOURSE: Well, I am using my notes.
24 Okay. Page 30.

25 ATTORNEY EXAMINER: Footnote 36 now

1 appears on Page 30.

2 MR. NOURSE: So that also references the
3 newspaper article, and has P JL-5. So in sum, your
4 Honor, it's Footnote 27, which references P JL-4,
5 Footnote 46 that references P JL-5, and so what I've
6 said before about the J.D. Powers is actually
7 referencing P JL-5 in connection with note 46.

8 So both newspaper articles have the same
9 problem in they are hearsay, there's nothing -- none
10 of the exceptions apply, and certainly information
11 that would have been more appropriate for evidentiary
12 purposes on these topics could have been obtained
13 through discovery and were not done so, so it's
14 inappropriate evidence and should be stricken.

15 ATTORNEY EXAMINER: Ms. Bojko.

16 MS. BOJKO: Thank you, your Honor. Ohio
17 law allows Ohio experts to rely on background
18 knowledge in establishing their qualifications and
19 forming their opinions. That's Worthington City
20 School versus ABCO Insulation, 84 Ohio App.3d 144
21 (1992). The background knowledge is in the form of
22 out-of-court statements of textbook authors,
23 colleagues, and others that forms much of the basis
24 of the expert's training and education.

25 Under Rule 702 Mr. Lanzalotta is a

1 qualified expert. He's provided expert testimony
2 before FERC as well as other Regulatory Commissions
3 and other judicial and legislative bodies in 25
4 states.

5 He's qualified to review the industry
6 material and provide expert testimony on these
7 matters in electric utility cases as well as general
8 ratemaking cases, as well as a number -- a number of
9 other items related to regulation of public
10 utilities.

11 As an expert, pursuant to Rule 703 he is
12 permitted to draw an inference on the facts or data
13 presented in this case by AEP Ohio and draw on other
14 information to form his own opinion.

15 Specific to Exhibit PJI-4 that has been
16 moved to strike, he is citing the articles as a
17 reference on a related topic that supports his own
18 opinion which he clearly provides in his testimony,
19 and the first sentence of the footnote referencing
20 the article.

21 Articles and references thereto can be
22 admissible for purposes other than to prove the truth
23 of the matter. We're not offering it for the truth
24 of the matter asserted, and that -- Plavecski versus
25 Cleveland Clinic Found., 8th District, Cuyahoga No.

1 939-17, 2010 case.

2 The Eighth District Court of Appeals
 3 found that the trial court had not abused its
 4 discretion by allowing two doctors to reference
 5 newspaper articles in their testimony. The doctors
 6 were not using the newspaper articles to prove the
 7 truth of the matter asserted, which is the case here.
 8 Instead the doctors used the article to demonstrate
 9 at what point in time the public was made aware of an
 10 event in the presence of that in Ohio.

11 Additionally, your Honor, I would note
 12 that in a recent case of AEP's ESP II proceeding,
 13 their own witness, direct testimony of Dias in case
 14 13-2385-EL-SSO offered similar testimony as well as
 15 newspaper articles, and the Attorney-Examiners in
 16 those cases allowed AEP Ohio to do the same thing
 17 that it is now moving to strike in this proceeding
 18 over the objections of the intervening parties.

19 So for these reasons and because the
 20 information is not being offered for the truth of the
 21 matter asserted, it is within Mr. Lanzalotta's
 22 purview to be able to review industry materials and
 23 make opinions based on those articles, just as AEP's
 24 expert testimony was allowed to do in prior cases.

25 MR. NOURSE: Your Honor, just briefly.

1 First of all, you know, I agree there are certain
2 cases where newspaper articles can be -- I didn't
3 make a universal statement that that could never be
4 admitted into evidence.

5 So there are cases that go both ways,
6 but what is driving this is the fact that he is
7 relying on this -- these newspaper articles for the
8 truth of the matter asserted.

9 And clearly we are not asking for his
10 own testimony or his own personal knowledge in
11 observations of statements made in his statements to
12 be stricken, and while he is entitled to rely on
13 industry materials and such and, you know, legitimate
14 studies and things along those lines, certainly a
15 newspaper article is not in that vein.

16 And again, these newspaper articles are
17 very limited, select, and quote other parties, again
18 hearsay within hearsay. So it's easy to say you're
19 not relying on the truth of the matter asserted, but
20 if that's not the case there's no reason to have them
21 in. And again, we're narrowly asking that the
22 newspaper articles themselves through the exhibits be
23 stricken. Thank you.

24 ATTORNEY EXAMINER: Okay. As to
25 Footnote 27 and the Wall Street Journal article, I'll

1 allow the motion to strike. I don't see where that
2 adds a whole lot to the testimony.

3 MS. BOJKO: I'm sorry, I didn't hear
4 you, your Honor.

5 ATTORNEY EXAMINER: I'm going to grant
6 the motion to strike. And what was the second one?
7 On 46 -- Page 30, Footnote 46, I'll allow that to
8 stay in. I'm going to overrule your motion to strike
9 because I think that's just saying that they remain
10 low in the J.D. Power survey. If it's any truth --
11 if there's anything beyond that, then I guess we can
12 deal with it on cross. But it appears that's the
13 only reason it's there.

14 MS. BOJKO: Thank you, your Honor.

15 MR. NOURSE: And, your Honor, to
16 clarify, in your granting Footnote 27, that would
17 also include Exhibit PJL-4, correct?

18 ATTORNEY EXAMINER: Yes.

19 MR. NOURSE: Thank you. PJL-4 is also
20 stricken.

21 MS. BOJKO: I'm sorry, your Honor,
22 you're granting the striking of the entire footnote
23 or just the reference to the article?

24 ATTORNEY EXAMINER: For Page 19,
25 Footnote 27, we're going to strike the entire

1 footnote and the article that's attached.

2 MS. BOJKO: Thank you.

3 MR. NOURSE: Thank you, your Honor.

4 Sorry for the interruption.

5 ATTORNEY EXAMINER: Mr. Margard.

6 MR. MARGARD: Thank you, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Margard:

10 Q. Good morning, Mr. Lanzalotta. My name
11 is Werner Margard, I'm an Assistant Attorney General,
12 I represent the Staff of the Public Utilities
13 Commission.

14 I have some questions for you today
15 regarding your characterization of Staff and
16 Commission positions.

17 I am also using an earlier version
18 apparently of your testimony, my pagination may be
19 off a little bit. If we have trouble reaching the
20 same point, I hope you'll let me know, and I'll guide
21 you to wherever we need to be.

22 A. I believe I've got the same copy that
23 you do.

24 Q. Okay. Good. In that case, let me ask
25 you to turn to Page 15.

1 A. Okay.

2 Q. And on Line 4 is a paragraph that begins
3 in the "ESP I Order". Do you have that reference?

4 A. Yes.

5 Q. And you observe there that it was noted
6 that PUCO Staff argued that the then current proposal
7 did not contain sufficient information. Do you see
8 that reference?

9 A. Yes.

10 MS. BOJKO: I'm sorry, which page are
11 you on?

12 MR. MARGARD: I'm on Line 15 -- Page 15,
13 Line 4.

14 MS. BOJKO: We have different --

15 MR. MARGARD: I understand that we do.
16 It's question and answer 13, second full paragraph of
17 the answer.

18 MS. BOJKO: I just want the answer to be
19 clear because we only marked the revised version.

20 MR. MARGARD: I'll make reference to the
21 question.

22 MS. BOJKO: And I'll help you with line
23 numbers. So Line 8 for the record, Page 15.

24 MR. MARGARD: Thank you very much.

25 By Mr. Margard:

1 Q. And with respect to the following
2 question, question 4 -- make sure I have my reference
3 here.

4 A. Question 14?

5 Q. Question 14, yes, thank you. The second
6 paragraph. About midway through there's a sentence
7 that begins, "As references above the PUCO Staff
8 argued in the ESP I proceeding." That's the same
9 reference, isn't it?

10 A. I believe it is, yes.

11 Q. Okay. Very good. Thank you. You
12 weren't involved in the ESP I case, were you, sir?

13 A. No.

14 Q. Okay. So I want to understand where
15 this comes from. You're referencing the Commission's
16 order in this instance, aren't you?

17 A. As I believe the Company's application
18 in this case also did.

19 Q. And the order summarizes a Staff
20 position, is that your understanding of what your
21 reference is here?

22 A. I believe that's what I got out of
23 reading the order, yes.

24 Q. And your background on this is limited
25 to reading the order. Did you read any Staff

1 testimony or any transcripts of the hearing here?

2 A. No, I did not.

3 Q. So you're not certain what Staff's
4 position was or exactly what the nature of Staff's
5 concern was; is that right?

6 MS. BOJKO: Objection. He stated that
7 this is what the Commission stated, what he got out
8 of the order. If counsel is now trying to state that
9 the order is wrong, that the Commission's order is
10 incorrect, I mean, we have to take the Commission's
11 order as it stands, it speaks for itself.

12 ATTORNEY EXAMINER: I'm going to have to
13 overrule the objection. He can answer if he knows.

14 THE WITNESS: Could I have the question
15 again?

16 (Question read.)

17 THE WITNESS: My knowledge is based on
18 what I read out of the order.

19 By Mr. Margard:

20 Q. Okay. Did -- do you know what the
21 Commission had to say about that argument or that
22 position?

23 MS. BOJKO: Objection. If you could
24 maybe provide the order to him as we have done the
25 last couple days so that the witness has it.

1 MR. MARGARD: Your Honor, the witness
2 indicated he read the order. I'm trying to test his
3 knowledge of the order.

4 ATTORNEY EXAMINER: Do you need the
5 order to answer the question?

6 THE WITNESS: I don't recall the
7 Commission's position other than what I've recounted
8 in here. I don't recall them saying anything
9 specific about that Staff position.

10 By Mr. Margard:

11 Q. Okay. Do you know if they approved the
12 proposal despite the arguments that were raised?

13 A. I believe they did, yes.

14 Q. Do you know whether they requested any
15 additional information, or that the Commission
16 believed there was any other additional information
17 that was required to approve that proposal?

18 A. No, I do not.

19 Q. In the next paragraph in response to
20 question 13, the final paragraph begins, "The
21 Stipulation does not address concerns." It's Page
22 15, Line 10 on my copy.

23 ATTORNEY EXAMINER: Line 15 on the
24 revised.

25 MR. MARGARD: Thank you, your Honor.

1 THE WITNESS: I see it.

2 By Mr. Margard:

3 Q. Okay. Now, you state there that the
4 Stipulation doesn't address Staff's concerns. What
5 is the basis for your belief that Staff's concerns
6 with respect to risk sharing are not addressed by the
7 Stipulation?

8 A. My reading of the Stipulation I think is
9 the basis for my statement here.

10 Q. What is the basis for your belief that
11 Staff still had such concerns after the Commission
12 approved gridSMART in the ESP I case?

13 MS. BOJKO: Objection.

14 ATTORNEY EXAMINER: Ms. Bojko, I'm
15 sorry.

16 MS. BOJKO: Again, we don't have the
17 order in front of us, and I guess I would object to
18 that characterization of the order.

19 MR. MARGARD: I'm not trying to
20 characterize the order. The witness has
21 characterized the Staff as having concerns, and I'm
22 trying to understand what the basis is for his belief
23 that Staff had concerns.

24 ATTORNEY EXAMINER: Overruled. You can
25 answer.

1 THE WITNESS: Can I have the question
2 again?

3 (Question read.)

4 MS. BOJKO: That's my objection, your
5 Honor, he's characterizing that it was actually
6 approved in the ESP I case.

7 MR. MARGARD: Your Honor, the witness
8 himself acknowledged that the Company's gridSMART
9 proposal in ESP I was approved by the Commission, and
10 despite objections that were raised by OCC and Staff.
11 He's already acknowledged that.

12 ATTORNEY EXAMINER: Yeah, I think given
13 the testimony --

14 MS. BOJKO: That's mischaracterizing.

15 ATTORNEY EXAMINER: -- I'm going to
16 overrule the objection and you can answer.

17 THE WITNESS: Okay.

18 ATTORNEY EXAMINER: The best you can.

19 THE WITNESS: I'm not sure what Staff's
20 feelings were once the order was issued.

21 By Mr. Margard:

22 Q. Okay. Thank you. May I ask you now to
23 turn on I believe our copy, Page 10, this is the
24 answer and response to question 11. This is probably
25 the last sentence of the second full paragraph that

1 appears on the page beginning as, "When AEP Ohio",
 2 and there's a quote and the paragraph continues.
 3 There's a sentence on our version beginning on Line
 4 25. It begins, "This backward sequence of actions."

5 A. I see it.

6 MR. MARGARD: Ms. Bojko?

7 MS. BOJKO: I do not --

8 ATTORNEY EXAMINER: I'm not seeing it.

9 MS. BOJKO: Page 11, Line 3.

10 MR. MARGARD: Thank you.

11 MR. NOURSE: Your Honor, I'm not sure, I
 12 guess the copy I was given by OCC yesterday doesn't
 13 have these discrepancies, so I'm not sure if the
 14 record is going to be clear or more confused by these
 15 additional references. I think it may depend on how
 16 your printer works and how it paginates, honestly.

17 MR. MARGARD: Probably not an issue for
 18 me but it's likely to be a significant issue for the
 19 Company if they have extensive cross.

20 MR. NOURSE: So maybe we could go off
 21 the record for a second.

22 (Recess taken.)

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

25 MR. MARGARD: Thank you, your Honor, for

1 the nice clean copies of the testimony.

2 By Mr. Margard:

3 Q. Mr. Lanzalotta, I guess we're now on
4 Page 11, beginning on Line 3, the sentence beginning,
5 "This backward sequence."

6 A. I see it.

7 Q. Very good. Thank you. I understand the
8 second part of that sentence about what should be
9 done to protect consumers, that's your opinion?

10 A. Yes.

11 Q. The first part of that, however, you
12 indicate is exactly the opposite of what was
13 anticipated by the PUCO. And I want to know how you
14 know this to be true.

15 A. I think my testimony covers the fact
16 that Staff had filed comments in response to the
17 application in this case. I quote from those
18 comments here on Page 10, the text that is referenced
19 in Footnote 13.

20 These comments address the fact that at
21 the time they wrote these comments Staff felt
22 Commission's instruction with the Phase 2 application
23 includes sufficient detail on the equipment and
24 technology proposed to evaluate the demonstrated
25 success, cost effectiveness, customer acceptance and

1 feasibility of the proposed technology. And that
2 sounded to me like justify the project and then
3 proceed with implementing it.

4 Q. I want to make sure that I'm clear.
5 When you say anticipated by the PUCO, you mean
6 anticipated by the PUCO Staff?

7 A. Yes, sir.

8 Q. And this is your interpretation of what
9 you understood the PUCO Staff concerns to be?

10 A. Yes, sir.

11 Q. Okay.

12 MR. MARGARD: That's all I have. Thank
13 you, your Honor.

14 MR. NOURSE: Did you call on me, your
15 Honor? I didn't hear you, I apologize.

16 ATTORNEY EXAMINER: I think Mr. Margard
17 is done, so yes, I think you're up next.

18 MR. NOURSE: Thank you.

19 - - -

20 CROSS-EXAMINATION

21 BY MR. NOURSE:

22 Q. Good morning, Mr. Lanzalotta.

23 A. Mr. Nourse.

24 Q. So I'm going to be correlating your
25 prior version of your testimony, so let me know if we

1 have any page numbers or line numbers that are not --
2 that you're not with me on my questions.

3 A. I will.

4 Q. Thank you. Can we start with -- without
5 a specific reference in your testimony and just ask
6 you, what was the process for your engagement with
7 the OCC in this case? How did it come about?

8 MS. BOJKO: Objection, your Honor. I
9 guess I'm assuming that counsel is not soliciting
10 confidential discussions between attorney and client
11 that are subject to attorney/client privilege.

12 MR. NOURSE: Correct.

13 By Mr. Nourse:

14 Q. I'm certainly not asking you that,
15 Mr. Lanzalotta.

16 A. OCC approached -- well, I've had a
17 couple of engagements with OCC that go fairly far
18 back, well into the 1980s, and then another
19 around 2006 and 2007.

20 After the 2007 work there was a break of
21 a couple years, and OCC approached me for help on, I
22 believe, some proceedings that dealt with the
23 reliability -- the reliability index standards, and
24 how they were set and those types of things, both
25 involving this Company and some other Ohio Companies.

1 And so I did that work.

2 And ever since then I have had a
3 contract with OCC and have been working on material
4 for them pretty much on a continuous basis.

5 Q. And with respect to the Stipulation at
6 issue here today, the gridSMART Stipulation, was the
7 assignment, you know, hey, we have got this
8 Stipulation we want to oppose, can you give us some
9 ammunition, or was it we have got the Stipulation on
10 gridSMART, what do you think about it?

11 MS. BOJKO: Objection. Your Honor --

12 ATTORNEY EXAMINER: Sustained.

13 By Mr. Nourse:

14 Q. Okay. Well, was your assignment in this
15 case to formulate opposition to the Stipulation?

16 MS. BOJKO: Objection.

17 MR. NOURSE: Your Honor, I'm just asking
18 him what his perspective was going into his
19 testimony, not getting into privileged matters.

20 MS. BOJKO: Actually he's asked what his
21 assignment was and he used --

22 ATTORNEY EXAMINER: Yeah, I'm going to
23 sustain.

24 MS. BOJKO: Thank you.

25 MR. NOURSE: I don't understand that,

1 your Honor. His assignment is a matter of contract,
2 it's a matter of public record. I'm not asking about
3 anything that's privileged, I'm simply -- it really
4 goes to his bias, your Honor.

5 MS. BOJKO: Objection, your Honor. It
6 directly goes to it. He asked him -- he stated a
7 term that implied an outcome.

8 ATTORNEY EXAMINER: Maybe you could
9 rephrase.

10 MR. NOURSE: I was trying to be as wide
11 open as possible and that's why I went to the more
12 specific question.

13 By Mr. Nourse:

14 Q. Prior to seeing the Stipulation in this
15 case, Mr. Lanzalotta, did you -- did you have an
16 understanding that OCC's position was to oppose
17 gridSMART deployment in Ohio?

18 MS. BOJKO: Objection. It goes to
19 litigation strategy. It's privileged.

20 ATTORNEY EXAMINER: I'm going to allow
21 this one. You can answer, if you know.

22 THE WITNESS: I was involved in this
23 case before I was ever aware of a Stipulation. I've
24 been writing parts of this testimony going back many
25 months, as far as a year. So I certainly wasn't

1 brought on board to anything that was Stipulation
2 related, per se.

3 By Mr. Nourse:

4 Q. Okay. So you were already on board and
5 opposed to the application; is that fair?

6 A. We're pointing out shortcomings in the
7 application, yes.

8 Q. And you didn't support the application,
9 correct?

10 A. No.

11 Q. Okay. By the way, if I ask you about an
12 opinion, I'm really -- in all cases I'm asking about
13 your representation of OCC and not your personal
14 opinions, okay?

15 A. Very good.

16 Q. Thank you. Now, your testimony gets
17 into the three-part test that the Commission has used
18 to evaluate stipulations beginning on Pages 3 and 4
19 of your testimony, correct?

20 A. Yes.

21 Q. And the questions I have for you, I'm
22 not trying to ask you legal conclusions, I'm asking
23 you about the three-part test relative to the
24 suppositions and positions in your testimony as it
25 relates to the Stipulation, okay?

1 A. Okay.

2 Q. And you have an understanding of the
3 three-part test that has been established in Ohio
4 that's being used by all parties in this case,
5 correct?

6 A. Yes, sir.

7 Q. Okay. And let's focus in first of all
8 on the language you use on Page 4 for the first
9 branch of the test. In Line 2 you've got a phrase
10 "with diverse interests". Do you see that?

11 A. Yes.

12 Q. And is it your understanding that that
13 is part of the test that's been adopted and used by
14 the Commission, that diverse interest piece?

15 A. As noted in my footnote, the Commission
16 has taken a position that the first prong does not
17 incorporate a diversity requirement.

18 Q. Okay. So then would it be your
19 understanding that the diversity factor -- the
20 diversity of interest factor that you're -- that
21 you're referencing in your testimony, is not a valid
22 basis for the first prong to be -- to fail?

23 A. Despite the positions statement about
24 not incorporating a diversity requirement, my
25 testimony notes that nevertheless the order there did

1 address the diversity of the parties that were
2 signing that Stipulation.

3 Q. Okay. But as you understood the test
4 that the Commission used, do you believe the
5 diversity of interest factor or component can be a
6 basis for the test to fail?

7 MS. BOJKO: Objection. Asked and
8 answered. He just asked the same question, and he
9 answered that the question does consider.

10 MR. NOURSE: That's a different matter,
11 your Honor. It doesn't answer my question. The fact
12 that they consider it doesn't mean anything about
13 whether it could fail on that basis.

14 ATTORNEY EXAMINER: I'll overrule. You
15 can answer.

16 THE WITNESS: Could I have the question
17 again, please?

18 (Question read.)

19 THE WITNESS: I think maybe it could.
20 By Mr. Nourse:

21 Q. Okay. Let me ask you a few -- now,
22 regardless of whether the diverse interest piece is
23 part of the test or whether it's, you know,
24 considered or not, I want to just ask you a few
25 questions about your application of that part.

1 A. Okay.

2 Q. Okay. So in question 7 -- question and
3 answer 7, you get into addressing that part of it,
4 right? Your answer No. 7 focuses on the diverse
5 interest component that you're -- that you're adding
6 into factor 1, correct?

7 A. Yes, sir.

8 Q. Okay. Now, just in general, do you
9 believe it's possible for that component to be
10 satisfied for any Stipulation that OCC does not sign
11 on to?

12 A. I'm not sure. I'm not sure the extent
13 to which there might be another party to represent
14 various diverse interests. I don't know of another
15 group that advocates solely on the basis of
16 residential customers.

17 Q. Okay. Now, does that suggest that your
18 understanding of the diversity interest component
19 that you're adding in here, that actually -- that
20 party has to represent residential customers solely
21 in order to be satisfactory under that component?

22 A. I'm not sure that that would be
23 required.

24 Q. And do you agree that OCC does not have
25 a veto to block any Stipulation they don't support

1 under the three-part test?

2 A. I'm not aware of any.

3 Q. And you may have said this but I want to
4 be clear. You're not aware of any party in this
5 proceeding that represents the interests of
6 residential customers, whether or not it's their sole
7 interest; is that correct?

8 A. Well, I was here yesterday when I heard
9 the discussion about whether the PUCO Staff
10 represents residential interests or not. They
11 certainly have represented that they do or they -- it
12 appears that they have.

13 Q. Okay. And can you think of any other
14 parties that have residential constituents as part of
15 their representation?

16 A. I guess that some of these parties may
17 have residential constituents.

18 Q. Who in particular are you thinking of?

19 MS. BOJKO: I'm sorry, your Honor, point
20 of clarification. Did you say parties or signatory
21 parties?

22 MR. NOURSE: Parties.

23 MS. BOJKO: Thank you.

24 THE WITNESS: I would say that, you
25 know, Direct Energy probably has residential

1 customers. Interstate Gas Supply, I don't know if
2 they sell at retail, but if they do, they have
3 residential customers.

4 Residential customers go to the
5 hospital, but I'm not sure that the Hospital
6 Association is advocating on their behalf.

7 By Mr. Nourse:

8 Q. Anybody else you can think of?

9 A. Not right now.

10 Q. Were you personally involved in any of
11 the settlement negotiations or attend the meetings
12 that occurred to develop the Stipulation?

13 A. No.

14 Q. And without getting into the content of
15 any settlement discussions or exchanges of ideas
16 there, do you know whether any of OCC's concerns were
17 addressed through the settlement process or reflected
18 in the final Stipulation?

19 A. To some extent.

20 Q. And which concerns were addressed to
21 some extent?

22 A. The one that most immediately comes to
23 mind is the \$400,000 per quarter credit.

24 Q. Okay. And that was not part of the
25 application, correct?

1 A. Correct.

2 Q. Okay. Anything else?

3 A. As I sit here, I can't think of one. I
4 can't say.

5 Q. Okay. Now, again asking you about your
6 representation of OCC, not your position in other
7 cases, but here in your testimony, can you tell me
8 when we talk about gridSMART or Smart Grid, is OCC
9 opposed in general to the deployment of gridSMART
10 technology, or are there components among the suite
11 of technologies that are acceptable or unacceptable
12 from OCC's standpoint?

13 MS. BOJKO: Objection to the extent it
14 calls for attorney/client privilege or litigation
15 strategies.

16 ATTORNEY EXAMINER: I'm going to
17 overrule. You can answer if you know.

18 THE WITNESS: Okay. I've never gotten
19 the feeling that OCC was inalterably opposed to the
20 idea of implementing these technologies. From my
21 perspective it usually came down to a matter of costs
22 and maybe perhaps consumers' rights, but no one there
23 has ever said to me we're just against advanced
24 metering or we're against distribution, circuit
25 reconfiguration or anything like that.

1 By Mr. Nourse:

2 Q. And actually I'm trying to ask you about
3 this case and your advancement of OCC's position
4 through the testimony in this case.

5 Let me back up. When I was talking
6 about a suite of technologies, let's just be a little
7 more specific. So if I refer to AMI, you understand
8 that I'm referring to advanced metering
9 infrastructure and you understand what that means in
10 this case, right?

11 A. Yes, sir.

12 Q. And distribution automation -- I refer
13 to it as DA, but there's also the CR part, the
14 circuit reconfiguration part, correct?

15 A. Yes, sir.

16 Q. And that's a component here?

17 A. Yes.

18 Q. Okay. And also Volt/VAR Optimization,
19 or we refer to it as VVO, correct?

20 A. Yes, sir.

21 Q. And you understand all those
22 technologies?

23 A. Yes.

24 Q. And together they are in this
25 Stipulation being deployed as a package, correct?

1 A. Yes.

2 Q. Okay. And we understand that OCC
3 opposes the package, so I guess what I'm asking is,
4 of those three major components that I mentioned, you
5 know, do you pick out one or two of those and say
6 they are good, but No. 3 is not good, or is it just
7 that you're just taking a position on the package and
8 you haven't thought about the components?

9 MS. BOJKO: Objection, your Honor.
10 Mischaracterizes his testimony. It assumes facts not
11 in evidence.

12 ATTORNEY EXAMINER: I'm going to
13 overrule. I think it's appropriate. You can answer
14 if you know.

15 THE WITNESS: Okay. I've thought a lot
16 about the components. My testimony here more
17 involves the terms of their implementation rather
18 than the technology itself.

19 By Mr. Nourse:

20 Q. Okay. And do you care to elaborate what
21 the terms of implementation that you're concerned
22 about more specifically?

23 A. What the costs are, what the benefits
24 are, when will residential ratepayers have to pay the
25 costs, and when can they expect to see some of the

1 benefits.

2 Q. And have you done any independent study
3 or analysis of the costs and benefits associated with
4 the gridSMART technologies in the Stipulation?

5 A. Yes.

6 Q. Have you presented it in discovery or
7 through your testimony in this case?

8 A. In this case? No.

9 Q. Okay. And I think the last part of your
10 concern list was referencing the operational savings
11 credit, is that correct, and how that's -- how and
12 when that's implemented, correct?

13 A. In essence, yes.

14 Q. Okay. Now, are you familiar with the --
15 Let's talk about that operational credit a little
16 bit, if we could.

17 Are you familiar with sort of the
18 sequence of events that would occur in deployment of
19 AMI, for instance, prior to operational savings
20 actually being realized by the Company? Can you
21 describe your understanding of that sequence?

22 A. I'm not sure I understand the question.

23 Q. So if the Stipulation is approved in an
24 order two months from now, will the operational
25 savings be realized at that time or some later time?

1 A. The savings or the credit?

2 Q. I'm talking about when the Company will
3 realize the operational cost savings associated with
4 AMI in this example, and I'm asking you what the
5 sequence of events would be relative to
6 implementation and ultimately to when the operational
7 cost savings would be realized by the Company.

8 A. Well, the Company would have to install
9 the meters and they wouldn't realize -- they would
10 start to realize savings when these meters were
11 installed because it wouldn't have to -- be less
12 expensive for them to read these meters. And they
13 would probably also have operational savings from the
14 ability to disconnect and reconnect remotely.

15 They would also have some savings under
16 storm conditions, even under daily operation
17 conditions, to be able to verify no lights status at
18 a particular residence without actually having to go
19 there.

20 Q. Okay. And just to be clear, I'll get
21 into the components of the savings a little bit
22 later.

23 A. Sure.

24 Q. What I'm trying to ask you now is the
25 timeline for when those savings would be realized

1 relative to what I'll call day zero when the
2 Commission issues an order approving the Stipulation.
3 Do you understand?

4 MS. BOJKO: Objection. He already asked
5 that, and he answered that they would start realizing
6 it after they installed. I mean, he's already
7 answered this question very thoroughly.

8 MR. NOURSE: Well, your Honor, he gave
9 an initial answer, and I want to get into more
10 detail. So I want to go deeper, deeper dive.

11 ATTORNEY EXAMINER: I'll allow.

12 By Mr. Nourse:

13 Q. So you mentioned installation first out
14 of the gate. Prior to installing the Company would
15 actually have to purchase the equipment, determine
16 the best purchase and make an order, and then receive
17 the equipment, correct?

18 A. Well, yes, but I --

19 Q. Okay.

20 A. I believe they have already decided on a
21 meter. At least that's the impression I got.

22 Q. I just want to be detailed and specific
23 here.

24 A. That happened before the Stipulation is
25 approved.

1 MS. BOJKO: Your Honor, may the witness
2 be allowed to completely answer his --

3 THE WITNESS: I finished my answer.

4 MR. NOURSE: Certainly.

5 By Mr. Nourse:

6 Q. But again, to be clear, there is time
7 involved with a purchase and then receiving the
8 equipment as a step, correct?

9 A. Yes.

10 Q. Okay. And then you talked about
11 installation. Now, can you give me a better
12 understanding of what -- what the installation phases
13 and timeline would be relative to the AMI deployment
14 in the Stipulation?

15 A. There's been estimates given as to how
16 fast they can install these, you know, what length of
17 time it would take and all. I don't recall those
18 right off the top of my head as I sit here, but it
19 stretches over a period of time.

20 Q. Okay. And then is it your understanding
21 that there would also be a parallel installation of
22 telecom communication infrastructure?

23 A. Yes.

24 Q. Okay. And is it your understanding that
25 there would be testing and verification upon

1 installation?

2 A. Yes.

3 Q. And so in general, do you have an
4 understanding of the number of months that it would
5 take to go through just the steps we just talked
6 about?

7 A. As I said, I don't recall the exact time
8 requirement.

9 Q. Okay. And without being exact, do you
10 have a range or an estimate, general idea?

11 A. Well, to complete the installation of
12 the Smart Meters and all, months to years.

13 Q. Okay. And is it fair to either require
14 or to expect that the Company would realize these
15 operational savings before they actually credit it to
16 customers?

17 MS. BOJKO: Your Honor, may I have that
18 question reread, please?

19 ATTORNEY EXAMINER: Sure.

20 (Question read.)

21 THE WITNESS: I'm confused. Is your
22 question that the -- maybe I just need --
23 By Mr. Nourse:

24 Q. I'll rephrase if you don't understand
25 it. So is it fair to require the Company to provide

1 a credit for savings that don't yet exist, or haven't
2 been realized?

3 MS. BOJKO: Objection. Assumes facts
4 not in evidence. He testified to the exact opposite,
5 that savings would be realized upon installation.

6 ATTORNEY EXAMINER: Overruled. I think
7 the question is can the customer -- if the meters are
8 not installed, they are not going to realize any
9 benefits until they are installed, and I believe that
10 the -- what the Company is getting at is there
11 shouldn't be a customer credit before the
12 installations begin. Mr. Nourse --

13 MR. NOURSE: I'm happy to rephrase, your
14 Honor.

15 By Mr. Nourse:

16 Q. So you just talked about a timeframe of
17 months to years to go through not just installation
18 but all the steps we just talked about that would
19 precede operational savings being realized, correct?

20 A. Yes.

21 Q. So it -- my question is --

22 MS. BOJKO: Your Honor, he wasn't --

23 MR. NOURSE: I wasn't finished with my
24 question.

25 By Mr. Nourse:

1 Q. So my question is, is the -- is it fair
2 to require the Company to provide a credit prior to
3 the operational savings being realized?

4 A. I don't think so.

5 Q. Okay. Now, I also told you earlier I
6 wanted to get into the different types of savings
7 and -- associated with these technologies, and so I
8 want to just ask you some general questions about
9 your understanding of that and whether the type of
10 savings that I'll reference are associated with
11 either AMI or DA, okay?

12 A. Okay.

13 Q. So let's talk about AMI first. And is
14 it your understanding that deployment of AMI would
15 result in avoided O&M costs for -- associated with
16 regular meter reads that would otherwise occur?

17 A. Yes.

18 Q. Okay. And similarly, would an O&M cost
19 be avoided for off-cycle and off-season meter reads?

20 A. Yes.

21 Q. Yeah, I'm sorry, I couldn't read. And
22 similarly, would AMI result in avoided O&M costs for
23 remote meter diagnostics that would have otherwise
24 occurred without AMI?

25 A. It has that potential.

1 Q. Okay. And would AMI deployment result
2 in increased revenue for the Company in association
3 with detecting power theft?

4 A. Yes.

5 Q. Thank you.

6 A. Let me just qualify my answer. It will
7 help detect power theft. I'm not sure if that's an
8 increase in revenue or a decrease in unpaid
9 electricity.

10 Q. Okay. So if it detects power theft and
11 then it's dealt with effectively by either cutting
12 off power to somebody that's not paying, or requiring
13 somebody that wasn't paying to pay, that would result
14 in increased revenue to the Company, correct?

15 A. If you make somebody pay that hasn't
16 been paying, that's an increase in revenue. If you
17 detect someone that hasn't been paying, you just cut
18 them off and you don't get money from them, then I
19 don't know if that's increased revenue there.

20 Q. But in that latter scenario there would
21 be a cost savings by not providing power to a
22 customer that's not paying for it, correct?

23 A. Yes, sir.

24 Q. Okay. And would deployment of AMI also
25 result in capital deferment through meter operations?

1 A. I think so, yes.

2 Q. And also decreased annual expenses for
3 meter operations through avoided O&M?

4 A. Yes.

5 Q. And would there also be -- through the
6 AMI deployment would there also be avoided O&M for
7 outage detection and outage verification?

8 A. Yes.

9 Q. And --

10 A. Rather outage verification, is that the
11 term you used?

12 Q. Outage verification or detection.

13 A. The detection part works to varying
14 degrees of success. You know, you get scattered
15 outages, you know, the AMI meter will tell the
16 Company the last gasp, so to speak, I'm out of power,
17 but you have a major storm that comes through and
18 you've got tens of thousands of these happening at
19 once, I think some of the bugs are probably still
20 being worked out of that capability.

21 However, once the Company knows there's
22 an outage and they have repair crews going around,
23 they can check that meter to see if it's been
24 restored yet or not. And there are savings from that
25 for sure.

1 Q. Okay. And sticking with AMI before we
2 switch to DA, would you agree that there's also O&M
3 cost savings for call center efficiency?

4 A. There could be.

5 Q. And could there also be avoided O&M for
6 reducing safety -- safety-related costs, for example,
7 of meter readers; they are out in the field
8 otherwise?

9 A. Yes, very definitely.

10 Q. Okay. And vehicle management could
11 result in O&M reductions through the deployment of
12 AMI, correct?

13 A. Yes, to some extent.

14 Q. All right. And then let me shift to DA
15 now. Let's talk about similar categories for
16 distribution automation. So would you agree that
17 deployment of DA would, you know, through the
18 efficiency and the system that offers, result in a
19 voltage reduction that has generation-related
20 savings?

21 A. Distribution automation?

22 Q. Yeah.

23 A. I thought you were talking about VVO
24 now.

25 Q. I'm sorry about that. VVO, yes. Thank

1 you.

2 A. Yeah, VVO will allow a voltage reduction
3 and savings in generation.

4 Q. Okay. And would DA result in avoided
5 O&M through continuous voltage monitoring?

6 A. Getting in kind of a gray area between
7 technologies now. The voltage monitoring sounds more
8 like VVO, or it could be AMI, too. Every Smart Meter
9 allows you to know the voltage that it's receiving.

10 Q. So is it true that -- your understanding
11 that these technologies work together and produce
12 synergies, if you will, through the combination of
13 technology?

14 A. That's the goal.

15 Q. Okay. How about for DA deployment,
16 avoided O&M for circuit breaker inspection, you agree
17 with that?

18 A. I'm not sure that I do.

19 Q. And how about capacitor inspections?

20 A. For distribution automation? Yeah, if
21 you put on capacitors with indicator capability, you
22 might be able to do some diagnostics there without
23 actually having to visit.

24 Q. Okay. And let me ask you about a couple
25 other benefits, some of which may be difficult to

1 quantify, but I just want to ask you whether they are
2 connected to AMI and DA and Volt/VAR Optimization.

3 So would you agree that the technology
4 deployed -- that would be deployed under the
5 Stipulation would help lower carbon emissions?

6 A. For which technology?

7 Q. I'm using them as a group now.

8 A. Okay. Yes, they could work to lower
9 carbon emissions.

10 Q. Okay. And that in some cases that could
11 involve less truck rolls or operation of internal
12 combustion engines, correct?

13 A. Yes, it could.

14 Q. And in some cases it could result in
15 less energy being generated and delivered to
16 customers, correct?

17 A. Yes, sir.

18 Q. Okay. And do you agree that there are
19 reliability improvements associated with deploying
20 the technologies in the Stipulation?

21 A. To a certain extent, yes.

22 Q. Okay. And do you agree -- you may have
23 already sort of indirectly addressed this, but I want
24 to be clear.

25 Do you agree that for VVO specifically,

1 the potential is there for customers to have lower
2 energy bills, regardless of what the price of energy
3 is they would be using less energy, correct?

4 A. All else equal, yes, sir.

5 Q. And with respect to the operational cost
6 savings in general, would you agree that the burden
7 or the risk would be on the Company to ensure that
8 these savings are maximized, optimized?

9 A. I don't know. I don't know that -- I
10 haven't seen it explained where the Company is going
11 to get less than full recovery of this stuff, so I'm
12 not sure that -- I'm not sure that that's the case.

13 Q. Well, I understand you may take issue
14 with the \$1.6 million initial annual credit, and I
15 guess you may think it should be higher, but whether
16 it's 1.6 or whether it's 1.0 or whether it's 2.0,
17 wouldn't the Company have the incentive to maximize
18 the savings either in order to meet or exceed the
19 credit being given?

20 MS. BOJKO: Objection. Asked and
21 answered. He just answered that question.

22 MR. NOURSE: He said he wasn't quite
23 understanding my question so I tried to clarify.

24 ATTORNEY EXAMINER: Overruled. You can
25 answer.

1 THE WITNESS: I'd like to hear it again
2 if I could.

3 (Question read.)

4 THE WITNESS: Okay. I'm not sure how
5 much chance there is of the credit not exceeding
6 the -- about the credit exceeding the savings
7 initially at the 1.6 million.

8 In terms of incentives, I'm not sure
9 about the Company's incentive to maximize customer
10 savings from these technologies. I guess they have
11 some incentive to do that, but it's not all that
12 clearcut, to me anyway.

13 By Mr. Nourse:

14 Q. Okay. And by the way, earlier I asked
15 you about whether you had done any study of the cost
16 benefit of the technologies in the Stipulation
17 presented in this case. And I wanted to ask you
18 about in relationship to that, your opportunity to
19 evaluate the data that the Company has provided.

20 And again, none of my questions want to
21 get into your attorney/client privilege, but did you
22 have an opportunity to ask questions through the
23 discovery process of your counsel?

24 MS. BOJKO: Objection. May I have the
25 question reread?

1 (Question read.)

2 MS. BOJKO: I do object, your Honor, to
3 the mischaracterization. He said he did a
4 Cost/Benefit Analysis; not in this case.

5 ATTORNEY EXAMINER: Can you rephrase?

6 MR. NOURSE: That's what I was asking.
7 By Mr. Nourse:

8 Q. So let's just skip the preface so I
9 think we're back to where we were before.

10 Did you have an opportunity to ask
11 discovery questions through counsel of the Company in
12 this case?

13 A. Yes.

14 Q. And did you review the discovery
15 responses that the Company provided?

16 A. Yes.

17 Q. And did you have the opportunity to
18 formulate follow-up questions upon reviewing those
19 responses?

20 A. I believe we had some, yes.

21 Q. And are you aware in this case of any
22 discovery disputes where the Company did not provide
23 the information requested?

24 A. Not that come to mind.

25 Q. Okay. Now, when it comes to deployment

1 of network technology like we're talking about here
 2 involving the Stipulation, do you agree that the cost
 3 of network equipment should be reflected in retail
 4 rates if it's a prudent investment that's used and
 5 useful in providing electric service?

6 A. Given that description, it sounds like a
 7 yes.

8 Q. Okay. Can you turn to Page 10? And
 9 starting on Line 21 on Page 10, you make a statement
 10 that the Stipulation addresses the development of the
 11 Business Case by noting that there will be a future
 12 formal evaluation of the benefits which will serve to
 13 further illustrate the benefits associated with the
 14 proposed implementation. Do you see that?

15 A. Yes.

16 Q. And you go on to say instead of
 17 requiring an adequate Business Case to justify the
 18 Smart Grid deployment the Stipulation allows the
 19 Company to deploy Smart Grid first then evaluate
 20 feasibility and benefits after deployment. Do you
 21 see that?

22 A. Yes.

23 Q. Okay. Now, is it your understanding
 24 that the Stipulation and the testimony supporting the
 25 Stipulation reflects an updated business cost that

1 fully incorporates the terms of the Stipulation?

2 MS. BOJKO: Your Honor, I think you
3 meant Business Case.

4 MR. NOURSE: I thought that's what I
5 said.

6 (Question read.)

7 THE WITNESS: Yes, I believe they do.

8 By Mr. Nourse:

9 Q. And any idea how many discovery requests
10 the Company responded to after the -- after the
11 Stipulation and supporting testimony was filed?

12 A. From OCC?

13 Q. Sure.

14 A. I still don't have an estimate.

15 Q. Okay. All right. You don't get paid by
16 the question, so neither do I.

17 A. Okay.

18 Q. But I guess your -- your statement on
19 Page 11, Line 3, about what you call the backwards
20 sequence of action, and I guess you make similar
21 statements in the rest of that answer, so is your
22 position that the audit to determine the operational
23 cost savings level should be done before any
24 deployment of technology is done?

25 A. In effect, the development of the

1 Business Case, yes.

2 Q. Well, okay. That's not what I was
3 asking about though, but let me try to pare it down
4 then. So the Business Case includes various things,
5 among them a Cost/Benefit Analysis, correct?

6 A. Correct.

7 Q. And I'm not asking you to agree with
8 them, I'm just asking you to confirm that it's in
9 there. And secondly it also has a discussion
10 including projections of operational cost savings,
11 correct?

12 A. Yes, sir.

13 Q. Okay. So is it your position that
14 having a Business Case with those two components, and
15 the parties and the Commission can make an upfront
16 judgment about deployment of Phase 2 technology, that
17 we also -- the Commission also should require that
18 the full operational cost savings audit occur as a
19 predicate to deployment or in advance of deployment,
20 is that your position?

21 A. I'm not sure how you can audit something
22 that hasn't happened yet, so --

23 Q. Good point.

24 A. The audit kind of has to wait until
25 after you have something to audit.

1 Q. Okay. And did you work for OCC in
2 connection with the Duke gridSMART cases?

3 A. I may have looked at some of that
4 material. I wasn't nearly as active there as I have
5 been in this case.

6 Q. Okay. Are you aware whether there was a
7 mid-period audit that was done in that case?

8 A. I am not.

9 Q. Okay. All right. Let me shift now
10 to -- well, we're still on Page 11, so Footnote 15
11 you make a statement about gridSMART Phase 1
12 operational cost savings. Do you see that?

13 A. Yes, I do.

14 Q. Okay. And so it's your understanding
15 based on what you're saying in the footnote, that
16 none of the gridSMART Phase 1 cost savings have been
17 reflected in rates to date?

18 A. That's my understanding, yes.

19 Q. Okay. Do you know -- do you know, are
20 you familiar with the Company's last base
21 distribution case?

22 A. I am not.

23 Q. Okay. All right. I'd like to show you
24 the Staff report from that case. This is a large
25 document so I don't have too many copies, but I'll

1 hand one to your counsel.

2 MR. NOURSE: You don't have it, do you,
3 Ms. Bojko? You don't have it with you?

4 MS. BOJKO: Of course not.

5 ATTORNEY EXAMINER: If you just give me
6 the case number, I can pull that up.

7 THE WITNESS: 11-0351.

8 MS. BOJKO: Your Honor, before we go
9 down this path, I guess I'll object before he takes
10 the time to read. He said he's not familiar with the
11 case. If he's not familiar with the case in general,
12 he's clearly never seen one Staff report issued in
13 the case.

14 It's not a Commission order. I think
15 it's pretty unfair to put him on the spot to read a
16 192-page document and answer questions.

17 MR. NOURSE: It's very simple, your
18 Honor. And why don't we get to the question and you
19 can rule on whether or not I can ask the question I
20 want to ask?

21 By Mr. Nourse:

22 Q. So, Mr. Lanzalotta, you've been involved
23 in a host of rate cases I see from your resume,
24 correct?

25 A. Yes, sir.

1 Q. Okay. So you understand the basics of
2 traditional ratemaking?

3 MS. BOJKO: Objection. Are we talking
4 about Ohio ratemaking?
5 By Mr. Nourse:

6 Q. The basics meaning in any state that has
7 traditional ratemaking.

8 A. I think so.

9 Q. Okay. Test year concept?

10 A. Yes, sir.

11 Q. Date certain concept?

12 A. Yes.

13 Q. Okay. So what I want to ask you about
14 the Staff report relates to that. So can you turn to
15 Page 9 of the document?

16 ATTORNEY EXAMINER: I'm sorry, what case
17 was this again?

18 MR. NOURSE: I'm sorry. It's 11-351 and
19 the Staff report is dated September 15th, 2011. And
20 I'll give your Honor a moment.

21 By Mr. Nourse:

22 Q. But, Mr. Lanzalotta, I wanted to ask you
23 about the heading called "Annualized Labor Payroll
24 Expense"?

25 MS. BOJKO: Objection.

1 ATTORNEY EXAMINER: Hang on one second.

2 What page was that?

3 MR. NOURSE: Page 9.

4 (Pause.)

5 ATTORNEY EXAMINER: Okay. I am there.

6 By Mr. Nourse:

7 Q. So on Page 9 there's a category called
8 "Annualized Labor Payroll Expense". Do you see that,
9 Mr. Lanzalotta?

10 MS. BOJKO: Objection. Again, your
11 Honor, he's going to try to read this document into
12 the record and that's inappropriate.

13 ATTORNEY EXAMINER: I'll allow a little
14 bit.

15 By Mr. Nourse:

16 Q. All I want to ask you here on this page
17 is do you see the sentence that says, "the Staff
18 annualized test year labor expense to reflect the
19 actual employee levels for the month of May 2011"?

20 MS. BOJKO: Objection. Again, he's just
21 reading the document into the record. He said he's
22 never seen this document before. He has no basis of
23 the context of the statement Staff is making and he's
24 just trying to read it into the record, which is very
25 prejudicial given that the witness has not --

1 ATTORNEY EXAMINER: I'm going to
2 overrule. I think we'll see what his ultimate
3 question is, but so far he's just asking if he sees
4 what is written here. You can answer.

5 THE WITNESS: Thank you. Yes.

6 By Mr. Nourse:

7 Q. Okay. And again, your familiarity with
8 general traditional ratemaking principles, do you
9 have an understanding of that sentence to mean that
10 the labor expenses that the Staff used in its Staff
11 report reflected the levels that were on the
12 Company's books as of the May 2011 timeframe?

13 MS. BOJKO: Objection. Now he's asking
14 him what the basis of Staff's comment is.

15 ATTORNEY EXAMINER: I'm going to
16 overrule. I'm going to allow a little leeway here.

17 MR. NOURSE: Your Honor, all I'm asking
18 here -- I'm entitled to use this document. He's
19 making statements about what's reflected in rates.
20 He made that statement in his testimony. And so
21 what's reflected in rates results from this case.

22 The fact that he hasn't reviewed it
23 isn't my fault. And so this is a very simple matter,
24 it's the level of expense and the data that was used
25 for that, and then so I wanted to ask him, do you

1 know when the Phase 1 deployment was completed for
2 gridSMART AEP Ohio?

3 THE WITNESS: I'm not sure when it was
4 completed.

5 By Mr. Nourse:

6 Q. Do you know if it was completed
7 approximately a year before May 2011?

8 A. No, I don't.

9 Q. Does that sound about right?

10 MS. BOJKO: Objection.

11 ATTORNEY EXAMINER: I'll allow this, but
12 I think maybe a hypothetical might be more than --
13 By Mr. Nourse:

14 Q. So if the gridSMART Phase 1 deployment
15 occurred and was completed by June 2010, would you
16 expect the labor expense, that if you measure it in
17 May 2011, to reflect operational cost savings
18 associated with labor expense?

19 A. I guess it might, yes.

20 Q. Okay. Let me ask you to turn to Page
21 24.

22 ATTORNEY EXAMINER: Of?

23 By Mr. Nourse:

24 Q. Of the Staff report. And are you
25 familiar with the \$53 connection and disconnection

1 charge that -- you discuss that in your testimony, do
2 you not?

3 A. No, I don't.

4 Q. Are you familiar with the charge that
5 AEP Ohio has for connection and disconnection trip
6 charge?

7 A. Not specifically. I know they have one.
8 I'm not familiar with the level.

9 Q. Okay. Is it your position that
10 disconnection -- the savings associated with
11 disconnection of -- let me start that question over.

12 So in your Footnote 15 on Page 11, when
13 you say that none of the gridSMART Phase 1 savings
14 had been reflected in rates, did you include any
15 disconnection savings from AMI?

16 MS. BOJKO: Objection. That's not what
17 Footnote 15 says, your Honor.

18 MR. NOURSE: I'm asking him what it
19 means.

20 MS. BOJKO: The question said that when
21 you said in Footnote 15 that doesn't reflect any
22 savings. That is not what the footnote says, so it's
23 an improper question based on an improper premise.

24 MR. NOURSE: Your Honor, it says
25 customers have received none of the benefits to be

1 reflected in rates. If he wants to split that hair.
2 I'd welcome him to clarify it. I think it's exactly
3 the same.

4 MS. BOJKO: It's not the same, your
5 Honor. If he'd like to rephrase his question, that
6 would be more appropriate.

7 ATTORNEY EXAMINER: Please rephrase.

8 By Mr. Nourse:

9 Q. All right. So you're stating in
10 Footnote 15 that none of the savings from Phase 1 are
11 reflected in rates, correct?

12 MS. BOJKO: Objection.
13 Mischaracterizes --

14 ATTORNEY EXAMINER: I'll overrule that.
15 You can answer.

16 THE WITNESS: Yes.

17 By Mr. Nourse:

18 Q. That's your position, none of the
19 operational cost savings in gridSMART Phase 1 are
20 reflected in AEP Ohio's rates as of today, correct?

21 A. That was my impression.

22 Q. And did you evaluate the Company's rates
23 in formulating that impression?

24 A. I didn't review this.

25 Q. You didn't review anything about the

1 last base distribution case?

2 A. I reviewed parts of the Stipulation, but
3 as they applied to revenue recovery, lost revenue
4 recovery, that kind of thing.

5 Q. Okay. Now, do you agree that one of the
6 significant areas of savings, potential savings, for
7 AMI relates to remote disconnection?

8 A. It's an area of savings, yes.

9 Q. Okay. And as a subcategory, it falls
10 within your statement that none of the savings are
11 reflected in rates, correct?

12 A. Yes.

13 Q. And -- but you really didn't look at
14 trip charges or anything else from the last base
15 distribution case to support that determination,
16 correct?

17 A. No.

18 Q. All right. We can put that aside.
19 Well, to clarify, I asked you if you didn't -- we
20 don't have double negatives in the record -- so you
21 didn't review anything under the base distribution
22 case to support that conclusion, to be clear your
23 answer "no" meant you were affirming my question,
24 correct?

25 A. Correct.

1 Q. Thank you.

2 ATTORNEY EXAMINER: Let's go off the
3 record for a minute.

4 (Thereupon, at 11:45 a.m. a lunch recess
5 was taken.)

6 ATTORNEY EXAMINER: Let's go back on the
7 record. And I think, Mr. Nourse, the ball is still
8 in your court.

9 MR. NOURSE: Thank you, your Honor.

10 By Mr. Nourse:

11 Q. Mr. Lanzalotta, could you turn to Page
12 12 of your testimony?

13 A. Okay.

14 Q. All right. And I want to ask you about
15 the sentence that begins on Line 8, and ends on Line
16 11. So as I understand it, you're challenging the
17 timing of the operational cost savings audit and
18 ultimately, I suppose, the updating of the credit
19 from the 1.6 million in the Stipulation to some other
20 number at that time, is that what you're addressing?

21 A. Yes.

22 Q. Okay. And I guess your conclusion there
23 at the end of the sentence is that residential
24 customers would be footing a disproportionately
25 larger share of the bill under that approach,

1 correct?

2 A. I think what it says is that customers
3 would be paying before -- before the detailed review.
4 I think that's what it --

5 Q. All right. Well, let me ask you, in
6 general, based on your review of the data the Company
7 provided in its filing and in the discovery, is it
8 your understanding that the cost side of the equation
9 increases over time?

10 A. You mean we're getting more costs over
11 time?

12 Q. Yeah, if you look at the implementation
13 schedule and you look at -- not speaking of benefits
14 right now, but the cost side, costs in year 1 would
15 be smaller than year 2, generally increasing over
16 time. Is that your understanding?

17 A. Yes.

18 Q. All right. And would you also agree
19 that the -- on the savings side now, shifting over to
20 the savings side, that as the deployments occur, as
21 the Company deploys tests and implements the
22 equipment, that the operational savings would also
23 tend to increase over the -- as time goes by?

24 A. Yes, I think those operational savings
25 would start as soon as the equipment is installed,

1 and it would tend to increase over time as more of
2 this equipment is installed.

3 Q. And did you review the cost -- the
4 detail involved with the cost projections advanced by
5 the Company through discovery?

6 A. Yes.

7 Q. And that detailed information confirmed
8 both of the things we just talked about, that costs
9 increase over time and that benefits -- projected
10 benefits also increase over time?

11 A. Projected benefits, yes.

12 Q. Okay. Give me a moment here, I'm trying
13 to skip things we have already covered.

14 Now, are you familiar with AEP Ohio's
15 rates and riders either generally or specifically?

16 A. Not to any great extent. I'm familiar
17 with -- to some extent with this gridSMART Rider, but
18 I don't have a general understanding of all the --
19 you know, the rates and the tariffs or all the
20 various riders.

21 Q. Okay. So just to be clear on that, so
22 if I asked you about a particular rider like the
23 EE-PDR rider or the USF rider, in terms of the
24 mechanics of the rider, how it's calculated, how it's
25 reconciled, you wouldn't have that knowledge as you

1 sit there on the stand today, correct?

2 A. That's correct.

3 Q. Okay. And beyond the gridSMART Rider,
4 are there any other riders or base rate structures
5 that you are familiar with?

6 A. The DIR Rider.

7 Q. Okay. And what's your understanding of
8 the DIR?

9 A. Well, it's investment into the
10 distribution system, I think for purposes of
11 increasing reliability.

12 Q. Is that reconciled annually?

13 A. I don't know.

14 Q. Okay. And so you don't know the
15 mechanics or the details of how the rider's
16 calculated or reconciled?

17 A. Not really.

18 Q. Okay. That's fine. I just wanted to
19 clarify that. And Page 13 -- I'm trying to find the
20 right references here. Okay. In Line 10 of your
21 testimony on Page 13 you state a calculation you made
22 that the Company's expecting a net gain of almost 13
23 million per year. Do you see that?

24 A. Yes, I do.

25 Q. Okay. And that calculation, as I think

1 it is explained in the footnote, is essentially just
2 a levelized -- a levelized calculation of savings
3 over the full period in the Attachment A to the
4 application. Sorry, let me rephrase that.

5 So your calculation of 13 million per
6 year is based on a levelized view of the 15 years
7 covered in the Business Cases?

8 A. Yes.

9 Q. Okay. And as we just discussed, those
10 savings don't occur -- or they are not realized on a
11 levelized basis by the Company, correct?

12 A. As far as I know, no, they are not.

13 Q. Okay. Now, is it your understanding
14 that that calculation -- does it include all the
15 savings that -- beyond operational cost savings that
16 the Company would realize that might be associated
17 with this technology deployment?

18 In other words, savings that the
19 customers would be receiving directly would not be
20 included in that, correct?

21 MS. BOJKO: Objection. Assumes facts
22 not in evidence. There's been no testimony about
23 the -- whether there is or isn't the additional
24 customer savings. No foundation.

25 MR. NOURSE: I disagree with that. But

1 I'm asking him --

2 ATTORNEY EXAMINER: Maybe you can
3 rephrase.

4 MS. BOJKO: With this witness, your
5 Honor.

6 ATTORNEY EXAMINER: With this witness.
7 By Mr. Nourse:

8 Q. Okay. So -- that's exactly what my
9 question is. The 13 million that you're referencing
10 there on the Line 10, does that exclusively cover
11 operational cost savings that are realized by the
12 Company or projections for that?

13 A. I don't think everything is in this 194
14 million that's used to generate this 13 million a
15 year.

16 Q. So there may be customer savings that
17 are experienced directly that are not part of this
18 number, is that what you're saying?

19 A. Let me just double-check something.

20 Q. Yeah.

21 MS. BOJKO: While he's doing that, may I
22 have the question reread, please?

23 (Question read.)

24 THE WITNESS: Okay.

25 By Mr. Nourse:

1 Q. You want me to ask you again?

2 A. I thought I had answered, but it
3 doesn't -- I'm okay with the answer I gave before.

4 Q. All right. So would you agree that
5 there would be expected customer savings that
6 customers would realize themselves as a result of
7 this technology deployment that's not captured in the
8 calculation of 13 million per year that you reference
9 there?

10 A. Yes.

11 Q. And do you expect that there would also
12 be some savings that are indirect through the
13 operation of other riders of the Company whereby
14 customers would save over time as a result of this
15 technology deployment?

16 MS. BOJKO: Objection. He just said
17 except for the DIR, that he wasn't aware of other
18 riders. So I'm not sure the context of the other
19 riders, I think it's vague and overbroad.

20 ATTORNEY EXAMINER: Okay. Can you
21 rephrase?

22 MR. NOURSE: Well, I'm asking him a
23 general question. If he doesn't know or he doesn't
24 understand, that could be an answer.

25 By Mr. Nourse:

1 Q. So, Mr. Lanzalotta, is -- I want to ask
2 you again about the categories of potential savings
3 associated with the deployment of this technology,
4 and whether this \$13 million per year number captures
5 everything. I think you already agreed it doesn't
6 capture everything. So I want to drill down and
7 clarify what it doesn't capture.

8 So would you expect, or is it possible
9 that other riders would operate as time goes by to
10 pass benefits back to customers that would be
11 associated with this deployment?

12 MS. BOJKO: Objection. Still it's very
13 vague and I have no --

14 ATTORNEY EXAMINER: I'm going to allow
15 the question. You can answer, if you know.

16 THE WITNESS: There may be savings that
17 aren't included in this 13 million. I'm not sure
18 what the operation of other AEP riders are with
19 regard to flowing any of those additional savings
20 back to customers.

21 By Mr. Nourse:

22 Q. Okay. And earlier I asked you about the
23 standard for allowing cost recovery for network
24 equipment that's being deployed, and I believe you
25 said that if it's a prudent investment that's used

1 and useful, that it's fair to reflect the cost in
2 rates. Did I recall that correctly?

3 A. I think so.

4 Q. And is it -- is it fair to look at an
5 individual piece of equipment or even a group of
6 technology deployments and ask the question of
7 whether individual customers have a financial benefit
8 or a net financial benefit through that deployment?
9 Is that inquiry relevant to traditional ratemaking in
10 your experience?

11 MS. BOJKO: Objection. He has two
12 different questions; is it fair, and then is the
13 inquiry relevant. I'm not sure which one the witness
14 is supposed to answer.

15 MR. NOURSE: I think they are co-equal.
16 By Mr. Nourse:

17 Q. But is it part of traditional ratemaking
18 to look at a technology or equipment deployment and
19 either allow or not allow cost recovery based on
20 whether customers experience a net financial benefit
21 through the deployment?

22 A. I don't think -- as part of traditional
23 ratemaking, investigating whether individual
24 customers receive a financial gain. Now whether the
25 equipment is used and useful in serving them, you

1 know, is one thing. I don't think that the rest is
2 part of traditional ratemaking.

3 Q. And does the same answer apply to a
4 group of customers like residential, or class of
5 customers like residential?

6 A. That you would judge the installation of
7 this equipment only by its financial effect on these
8 customers?

9 Q. Yes.

10 A. We could certainly look at it on a class
11 basis. That's part of the ratemaking process.

12 Q. Well, okay. Let me be clear. So we're
13 not talking about the cost, the prudent investment
14 being reflected in the rates, I think you and I
15 agreed that that's the appropriate standard.

16 What I'm now asking you about is if a
17 piece of equipment is installed like a transformer or
18 a telephone pole, or a piece of conductor, should the
19 utility's cost recovery for that equipment be driven
20 by or determined by whether customers have a
21 financial benefit from the installation of that
22 equipment?

23 A. Well, it would depend. If the Company
24 proposes this equipment on the basis that it's going
25 to save customers money or it's going to improve

1 their reliability, I think that should be taken into
2 account.

3 If the Company says it's going to save
4 customers money and then it doesn't, or the business
5 plan shows that it won't, yeah, I think that's
6 relevant.

7 Q. Okay. And how about with respect to
8 rate design or revenue allocation as opposed to
9 whether the costs should be reflected in rates
10 generally, in the context of revenue allocation to a
11 class or rate design for a class of customers, is
12 this -- is this notion of whether a class has a net
13 financial benefit from the deployment, is that
14 relevant in traditional ratemaking?

15 A. The allocation of costs or just -- cost
16 and revenues and their effect on the class has
17 certainly been looked at as part of the cost
18 allocation and rate design process in most of the
19 rate cases that I've been familiar with.

20 Q. Well, again, I'm talking about the
21 financial impact of the deployment. So can you give
22 me an example where that has been used to determine
23 the class revenue or the rate design?

24 A. Virtually any time in a rate case that
25 base rates are going to go down rather than up, the

1 effect of revenue and cost allocation to the rate
2 classes is pretty carefully scrutinized, and is
3 frequently a matter of controversy between rate
4 classes. When rates are going up, it's perhaps a
5 little bit different, but --

6 Q. Okay. So let me ask you a different
7 question. If -- do you agree that the value of
8 service or the lack of service to a class of
9 customers is a different question than the net
10 financial impact of receiving service or having an
11 outage?

12 THE WITNESS: I'd like to hear that one
13 again if I could.

14 (Question read.)

15 THE WITNESS: I wouldn't know where to
16 begin with that question.

17 By Mr. Nourse:

18 Q. I thought it was crystal clear. Let me
19 try again.

20 All right. So in your testimony you
21 have this section, I think it starts on Page 20 --
22 let me verify that. Actually starts on Page 21, and
23 goes quite a ways, I think through 30, and I think
24 that whole section deals with your proposition that
25 the allocation to the residential class is too high,

1 right?

2 A. Yes, in essence.

3 Q. All right. And that -- that analysis is
4 driven in large part by I think what's in Table 3 on
5 Page 24. And let me be more specific. So you --
6 your calculation in Table 3 on Page 24 has a weighted
7 average outage cost for residential of \$2.33 per
8 hour. Do you see that?

9 A. Yes, I do.

10 Q. And that, I'll say low outage cost per
11 hour relative to the other classes is what's driving
12 your position that the revenue allocation should be a
13 lot lower for residential, correct?

14 A. That's stemming from the Cost/Benefit
15 Analysis. The Company -- go back to Page 22 and Page
16 23, Table 2. The Company develops this Cost/Benefit
17 Analysis for the gridSMART 2, and they show that on a
18 cash basis it has a benefit-to-cost ratio of 2.8.

19 The purpose of my Table 3 on this entire
20 section is to show that while on a company-wide basis
21 that representation of cost benefits may be -- may be
22 accurate, that when you look at the residential class
23 as compared to the commercial and industrial classes,
24 they get much less value from the increased
25 reliability than these other two classes.

1 And so that if you do the Cost/Benefit
2 Analysis and look at residential by themselves, as I
3 do on Table 5, Page 27, the residential as a class
4 don't see a benefit, they see a \$50 million deficit
5 while the nonresidential customers have benefits that
6 exceed the costs.

7 Q. Okay. And it's interesting in your
8 answer just then you -- you quote the two terms that
9 I used in my question, cost and value
10 interchangeably.

11 So you're saying that the outage cost is
12 equivalent to the actual value of service to
13 residential customers, am I understanding that
14 correctly?

15 A. This outage cost taken from Table 3 is a
16 benefit as the title to the table explains, customer
17 benefits from avoided outages. So that's the
18 benefit. And we compare those against the costs for
19 installing gridSMART 2, and we get a cost benefit --
20 or rather benefit-to-cost ratio, I'm sorry.

21 Q. Okay. But again, correct me if I'm
22 wrong, but you're saying the benefits in Table 3 as
23 calculated through the weighted average outage cost
24 per hour reflects the actual value of service for,
25 inversely, an outage for residential customers; is

1 that correct?

2 A. Yes. I'm just trying to be consistent
3 with what the Company did in its Application. They
4 are the ones that introduced this concept. I'm just
5 using it to break out the residential class and show
6 them separately.

7 Q. Okay. Well, to be clear, the Company
8 didn't use this data to -- in any way relating to
9 revenue allocation and rate design, correct?

10 A. No, they used it to show that on a
11 company-wide basis they feel there's a benefit that
12 exceeds the cost from gridSMART 2.

13 Q. Now, speaking of company-wide, you show
14 on Table 3 that there's a total of 5.2 million
15 customers. Do you see that?

16 A. Yes, I do.

17 Q. And is that your understanding of how
18 many customers AEP Ohio has?

19 A. I'm going back to the Company's
20 application, if I could.

21 Q. Sure. Take your time.

22 A. It's not in there, it was in a data
23 response, I guess. These numbers -- those weren't
24 mine, I took those from information provided to me by
25 the Company.

1 Q. Okay. Well, let me ask you a
2 hypothetical then. If the Company, AEP Ohio, only
3 had about 1.5 million customers, then the resulting
4 calculations from this table would be incorrect,
5 would they not?

6 A. If you've only changed one of the
7 numbers of groups of customers?

8 Q. Well, no.

9 A. If you're going to change them all?

10 Q. If each of the numbers in the column
11 that totals 5.2 million for 2011 AEP customers is
12 incorrect, then that would mean that the calculations
13 in this table were incorrect, right?

14 A. You could change every one of those
15 numbers in the column labeled 2011 AEP customers, and
16 it would still be possible to come out with the same
17 class percentages as you do here.

18 But if you change one of them and don't
19 change the others, yes, then these percentages and
20 the rest of the numbers in the table would change.

21 Q. Or if they don't -- if they are not
22 perfectly scaled down to 1.5 million proportionally
23 within each class, that would also mean the
24 calculations are incorrect, right?

25 A. I think so, yeah.

1 Q. Okay. Now, getting back to the \$2.33,
2 the weighted average outage cost per hour for
3 residential.

4 A. Yes.

5 Q. Now, is it your -- let me give you a
6 hypothetical. So if the Company, through its own
7 negligence, caused an outage for a customer or a
8 group of customers, is it your position that the
9 value of losing service per hour of \$2.33 is fully
10 compensatory to all the customers affected?

11 A. Again, I didn't choose to use these
12 numbers or this approach on my own initiative. This
13 is -- this is the approach that the Company used to
14 develop the reliability benefit, as far as I'm aware.

15 As to whether that's my idea of what
16 would be fully inclusive, I'm aware that there are
17 many, many criticisms of the study that these outage
18 costs come from. But in trying to stay consistent
19 with what the Company did, that's why I used these
20 numbers.

21 Q. Okay. Are you done?

22 A. I'm done.

23 Q. Okay. But again, you're using these
24 numbers for a completely different purpose than what
25 the Company used them for, correct?

1 MS. BOJKO: Objection.

2 THE WITNESS: No.

3 MS. BOJKO: Never mind.

4 THE WITNESS: The Company used them to
5 develop a reliability value, and so am I. I'm just
6 breaking out the residential class from the rest of
7 the Company in the process. It's the same process.
8 By Mr. Nourse:

9 Q. Okay. But you're using them for revenue
10 allocation and rate design, and that was not the
11 purpose in which the Company used them, correct?

12 MS. BOJKO: Objection.

13 THE WITNESS: I'm using -- sorry. Go
14 ahead.

15 MS. BOJKO: At this point he's asked the
16 same question three or four times. He doesn't like
17 the answer, so now it's argumentative.

18 ATTORNEY EXAMINER: I'm going to allow
19 it. You can answer.

20 THE WITNESS: Could I have the question
21 again, please?

22 (Question read back.)

23 THE WITNESS: I am using them to
24 generate a cost -- a benefit cost number for the
25 residential class, and in doing so I am pointing

1 out -- or I'm trying to point out the deficiencies in
2 the allocation of costs that the Company is using for
3 the gridSMART 2 Rider.

4 By Mr. Nourse:

5 Q. So it's your position, though, that the
6 cost of an outage and the value for residential
7 customers is just a fraction of the value for
8 commercial/industrial customer outages, right?
9 That's your proposition?

10 A. That's the proposition reflected in the
11 study that these numbers came from. I've seen other
12 studies that weren't by National Labs, like I believe
13 this one was by EPA.

14 They may not come out with exactly the
15 same number, but they come out with roughly the same
16 proportions, avoided outage to residential customer.
17 It's just not as valuable as an avoided outage to a
18 commercial establishment.

19 Q. And has that factor alone been used to
20 determine class allocation of revenue responsibility
21 for gridSMART deployment in other jurisdictions?

22 A. I don't know.

23 Q. Not that you're aware of?

24 MS. BOJKO: Objection.

25 THE WITNESS: I just don't know.

1 By Mr. Nourse:

2 Q. Okay. Now, if there's an outage for an
3 area is it your position that the Company should
4 focus on restoring commercial/industrial customers
5 where the real economic impact lies to an outage in
6 advance of trying to restore residential customers?

7 MS. BOJKO: Objection.

8 THE WITNESS: Well, as a practical
9 matter a company does -- I'm sorry.

10 MS. BOJKO: Your Honor, my objection is
11 it assumes facts not in evidence. There's been
12 nothing to -- that counsel is adding terms and
13 phrases "economic", or "economic matters" or where
14 there's economic determination that has not been
15 established yet. There's no foundation in the
16 record.

17 ATTORNEY EXAMINER: Mr. Nourse, can you
18 rephrase?

19 MR. NOURSE: If it helps you, your
20 Honor, I'll rephrase it.

21 ATTORNEY EXAMINER: It would.

22 By Mr. Nourse:

23 Q. You know, again, as we have talked about
24 here for quite a while, Mr. Lanzalotta, you're using
25 Table 3 to show that the weighted average outage

1 costs per hour for residential is much, much smaller
2 than the same outage cost per hour for
3 commercial/industrial, correct?

4 A. That's what it shows.

5 Q. And what I'm asking you is whether --
6 it's a hypothetical -- where there's an outage in an
7 area should the Company focus on the customers that
8 have the larger economic impact and outage cost per
9 hour and leave residential for last, it's a tiny,
10 tiny outage cost per hour according to your position?

11 A. I'm not sure that the Company's
12 restoration priorities are specifically like that,
13 but I feel pretty confident in saying that after a
14 big storm when they decide who they are going to
15 restore first, the last service restorations to be
16 done are typically individual homes with overhead
17 services, or laterals off of the main road,
18 single-phase laterals off the system.

19 In all those cases it's primary
20 residential load that I don't believe the Company
21 looks at the customer makeup and says these are all
22 commercial here and these are all residential here,
23 so I think they try to restore the most customers in
24 the shortest period of time.

25 Q. Okay. But my question is, is it your

1 recommendation that we would leave the residentials
2 for last given the low outage cost per hour?

3 A. No.

4 Q. Okay. Let's see. On Page 18 -- 19 of
5 your revised testimony.

6 MS. BOJKO: I'm sorry, Page --
7 By Mr. Nourse:

8 Q. On Page 19 you make a statement in Lines
9 5 and 6, in particular Line 6, that the Commission's
10 ESP II order recognized the VVO is not specifically
11 gridSMART technology. Do you see that?

12 A. Yes.

13 Q. And then you go on to quote a portion of
14 the order that says that IVVC is not exclusive to the
15 gridSMART project. Do you see that?

16 A. Yes.

17 Q. Okay. And in your mind does a statement
18 that -- well, first of all, IVVC, to your
19 understanding, is essentially referring to Volt/VAR
20 Optimization, or VVO as we have been calling it
21 today?

22 A. Yes.

23 Q. And is it your understanding that a
24 statement that VVO is not exclusive to gridSMART, is
25 that the same thing as saying VVO is not gridSMART

1 technology?

2 A. No, I don't believe that -- I don't
3 believe it's saying that.

4 Q. Okay. Thank you. And do you believe
5 that the PUCO should allow parties' environmental
6 objections -- excuse me, let me restate that.

7 Do you believe, or do you agree with the
8 statement that the PUCO should not allow parties'
9 environmental objections -- objectives to increase
10 charges on customers' electric bills?

11 MS. BOJKO: Objection.

12 ATTORNEY EXAMINER: Basis?

13 MS. BOJKO: If I could have one moment
14 for a citation, your Honor. Your Honor, the
15 statement referred to by counsel, the whole footnote
16 has been now stricken from the record as if it did
17 not exist in the direct testimony, so it is
18 inappropriate to cross him on both the statement that
19 he moved to strike, as well as the revision to the
20 testimony. Footnote 27 has been stricken.

21 MR. NOURSE: Well, I didn't reference
22 anything about Footnote 27, but he has a statement on
23 Page 19 that VVO and Green Button issues should not
24 be addressed in this case. And these are
25 environmentally related initiatives in part, and so I

1 just asked him if he agreed with that statement.

2 MS. BOJKO: That's a different question,
3 your Honor. I'm fine with that question.

4 ATTORNEY EXAMINER: Okay. So can we ask
5 that question?

6 By Mr. Nourse:

7 Q. Yes. So I'll add the part about in
8 reference to your sentence on Lines 13 and 14 of Page
9 19, do you agree that the PUCO should not allow
10 parties' environmental objectives to increase charges
11 to customers bills?

12 MS. BOJKO: Objection, your Honor. That
13 has been specifically removed from the testimony and
14 that's an inappropriate question.

15 MR. NOURSE: I don't see how it's
16 inappropriate. It's my question.

17 ATTORNEY EXAMINER: Well, we left the
18 statement there, so I think it is relevant. So you
19 can go ahead and answer it.

20 THE WITNESS: Okay. I don't
21 particularly agree or disagree with that statement.
22 Let me just leave it at that.

23 MR. NOURSE: Okay. I have one more area
24 I'd like to cover, your Honor. And we have only been
25 going for a half hour so I don't think we need a

1 break, so I'll just proceed. Never mind.

2 ATTORNEY EXAMINER: Just make it quick.

3 By Mr. Nourse:

4 Q. Mr. Lanzalotta, the last section of your
5 testimony you're dealing with reliability in
6 connection with the gridSMART technology, correct?

7 A. Correct.

8 Q. And let me be more specific. This would
9 be starting on Page -- question 19 on Page 26, and
10 several pages after that. Are you there?

11 MS. BOJKO: I'm sorry, do you mean
12 Page -- there's no question on 19.

13 MR. NOURSE: Question 19 on Page 26.

14 MS. BOJKO: Thank you, sorry.

15 THE WITNESS: I am there.

16 By Mr. Nourse:

17 Q. Okay. And you make certain observations
18 about the Company's reliability performance in
19 connection with gridSMART, correct?

20 A. In question 19?

21 Q. Starting in question 19, that whole
22 section. Doesn't question 19 through answer 21 deal
23 with reliability as it relates to gridSMART?

24 A. The value of reliability, I guess.

25 Q. Okay. And actually, I apologize. It

1 actually starts -- well, it used to be question 20,
2 so let me double-check.

3 MS. BOJKO: The question numbers
4 wouldn't have changed.

5 MR. NOURSE: Okay. So I apologize.
6 It's question 20, not 19.

7 By Mr. Nourse:

8 Q. So you're saying there's a decline in
9 reliability performance for 2014, 2015?

10 A. For the total company?

11 Q. I believe that's what you're saying.

12 A. It says in 2014 reliability service
13 declined. In 2015 the Company's SAIFI was unchanged
14 from 2014, while it's CAIDI, excluding major events,
15 was somewhat improved.

16 Q. Okay. And there's been some discussion
17 of limited reliability results yesterday. You were
18 present yesterday for the testimony?

19 A. I was in the room, yes.

20 Q. And I believe there were three years of
21 reliability results. Are you generally familiar with
22 the Company's reliability results since the
23 deployment of Phase 1 gridSMART?

24 A. I've been working with the Office of
25 Consumers' Counsel on reliability indices types of

1 issues for three years at least.

2 MR. NOURSE: And, your Honor, I'd like
3 to mark AEP Ohio Exhibit 5.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 By Mr. Nourse:

6 Q. And, Mr. Lanzalotta, I guess you can
7 probably tell --

8 ATTORNEY EXAMINER: You're going to
9 describe the exhibit?

10 By Mr. Nourse:

11 Q. As you can probably tell, these are
12 excerpts from reliability reports filed with the
13 Commission by AEP Ohio that indicate the CAIDI and
14 SAIFI performance from 2010 forward. If you want to
15 take a minute and glance through that and see if this
16 is consistent with the kind of data you've looked at?

17 MS. BOJKO: Your Honor, I would note
18 that these are excerpts, that there's only one or two
19 pages from, it looks like multiple page reports all
20 compiled into one document.

21 MR. NOURSE: It's very similar in format
22 to the exhibit that was admitted yesterday.

23 MS. BOJKO: No, the exhibit that was
24 admitted yesterday was the complete exhibit, and it
25 was from the Commission's website.

1 MR. NOURSE: So is this, your Honor.

2 ATTORNEY EXAMINER: Okay.

3 By Mr. Nourse:

4 Q. And this goes from 2010 through 2015.

5 Do you see that?

6 A. Yes, I do.

7 Q. And would you also note that in 2010
8 there's a separate report for Columbus Southern Power
9 and for Ohio Power Company?

10 A. Yes.

11 Q. And that's also true for 2010 -- or '11?

12 Excuse me.

13 A. Okay.

14 Q. Do you see that?

15 A. Yes.

16 Q. Okay. And are you aware of why there
17 are separate reports?

18 A. They were separate companies,
19 essentially.

20 Q. Okay.

21 A. They merged.

22 Q. All right. And so in order to look at
23 AEP Ohio for those years you'd have to look at both,
24 correct?

25 A. Yeah, I'd put them together weighted by,

1 I guess, customer counts.

2 Q. Okay. And is it your understanding or
3 your position that the Company-wide reliability
4 reporting such as reflected in these reports
5 correlates with the gridSMART reliability impact of
6 Phase 1?

7 MS. BOJKO: Objection.

8 ATTORNEY EXAMINER: Basis?

9 MS. BOJKO: Yes, your Honor. He just
10 said such as reflected in these reports, and at this
11 time I'm going to object. There's been no foundation
12 that this witness has even seen these reports. He
13 said he's generally familiar with this data, but he
14 hasn't tied it back to these reports.

15 These reports are incomplete, and
16 there's been general statements about them going
17 from 2010 to 2015 without establishing that they are
18 different reports filed in different cases.

19 Just as the Company wanted yesterday to
20 see a complete document and we were not allowed to
21 produce one page of a document, I think it's only
22 fair to allow us to see the entire documents, all ten
23 of them, or however many are here.

24 MR. NOURSE: Your Honor, there's no
25 reason to do that. This is very comparable to

1 exactly what was shown to Ms. Moore yesterday, and
2 there was no indication that she had read any of it.

3 It's from the Commission's website.
4 I've included the case numbers and the filing. These
5 are, you know, official reports that are filed with
6 the Commission. They are required by the
7 Commission's rules, and he said it's the same kind of
8 data that he's looked at and incorporated into his
9 testimony.

10 ATTORNEY EXAMINER: Some of these have
11 either no case number or an incomplete case number.

12 MR. NOURSE: I'm not seeing that, your
13 Honor. Each one has the cover page and then the Part
14 I, Part II reporting.

15 ATTORNEY EXAMINER: Wait a minute. I'm
16 going backwards from the last page. I think it looks
17 to be the eighth one from the back.

18 MR. NOURSE: Can you give me the case
19 number?

20 ATTORNEY EXAMINER: Well, that's the
21 problem, it says 13-something -- dash nothing.

22 MR. NOURSE: I see. Okay. Copying
23 glitch. We can supply that, your Honor. It's --
24 yeah, I can supply the full case number. It's a
25 copying glitch on one page apparently.

1 MS. BOJKO: No, there's another one,
2 another 13 case.

3 ATTORNEY EXAMINER: But I kind of agree.
4 I think it isn't fair to ask him without having a --
5 somebody from the Company saying exactly, you know,
6 these are -- because unless you've got a URL or
7 something where you can pull this off the website --

8 MR. NOURSE: This was pulled off the
9 website. I'm not sure why you have questions about
10 the authenticity. I'm representing that it came from
11 the Commission's website, just like many
12 cross-examination, you know, documents do that
13 counsel prepares for cross.

14 MS. BOJKO: Your Honor, the one he keeps
15 referring to has a URL site and it's only a two-page
16 document. The complete document was provided to
17 Ms. Moore so she could see the complete document.

18 This one has no time stamp, it has no
19 DIS form attached that it was filed with the
20 Commission, has no URL that's a Commission generated
21 report.

22 ATTORNEY EXAMINER: Hang on a second.
23 Do these actually get filed with docketing?

24 MR. NOURSE: Yes, that's why the case
25 number is on there.

1 ATTORNEY EXAMINER: Okay.

2 MR. NOURSE: Well, we can proceed
3 however you want, your Honor. Obviously the copying
4 glitch apparently affected two of them. You know, it
5 can be referenced and I can certainly submit a
6 corrected copy.

7 ATTORNEY EXAMINER: Assuming you can
8 submit an updated copy, and you might want to include
9 the URLs of the --

10 MR. NOURSE: Well, there's no URL for a
11 filed document.

12 ATTORNEY EXAMINER: There's a document
13 in record that has that URL.

14 MR. NOURSE: There's a page at the end
15 if you include the whole document, which I was trying
16 to be efficient here.

17 MS. BOJKO: Your Honor, maybe we could
18 just get clarification on the record. Is he saying
19 that he went into each case number and printed these
20 off the Commission website, or are these Commission
21 generated reports that are available on a URL? I
22 mean, I think it's the former, but that's what's not
23 clear.

24 MR. NOURSE: Each of these were filed in
25 the case numbers indicated. And I didn't personally

1 print them out or copy them, so I don't have any --
 2 I'm not going to make any statements about that. But
 3 they are filed, they are required to be filed.

4 It's the same kind of data he's used in
 5 his testimony. So if there's a question about the
 6 authenticity, I think that's unfair. But I can
 7 either submit them separately or move on.

8 ATTORNEY EXAMINER: I'll tell you what,
 9 why don't we just have you submit one showing the
 10 Bates stamp and all of that for -- I guess I don't
 11 think there's any reason to submit all 73 pages of
 12 these things.

13 MR. NOURSE: I didn't either.

14 ATTORNEY EXAMINER: But maybe the first,
 15 second, and the time stamped page, as a late-filed
 16 exhibit.

17 MS. BOJKO: Well, your Honor, I don't
 18 know if -- I mean, they argued for completeness of a
 19 certain document yesterday. I guess I'd want to
 20 review each document and have the opportunity to
 21 argue for completeness.

22 ATTORNEY EXAMINER: Well, I'm going to
 23 take them at their word that these are available on
 24 DIS, and I will take administrative notice if that
 25 helps.

1 MS. BOJKO: Of the entire document?

2 ATTORNEY EXAMINER: Yes, everything
3 that's in here.

4 MR. NOURSE: That's fine. And to be
5 clear, when we proffered the entire document as an
6 evidentiary argument we had the document when we
7 prepared to put it in.

8 But in any event, administrative notice
9 would be fine, your Honor, for -- and I'll have to
10 supply the 13 case numbers, the 2013 case numbers in
11 full so we can do that administrative notice.

12 MS. BOJKO: I'm not sure what he said,
13 the very first sentence he said. Was that related to
14 this issue, or is he going back rearguing the old
15 completion moving, not moving the former document?

16 ATTORNEY EXAMINER: I think it's going
17 to this exhibit, correct?

18 MS. BOJKO: Well, then I'm not clear --

19 MR. NOURSE: I can give you the case
20 numbers right now, your Honor, and certainly submit a
21 corrected --

22 ATTORNEY EXAMINER: No, that's okay. Go
23 ahead and file it as a late-filed exhibit.

24 MS. BOJKO: But I think he was giving
25 the 13 case numbers. Could we have that so I could

1 look up and follow along?

2 ATTORNEY EXAMINER: Sure.

3 MR. NOURSE: The 2012 filing for
4 Columbus Southern Power is 13-780-EL-ESS, and I
5 believe the one that was copied --

6 ATTORNEY EXAMINER: Is that for Ohio
7 Power?

8 MR. MARGARD: The document on DIS does
9 not bear the case number either.

10 ATTORNEY EXAMINER: I kind of figured
11 that.

12 MR. MARGARD: Nor does it bear a time
13 stamp, your Honor.

14 ATTORNEY EXAMINER: Really?

15 MR. MARGARD: Yes.

16 MS. BOJKO: Did you look up just the
17 case number?

18 (Discussion off the record.)

19 MR. NOURSE: So the second one is -- the
20 separate reporting occurred through 2012 for Columbus
21 Southern and Ohio Power, so the second one was under
22 the same case number I just gave you.

23 ATTORNEY EXAMINER: Okay. So just so
24 I'm clear, 13-780 includes the reports for both
25 Columbus Southern and Ohio Power?

1 MR. NOURSE: Correct.

2 ATTORNEY EXAMINER: Was that it,
3 Ms. Bojko? Those were the only ones missing you saw?

4 MR. NOURSE: It's just the one case
5 number.

6 MS. BOJKO: Your Honor, if you would
7 like -- or if you're going to take administrative
8 notice of the entire document, that would be
9 appreciated.

10 ATTORNEY EXAMINER: I will. Yes.

11 MS. BOJKO: And if he's going to ask
12 questions on these I would like to be able to view
13 the document.

14 ATTORNEY EXAMINER: Agreed.

15 MR. NOURSE: Well, what does that last
16 part mean? Are we responsible for providing copies?

17 MS. BOJKO: I think if you just give me
18 two minutes I'm trying to get internet access.

19 MR. NOURSE: Want to take a five-minute
20 break?

21 ATTORNEY EXAMINER: Let's go off the
22 record.

23 (Recess taken.)

24 ATTORNEY EXAMINER: Let's go back on the
25 record.

1 By Mr. Nourse:

2 Q. Mr. Lanzalotta, do you agree that the
3 Company's general reliability performance is not
4 directly correlated to the reliability impacts of
5 gridSMART deployment?

6 A. It's affected by it. I'm not sure how
7 to interpret the phrase "correlated to".

8 Q. Okay. Well, during the period to date,
9 under Phase 1 of gridSMART, do you know how many
10 customers were in the gridSMART Phase 1 area?

11 A. No, I don't.

12 Q. Is it fair to say it's ten percent or
13 less of the Company's customer base, if you know?

14 A. It's -- I wouldn't say that it's a big
15 percentage. I don't know the exact number. I'm
16 drawing a blank on the number of Smart Meters that
17 were in Phase 1, although I probably have that here
18 somewhere.

19 Q. Okay. But we both agree at least that
20 it's a minority percentage of the Company's total
21 customers?

22 A. Certainly less than half.

23 Q. And so you would agree that the general
24 reliability reporting for the Company on a
25 company-wide basis doesn't necessarily allow you to

1 reach any conclusions about the impacts of
2 reliability impacts of gridSMART deployment in
3 Phase 1?

4 A. Well, I would sure expect to see an
5 improvement in reliability among those customers, and
6 unless the rest of the Company's getting worse as
7 they are getting better, then yeah, I would expect
8 some kind of improvement. May not be a lot, but...

9 Q. Okay. But again, you agree that the
10 Company's general reliability may not be directly
11 correlated with the reliability impacts in the
12 gridSMART area which is more limited, correct?

13 MS. BOJKO: Objection. Asked and
14 answered.

15 ATTORNEY EXAMINER: Sustained.

16 MR. NOURSE: Okay.

17 By Mr. Nourse:

18 Q. Your last statement in your last answer,
19 there may well be other factors for any given year
20 that affect the Company's reliability performance as
21 reported to the Commission such as factors that are
22 outside the gridSMART Phase 1 area, correct?

23 A. Yes.

24 Q. Okay. And you haven't examined the
25 gridSMART area by itself for reliability, have you?

1 MS. BOJKO: I'm sorry. Are we talking
2 Phase 1?

3 MR. NOURSE: Yes.

4 THE WITNESS: Well, we do look at the
5 SAIFIs for the Phase 1 distribution automation
6 feeders. That is looking at, I guess, the gridSMART
7 1 area.

8 By Mr. Nourse:

9 Q. Was that data you got from the gridSMART
10 Phase 1 report?

11 A. I think this was in response to
12 discovery.

13 Q. Right. Would that refresh your
14 recollection if I showed you that?

15 A. The discovery response?

16 Q. Yeah.

17 A. I guess I'm confused as to what I'm
18 being refreshed about.

19 Q. You said you looked at reliability
20 SAIFI, specifically, for gridSMART circuits in
21 Phase 1.

22 A. For the DACR Phase 1 circuits, which I
23 assumed were in the gridSMART 1 service area.

24 Q. Right. And you got that through
25 discovery in this case, right?

1 A. Uh-huh.

2 Q. And do you recall whether that was from
3 the gridSMART Phase 1 report?

4 A. I don't recall, no.

5 Q. Okay.

6 MR. NOURSE: I'd like to mark AEP Ohio
7 Exhibit 6.

8 ATTORNEY EXAMINER: Thank you.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 By Mr. Nourse:

11 Q. So, Mr. Lanzalotta, you said earlier you
12 reviewed discovery from the Company, and this is --
13 what I've handed you marked as Exhibit 6 is one of
14 the OCC interrogatory responses 3-39. Do you see
15 that?

16 A. Yes, sir.

17 Q. And this question and answer deals with
18 VVO in particular, and cites the gridSMART final
19 technical report at the bottom of the response. Do
20 you see that?

21 A. Yes.

22 MR. NOURSE: And, your Honor, I'd like
23 to mark Exhibit 7, an excerpt from that report that
24 was -- I've got the complete report right here if you
25 want it, but it's several hundred pages and didn't

1 see a need to copy all that.

2 ATTORNEY EXAMINER: Okay. This is AEP
3 7.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 MS. BOJKO: Your Honor, can I have the
6 last question and answer reread, please?

7 (Record read back.)

8 MS. BOJKO: Thank you.

9 MR. NOURSE: And again, your Honor, I've
10 got the report right here in its entirety if counsel
11 wants to look at it.

12 By Mr. Nourse:

13 Q. This is an excerpt from the pages
14 indicated 196 through 199, and Mr. Lanzalotta, I want
15 to direct your attention to these tables and graphs
16 there are on these pages. And the first table, Page
17 196, deals with SAIFI with and without DACR, and
18 there's two colors. Do you see the key there?

19 MS. BOJKO: Objection.

20 ATTORNEY EXAMINER: Yes.

21 MS. BOJKO: Your Honor, he asked him if
22 he saw information on Interrogatory 3-039 and the URL
23 cite at the bottom. He never asked if this is the
24 particular data request that he relied on for the
25 information in his testimony. He never asked whether

1 he reviewed this report.

2 ATTORNEY EXAMINER: Well, let me ask.
3 At the bottom of your -- of the AEP Exhibit 6, that
4 URL, is that -- this is an excerpt from this same
5 report, so it would have been something you've
6 already seen?

7 THE WITNESS: Actually, I don't recall
8 having looked at this report. The SAIFIs that I used
9 were from -- I got them on a piece of paper much like
10 this data response.

11 We specifically asked for the SAIFIs,
12 and they gave them to us on a little table. I notice
13 this report only goes up through 2013, and so we
14 wanted something after that. But I hadn't -- I
15 hadn't actually followed the link to look at that.

16 MR. NOURSE: Well, your Honor, counsel
17 can use the other table if she wants on redirect or
18 something, but this is information that was provided
19 in discovery, and Mr. Lanzalotta is testifying about
20 the impacts, reliability impacts of Phase 1
21 gridSMART, so I want to review this information with
22 him and put it on the record because, you know, he's
23 relying on general company-wide data that he's
24 already agreed doesn't directly correlate with
25 gridSMART area impacts.

1 MS. BOJKO: Well, I don't think he said
2 that last statement, so now we're mischaracterizing
3 his prior testimony.

4 But it doesn't matter if they -- they
5 provide numerous things in discovery, that doesn't
6 give counsel the right to put them in through any
7 witness if they wanted.

8 If they wanted this information in they
9 could have put it in through redirect on their own
10 witnesses. He didn't rely on this report, he's never
11 seen this, he said he didn't follow the link to
12 review the report.

13 He relied on a different discovery
14 response, so it's more appropriate to go to the
15 discovery response he actually relied upon and
16 question him about that, not just dump documents into
17 the record that the witness didn't rely on. There's
18 no foundation.

19 MR. NOURSE: Okay. Well, it's being
20 used for impeachment, your Honor. He's had access to
21 this information. He's making claims in his
22 testimony that are not supported, and based on
23 general reliability reporting which he has agreed
24 there are other factors that contribute to the
25 outcome of that as opposed to the reliability

1 performance in the gridSMART Phase 1 area, and that's
2 exactly what this report -- this excerpt deals with,
3 the specific circuits, the specific reliability
4 impacts and performance, you know, with and without
5 DA.

6 ATTORNEY EXAMINER: Okay. Let me just
7 see if I first understand AEP Exhibit 6. The URL at
8 the bottom of that page was supplied by whom?

9 MR. NOURSE: That is our response to
10 OCC's questions in discovery, and --

11 ATTORNEY EXAMINER: So he could have
12 went --

13 MR. NOURSE: He had access. And I asked
14 him earlier if he reviewed the discovery responses to
15 his questions and he had the opportunity to review
16 and ask follow-ups, and he agreed with all that.

17 ATTORNEY EXAMINER: I'm a little
18 uncomfortable giving him papers that he hasn't ever
19 seen before. However, if this was part of the
20 Company's response, I think it is fair game to ask
21 him questions on the report.

22 MS. BOJKO: But, your Honor, if you read
23 the discovery response it talks about VVO, so this is
24 not tied to the DACR Phase 1 feeders that he's trying
25 to tie it to through discovery.

1 So if this witness was looking for
2 discovery about DACR Phase 1 feeders he would have
3 had no reason to go click on the URL. Plus the
4 document does not have a URL on it, so I can't even
5 confirm that this is the URL technical report
6 document that the Company says it was.

7 So I think he's trying to take a
8 discovery response about an apple and compare it to
9 an orange in Mr. Lanzalotta's testimony, and it just
10 can't be done.

11 MR. NOURSE: Your Honor, I mean, you
12 know, I'm kind of tired of the questions about, you
13 know, authenticating what counsel says. These are
14 discovery documents, you know. I don't have to prove
15 the chain of custody that -- you know, fingerprint
16 that the same document was provided.

17 This is a discovery response. He said
18 he reviewed them. He's making claims in his
19 testimony. This is the document that was provided
20 access to through the URL.

21 ATTORNEY EXAMINER: Let's let you ask
22 some questions on this and we'll see where we go from
23 here. But right now I'm going to allow this.

24 By Mr. Nourse:

25 Q. So, Mr. Lanzalotta, you indicated you

1 had not reviewed -- with the exception of the SAIFI
2 chart that you're referring to somewhere else in
3 discover, that you have not reviewed and didn't
4 incorporate into your testimony the reliability
5 impacts for gridSMART Phase 1 only, correct?

6 MS. BOJKO: Objection. That
7 mischaracterizes his testimony. That's not what he
8 just said.

9 ATTORNEY EXAMINER: Well, he can answer.

10 THE WITNESS: In discovery I asked to
11 get the SAIFIs for the DACR Phase 1 feeders. This
12 response here just says VVO, VVO, VVO. It doesn't
13 even say it has any reliability indices data.

14 We had a specific data response that
15 provided us with the data that I was looking for. I
16 used this in good faith. As far as I know, this data
17 is correct.

18 Yes, it's different from the earlier
19 data. It shows that the DACR -- the feeders improved
20 for two years, and they started getting worse again.
21 By Mr. Nourse:

22 Q. Okay. Well, do you have -- is there
23 anything in your testimony or, you know, information
24 you have with you or that you recall that supports
25 the notion that DA in the Phase 1 area did not

1 produce positive reliability impacts?

2 MS. BOJKO: May I have the question
3 reread? I need the first part of it.

4 (Question read back.)

5 THE WITNESS: My testimony itself shows
6 that the distribution automation feeders, since 2013
7 reliability has been getting worse.

8 I didn't understand that when these --
9 this program went in in 2009 it was just going to
10 provide a couple years of reliability improvement and
11 then reliability was going to start getting worse
12 again.

13 By Mr. Nourse:

14 Q. But your conclusions that you just
15 referenced and that are in your testimony are based
16 on company-wide reliability performance, correct?

17 A. No. Table 6? The last line
18 specifically references the DACR Phase 1 feeders.
19 The numbers above that are company-wide.

20 Q. Okay. Now, let me ask you a few
21 background questions about CAIDI, SAIFI, and SAIDI.
22 And I think first of all for the record, those
23 acronyms are CAIDI, SAIFI, and SAIDI.

24 So Mr. Lanzalotta, do you have an
25 understanding of what SAIFI represents?

1 A. Yes.

2 Q. What's that understanding?

3 A. SAIFI stands for System Average
4 Interruption Frequency Index. It is the average
5 number of customer interruptions per customer over a
6 given time period, typically a year.

7 Q. And is DA supposed to improve SAIFI?

8 A. If it's working properly it's supposed
9 to have a positive impact.

10 Q. Okay. And do you know if -- what kind
11 of outages if any are excluded from the SAIFI
12 calculation?

13 A. SAIFI, as I've shown it in Table 6, is
14 both with and without what we call the exclusions,
15 major event outages, so --

16 Q. Yeah, anything else that's excluded
17 besides major events?

18 A. I'm not sure.

19 Q. Do you know if momentary interruptions
20 lasting less than five minutes are included or
21 excluded?

22 A. Of course they are not included. Those
23 aren't even classified as sustained interruptions,
24 which is being reflected in here.

25 Q. Okay. So that's another area in

1 addition to major storms that are excluded. So if
2 you have an outage lasting four minutes it would not
3 be measured through the SAIFI metric, correct?

4 A. That's correct.

5 Q. Okay. And then CAIDI, give your
6 understanding of that metric.

7 A. Customer Average Interruption Duration
8 Index is the average -- is the average customer
9 outage among the customers that have experienced an
10 outage during a particular time period, typically a
11 year.

12 Q. Does DA -- is DA supposed to improve
13 performance under CAIDI?

14 A. It depends. If DA works well enough it
15 turns the potential sustained interruption into a
16 momentary, and it doesn't show up at all, either as a
17 SAIFI or a CAIDI.

18 If it doesn't work well enough to avoid
19 the five-minute outage, but it allows service to be
20 restored after that point sooner than it would have
21 been without the DA, then you could have an
22 interruption in CAIDI. It's not a certainty.

23 Q. Okay. So if DA is working well CAIDI
24 may actually increase from one period to the next?

25 A. It's possible.

1 Q. And again, I'm referring to within a
2 gridSMART area for purposes of this discussion, not
3 company-wide, okay?

4 A. I understand.

5 Q. Yes. Thank you. And then finally,
6 SAIDI, give your understanding of that.

7 A. Sure. It's a System Average
8 Interruption Duration Index. That is the number of
9 customer interruption minutes per customer, per total
10 customers on the system over a particular time
11 period.

12 Q. Okay.

13 A. So you don't just limit it to the
14 customers experiencing an interruption like the CAIDI
15 is limited.

16 Q. And is it fair to say that SAIDI is a
17 product of SAIFI and CAIDI?

18 A. They are mathematically related. You
19 multiply two to get the other. Anyway, they are
20 mathematically related. I don't want to make a
21 calculation error on the stand.

22 Q. So the -- the direction of SAIFI,
23 meaning either getting better or getting worse, and
24 the direction of CAIDI work together to influence
25 whether -- which direction SAIDI is going, is that

1 fair?

2 A. They all influence each other. I know
3 you can have a situation where both SAIFI and SAIDI
4 decrease, but yet CAIDI will increase. It depends on
5 the proportions that they decrease with respect to
6 each other.

7 Q. I think we're agreeing, so that's good.
8 Let me ask you a few more questions about the
9 exhibit.

10 So Exhibit 5 was the reliability
11 reporting excerpts. Do you still have that in front
12 of you? Front page says Case No. 11-1914.

13 A. I'm not sure that I do. Let me --
14 11-1914. Yes, I have it here.

15 Q. So I want to just briefly go through
16 these. So if you turn to Page 2 of that exhibit,
17 it -- the general format of these reports shows the
18 performance standard for CAIDI and SAIFI, and then
19 the calculation after exclusions and before
20 exclusions, correct?

21 A. That's correct.

22 Q. And with CAIDI performance -- and let's
23 just talk about after exclusions, because that's
24 what's being reported for satisfaction of the matrix.

25 So a lower number than the CAIDI

1 standard means that that's better reliability as
2 measured by that metric and that passes the standard,
3 correct?

4 A. Yes.

5 Q. Okay. And the same for SAIFI?

6 A. Yes.

7 Q. Okay. And if you can just flip through
8 these reports and let me know where you see a
9 performance after exclusion that does not meet the
10 standard.

11 A. Okay.

12 MS. BOJKO: Objection. As you probably
13 would guess I'm going to object, but I'm going to
14 limit my objection, your Honor, to the first two
15 reports that deal with 2010 and 2011, and arguably if
16 you can tie these reports which the witness has
17 said -- or there's been no foundation for, but if you
18 could tie these reports to his testimony, his
19 testimony only begins in 2012, and the first sentence
20 on Page 30 that was referenced earlier is only 2012.

21 The first two reports are 2010 data and
22 2011, so they are irrelevant to his testimony, and
23 there's been no foundation, and these could have been
24 brought in on Ms. Moore's testimony as well.

25 MR. NOURSE: But, your Honor, gridSMART

1 Phase 1 was deployed as of June 2010 out of all of
2 the AMI meters that were deployed, and he's making
3 statements about the reliability impacts of Phase 1.

4 So I think certainly going back to 2010
5 is part of the picture -- and again, these are
6 official reports that are filed with the Commission.
7 I think we have already dealt with the
8 authenticity --

9 ATTORNEY EXAMINER: Let me just ask,
10 have you had sufficient time to look at these and
11 answer the question?

12 THE WITNESS: I think so.

13 ATTORNEY EXAMINER: Overrule the
14 objection.

15 MS. BOJKO: Point of clarification on
16 the record. Counsel just made a statement that's
17 incorrect. They were not deployed for Ohio Power
18 in 2010, so the Ohio Power report is not consistent
19 with Phase 1 deployment. So he made a statement that
20 it was all deployed in 2010 and that's not true.

21 MR. NOURSE: Well, I agree with that
22 factual statement. But the reality is he's looking
23 at total company, that obviously you've got to look
24 at both pieces to get to total company.

25 We agree that total company is not

1 really driving how you look at Phase 1, but again,
2 it's just completeness, for completeness here.

3 ATTORNEY EXAMINER: Okay. Well, I'm
4 going to allow him to answer the question if he can.

5 MS. BOJKO: Thank you.

6 ATTORNEY EXAMINER: I think there's a
7 pending question.

8 THE WITNESS: I remember what it is,
9 too, for once. 2011 for Columbus Southern that CAIDI
10 fails the standard.

11 By Mr. Nourse:

12 Q. Okay. Go on.

13 A. 2012 -- well, that's AEP Ohio
14 Transmission Company, that's like a third report for
15 the year, but it says it has a standard here and it
16 says it doesn't -- didn't meet it for CAIDI.

17 Q. Okay. What's the next one you see?

18 A. That's it.

19 Q. Okay. So all the other reliability
20 reporting calculations for these periods were -- pass
21 the standard?

22 A. They met the performance standard.

23 Q. All right. Now I'd like to go back to
24 Exhibit 7, which is the gridSMART report excerpt with
25 all the color tables. And have you had a chance to

1 look at this?

2 MS. BOJKO: Objection.

3 THE WITNESS: In part.

4 MS. BOJKO: I mean, I had an objection
5 and we never resolved the objection, I don't believe,
6 about him asking questions with regards to this. We
7 showed it was not the document he relied on with the
8 discovery responses.

9 ATTORNEY EXAMINER: Yeah, I'm overruling
10 your objection.

11 MS. BOJKO: And just for the record, he
12 did not review the entire report, he's only been
13 given four pages.

14 ATTORNEY EXAMINER: Right. He's never
15 seen this document before. Yeah, I understand. So
16 you want to renew an objection.

17 MS. BOJKO: I'm sorry?

18 ATTORNEY EXAMINER: You may renew an
19 objection if you feel he's being unfairly questioned
20 on what they are looking at.

21 MS. BOJKO: Thank you.

22 By Mr. Nourse:

23 Q. And Mr. Lanzalotta, I think we have
24 established that you had access to this report
25 through discovery responses. Do you understand as

1 you look at it now -- do you interpret this report,
2 excerpt, and the tables here to show the reliability
3 impacts with and without DA?

4 A. Yes.

5 Q. And this -- the scope of this relates to
6 the gridSMART Phase 1 project area circuits, is that
7 your understanding?

8 A. Since it says 70 circuits and since it
9 gives a time period here that would preclude it from
10 being gridSMART 2, I guess it does.

11 Q. Okay. And do you generally interpret
12 these results -- and I'm talking right now about the
13 first table, SAIFI with and without DA for AMI
14 project circuits in 2012 to 2013, as showing that the
15 SAIFI results were more favorable in the gridSMART
16 circuits with DA than they were without DA?

17 A. I have a problem with these types of
18 comparisons because obviously the circuit was either
19 one or the other, experienced a particular behavior,
20 they measured it, and so one of these numbers is a
21 measurement.

22 The other one -- well, the Company goes
23 back and does a study of all of the operations on the
24 feeder and estimates what the feeder performance
25 would be if it didn't have this equipment on it.

1 More telling to me is looking at the
2 feeders with DACR and going from 2011 to 2012 to
3 2013. And those show an improving SAIFI over that
4 period.

5 Q. Yeah. Okay. And would you agree that
6 when distribution automation equipment works to
7 reconfigure a circuit, it operates during an outage,
8 that there -- there are records of that operation?

9 A. Yes.

10 Q. And so it's a pretty safe assumption
11 that there was an outage and it would have been
12 longer had this DACR equipment not operated, isn't
13 it?

14 A. Well, let's see. Was the circuit in its
15 normal configuration when this outage occurred, or
16 was it in a switched configuration?

17 Most DACR schemes are programmed to deal
18 with certain circuit configurations, and if the
19 circuit configuration is different for a reason, if
20 there's been a planned outage, if there's been an
21 equipment failure, for whatever reason, then those
22 systems are frequently prevented from operating for
23 safety sake in the hope that, you know, you don't
24 energize a dead section or something.

25 Q. Okay. And then similarly on Page 198 we

1 have a table that deals with SAIDI with and without
2 DA for the project circuits, and a similar table
3 below that.

4 And would you agree that this shows that
5 the circuits perform better under CAIDI with DA --
6 I'm sorry, under SAIDI first, and then I'll ask you
7 about CAIDI?

8 A. Well, again, I've expressed my
9 reservations about these with and without numbers
10 since the circuit can't, you know, be in both states
11 during these years, it's in one or the other, and the
12 Company estimates the other one.

13 The SAIDI numbers generally show --
14 these numbers show that DACR had some improvement,
15 and that over the period 2011, '12, '13, SAIDI
16 improved on the DACR 1 circuits.

17 Q. And with respect to CAIDI we see a
18 result that's similar to the phenomena that we
19 discussed earlier that eliminating shorter outages or
20 making them -- turning them into momentary can have a
21 deteriorating affect on the reliability measure of
22 CAIDI, correct?

23 A. Well, for whatever reason the CAIDI
24 doesn't -- doesn't show the same improvement that the
25 SAIFI and SAIDI did.

1 Q. Okay. And so in sum, Mr. Lanzalotta, is
2 it your conclusion that the -- for the gridSMART
3 Phase 1 circuits only, that reliability has declined
4 since the implementation of DA in those circuits?

5 MS. BOJKO: Objection. I'm sorry, may I
6 hear the question again?

7 (Question read back.)

8 MS. BOJKO: Objection, your Honor. He's
9 looking at a finite period of time of 2011, '13, and
10 he's asking a broad question about Phase 1 that
11 extends way beyond the documents that he's inferring
12 the question from.

13 MR. NOURSE: Well, your Honor, what I
14 intended by "in sum", I was asking him to summarize
15 his position on this very issue that was addressed in
16 his testimony in light of what we talked about, so
17 that's what I'm asking.

18 MS. BOJKO: All I hear is the clicking
19 of the ladder out there.

20 MR. NOURSE: Let me rephrase.

21 ATTORNEY EXAMINER: That would be good.
22 By Mr. Nourse:

23 Q. Mr. Lanzalotta, in light of everything
24 we have talked about today, everything you've looked
25 at in your preparation and discovery, I'm asking you

1 whether it's your conclusion that for the Phase 1
2 circuits that the implementation of DA has decreased
3 reliability. Is that your position?

4 A. No. Looking at the data here between
5 2011 and 2015, SAIFI is still -- even with the
6 increases in '14 and '15, it's still lower than what
7 the SAIFI is in 2011. So there has been some overall
8 improvement.

9 What my testimony points out is that
10 over the last two years the SAIFI has been getting
11 worse.

12 MR. NOURSE: Thank you, your Honor.
13 That's all I have.

14 MS. BOJKO: Yes, we will have redirect
15 if it's back to me already. Could we have a few
16 minutes?

17 ATTORNEY EXAMINER: I was going to say
18 why don't we take a break until quarter till.

19 (Recess taken.)

20 ATTORNEY EXAMINER: Ms. Bojko.

21 MS. BOJKO: Thank you. Yes, we do have
22 some redirect, your Honor.

23 - - -

24 REDIRECT EXAMINATION

25 By Ms. Bojko:

1 Q. Mr. Lanzalotta, do you recall questions
2 about AEP Ohio's distribution rate case?

3 A. Yes.

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

5 ATTORNEY EXAMINER: Sure.

6 MS. BOJKO: I guess for identification
7 purposes we'd like to have marked as OCC Exhibit 14
8 the Opinion and Order issued in Case No.
9 11-351-EL-AIR. May I approach?

10 ATTORNEY EXAMINER: Sure. And this is
11 OCC Exhibit 14.

12 (EXHIBITS MARKED FOR IDENTIFICATION.)

13 MS. BOJKO: Your Honor, just to note for
14 the record, I don't think it's relevant to the
15 cross-examination, but for completeness there was an
16 entry nunc pro tunc correcting something in the
17 Opinion and Order that was correcting the effective
18 date --

19 ATTORNEY EXAMINER: Not relevant here.

20 MS. BOJKO: -- December 15, 2011. But
21 the Opinion and Order that has been marked as OCC
22 Exhibit 14 was issued December 14th, 2011.

23 ATTORNEY EXAMINER: Okay.

24 By Ms. Bojko:

25 Q. Do you have in front of you what's been

1 marked as OCC Exhibit 14, sir?

2 A. Yes.

3 Q. Do you recognize this Opinion and Order?

4 A. Actually, I do.

5 Q. So, sir, you actually have reviewed the
6 Opinion and Order issued in the rate case that you
7 were questioned on; is that correct?

8 A. Yes, it is.

9 Q. And when you reviewed the Opinion and
10 Order did the Opinion and Order in any way mention
11 Smart Grid?

12 A. No, it did not.

13 Q. The Opinion and Order approve a black
14 box settlement?

15 A. Yes.

16 Q. So the Opinion and Order did not approve
17 specific costs or expenses; is that correct?

18 MR. NOURSE: Your Honor, I think that's
19 really a legal question as to what the Commission
20 order approved, and beyond the scope of this witness'
21 expertise or knowledge.

22 MS. BOJKO: Your Honor, he opened the
23 door when he started asking about the Staff report
24 that was issued in this case. He didn't review the
25 Staff report. He did review the Opinion and Order,

1 and I'm asking him if the Opinion and Order had
2 anything to do with Smart Grid, costs or expenses.

3 MR. NOURSE: I didn't open the door to
4 any legal issues.

5 ATTORNEY EXAMINER: I think the point is
6 made. So can we move on?

7 MS. BOJKO: I mean, did he answer did it
8 have anything to do with Smart Grid costs and
9 allowances? Is he allowed to answer that?

10 ATTORNEY EXAMINER: Yeah, he can answer.

11 THE WITNESS: I didn't see where -- I
12 didn't see Smart Grid addressed anywhere in here.
13 By Ms. Bojko:

14 Q. Thank you. Mr. Lanzalotta, do you
15 recall questions from AEP's counsel -- I think it was
16 from AEP's counsel, regarding signatory parties in
17 this proceeding, and you mentioned that Direct Energy
18 had residential constituents.

19 A. Yes, I remember.

20 Q. You did not mean to state or imply that
21 Direct Energy or IGS or any CRES supplier was
22 representing residential customers' interests in this
23 proceeding, did you?

24 A. No, I assumed they were representing
25 their own commercial interests.

1 Q. And you discussed with AEP's counsel
2 OCC's concern with the AEP's application regarding
3 operational savings. Do you recall that?

4 A. Yes.

5 Q. And do you believe that the inclusion of
6 the \$4,000 quarterly credit mentioned by counsel in
7 the Stipulation resolved OCC's concerns?

8 A. No, I don't believe it resolved OCC's
9 concerns.

10 Q. And why not?

11 A. It was smaller than what we would have
12 expected to be fully compensatory.

13 Q. The credit was small?

14 A. The credit was small.

15 Q. Could you turn to Page 24 of your
16 testimony?

17 A. Yes.

18 Q. Do you recall questions about Table 3
19 from AEP's counsel?

20 A. Yes.

21 Q. And the data provided in Table 3, the
22 first five columns, where did you obtain that data
23 from?

24 A. I believe it's noted right in the title
25 of the table there, RPD-1-16, request for production

1 of documents, I think.

2 MS. BOJKO: Your Honor, at this time I
3 would like to have marked as OCC Exhibit 15 the AEP's
4 response to RPD-1-16.

5 ATTORNEY EXAMINER: All right.

6 MS. BOJKO: And also -- I'll hand them
7 out together, I'd also like to have marked at this
8 time OCC Exhibit 16, which is the Attachment RPD-16
9 that was attached to the discovery response.

10 ATTORNEY EXAMINER: Okay.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 MS. BOJKO: May I approach?

13 ATTORNEY EXAMINER: Sure. And which is
14 which gain?

15 MS. BOJKO: The discovery response
16 itself is 15 and the chart attachment is the 16.

17 ATTORNEY EXAMINER: All right.

18 By Ms. Bojko:

19 Q. When you referenced RPD-1-16 is this the
20 discovery response and the attachment referenced in
21 the discovery response, or OCC Exhibits 15 and 16,
22 the information that you used to create the data
23 contained in the first five columns of Table 3?

24 A. Yes.

25 Q. And let's look -- and does the discovery

1 response merely refer to RPD-16, the CMI avoided
2 monetization report?

3 A. Yes.

4 Q. Okay. So now let's look at OCC Exhibit
5 16. The customer class column is the same on AEP's
6 discovery response provided to you as you have
7 indicated in your Table 3; is that correct?

8 A. That's where the data came from.

9 Q. And the second column that counsel asked
10 you about, which is the 2011 AEP customers, does AEP
11 title that column "2011 Number of AEP Customers"?

12 A. Yes.

13 Q. And does AEP state in its document the
14 table of OCC Exhibit 16, that the total number of
15 customers that they had in 2011 is 5.2 million; 5.266
16 million?

17 MR. NOURSE: Can I have that question
18 repeated, please?

19 (Question read back.)

20 MR. NOURSE: That says AEP, not AEP
21 Ohio. That's the whole point.

22 MS. BOJKO: I didn't think I used the
23 word AEP Ohio. I'll rephrase, your Honor.

24 By Ms. Bojko:

25 Q. Does the column -- does the column

1 labeled 2011 Number of AEP Customers correlate to
2 your column that's called 2011 AEP Customers?

3 A. Yes.

4 Q. And I don't think you answered this
5 question. Is the total number produced of 2011 AEP
6 customers by AEP in its table 5.266 million?

7 A. Yes.

8 Q. And similarly the next column of class
9 percent, did you round the class percent numbers in
10 your table versus the table provided by AEP?

11 A. Yes.

12 Q. And then there is a customer outage cost
13 per hour listed in AEP's table that corresponds with
14 your table listed 2002 Outage Cost Per Hour; is that
15 correct?

16 A. Yes.

17 Q. And then the weighted average outage
18 cost per hour is the same as delineated in AEP's
19 table, correct?

20 A. Exactly the same.

21 Q. So the only column that you
22 mathematically calculated is the last column called
23 Class Percent of Cost Per Hour?

24 A. Yes.

25 Q. And all other information was provided

1 in discovery by AEP; is that correct?

2 A. Yes.

3 Q. And you had no reason to doubt the
4 accuracy of AEP's discovery response, correct?

5 A. Correct.

6 Q. Let's turn to Page 31 of your testimony.
7 Do you recall questions from AEP's counsel about
8 Table 6, the DACR Phase 1 feeder rows at the bottom
9 of the table?

10 A. Yes.

11 Q. And this information is applicable to
12 Phase 1, is that correct, Phase 1, Smart Grid
13 deployment.

14 A. Yes.

15 Q. And where did you obtain the information
16 contained in your Table 6, the last two rows
17 regarding DACR Phase 1?

18 A. It was from a data response. I don't
19 remember the exact number, but --

20 Q. And for completeness, the whole Table 6
21 would have been obtained from AEP data responses,
22 data -- data that AEP provided to you?

23 A. You're talking about the first four
24 lines of data?

25 Q. Yes.

1 A. Came from AEP filed reports probably --
2 probably from the Rule 10 reports.

3 Q. So it's all AEP data?

4 A. Yes.

5 Q. You didn't do any calculations on Table
6 6, that's your own data?

7 A. No.

8 MS. BOJKO: Your Honor, at this time may
9 I have marked as OCC Exhibit 17 AEP response to
10 Interrogatory 3-044 and the accompanying attachment?

11 ATTORNEY EXAMINER: Sure.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 MS. BOJKO: May I approach?

14 ATTORNEY EXAMINER: Sure.

15 By Ms. Bojko:

16 Q. Do you have in front of you what's been
17 marked as OCC Exhibit 17?

18 A. Yes.

19 Q. And is this -- does the interrogatory
20 question state, "What is the SAIFI performance
21 percentage for the Phase 1 circuits that have DACR
22 capabilities installed for each of the past four
23 years"?

24 A. Yes.

25 Q. And is this the data response that you

1 would have used for Table 6, the last two lines
2 regarding DACR Phase 1 feeder SAIFI after exclusions?

3 A. That's what I did use.

4 Q. And if you look at the attachment, does
5 the attachment correspond -- does it say it's related
6 to OCC Interrogatory 3-44?

7 A. Yes.

8 Q. And does the table provided by AEP
9 contain 2012, 2013, 2014, 2015 SAIFI numbers?

10 A. Yes.

11 Q. And did the '13, '14, and '15 numbers
12 correspond exactly with what you have written in
13 Table 6?

14 A. Yes.

15 Q. So for 20 -- Strike that.

16 So do you recall questions on -- a
17 report issued -- filed by the companies -- I don't
18 have the cover page of it, but it's Page 196 and it
19 was identified as AEP No. 7?

20 A. I have it.

21 Q. Do you recall questions regarding that?

22 A. Yes.

23 Q. And does the report handed to you by AEP
24 include Phase 1 DACR SAIFI numbers for years '11
25 through '13?

1 A. Yes.

2 Q. So your table is '13 through '15 and
3 AEP's table that was used in cross-examination is
4 2011 through '13; is that correct?

5 A. Yes.

6 Q. So there's one overlapping year of 2013?

7 A. Yes.

8 Q. And does it appear that the data AEP
9 provided to you in discovery differ from the data
10 provided by AEP in AEP Exhibit No. 7 for year 2013?

11 A. They are close, but different.

12 Q. And when you received data response
13 Interrogatory 3-044, did you have any reason to
14 believe that the Company's data provided to you would
15 have been inaccurate?

16 A. No.

17 Q. And you had no reason to believe that it
18 would have been inconsistent with other data
19 responses provided by the Company, did you?

20 A. No.

21 MS. BOJKO: I have no further questions.
22 Thank you, your Honor.

23 ATTORNEY EXAMINER: Mr. Nourse.

24 MR. NOURSE: Thank you, your Honor.
25 Just a few follow-up questions.

- - -

RE CROSS-EXAMINATION

By Mr. Nourse:

Q. Mr. Lanza l o t t a , during your redirect examination by counsel she asked you about the operational savings credit that's reflected in the Stipulation. I believe your criticism, or your remaining criticism with what we tried to do in the Stipulation was that it's too small?

MS. BOJKO: Objection. I don't think AEP's counsel can testify to what he tried to do or not do in the Stipulation.

MR. NOURSE: Your Honor, the whole context of this line of questioning --

ATTORNEY EXAMINER: Maybe you could rephrase.

MS. BOJKO: Thank you, your Honor.

By Mr. Nourse:

Q. Mr. Lanza l o t t a , do you recall the line of questioning that she was asking you about concerning the application and then how OCC concerns were addressed in the Stipulation?

A. I believe so.

Q. And in particular, your residual complaint about the credit is that it's too small,

1 correct?

2 A. Yes.

3 Q. Okay. And did you do any study or
4 independent analysis of what the operational savings
5 would be for the Company under the deployment
6 involved with the Stipulation?

7 A. No, I went with the numbers that the
8 Company provided.

9 Q. And is it your understanding under the
10 Stipulation that the Staff will either do an audit or
11 direct a consultant to do an audit to do an
12 independent and robust evaluation of what the
13 operational savings credit should be?

14 MS. BOJKO: Objection. That's beyond
15 the scope --

16 ATTORNEY EXAMINER: Sustained.

17 MR. NOURSE: Okay.

18 By Mr. Nourse:

19 Q. Well, is it your understanding that the
20 Stipulation requires an audit and ultimately a
21 Commission determination of what the operational
22 savings credit should be?

23 MS. BOJKO: Objection. Beyond the
24 scope. No mention of an audit in my redirect.

25 MR. NOURSE: His residual complaint is

1 that it's too small, so it's relevant the Stipulation
2 will --

3 ATTORNEY EXAMINER: I don't think -- was
4 that covered on redirect?

5 MS. BOJKO: That was not covered on
6 redirect, not the audit piece.

7 MR. NOURSE: Can I finish my sentence?
8 Not the audit, but the credit being too small was his
9 complaint he chose to emphasize on redirect, and so
10 I'm asking about the audit which will adjust the
11 credit presumably upward and under the Stipulation.
12 So that question okay, your Honor?

13 ATTORNEY EXAMINER: Yeah, sure.

14 THE WITNESS: I recall a lot of the
15 testimony yesterday about the audit and all. When I
16 look at the Stipulation it appears that Staff has the
17 option of calling a consultant or not.

18 So I heard a lot of Company people say
19 that, you know, the audit is mandatory, but for the
20 life of me I just don't see it in the language on
21 that page.

22 By Mr. Nourse:

23 Q. Okay. Did anybody that's here
24 supporting the Stipulation suggest that it's not --
25 that it's optional under the Stipulation?

1 MS. BOJKO: Objection. Now we're far
2 afield.

3 ATTORNEY EXAMINER: I'll sustain.

4 MR. NOURSE: He's asserting that it's
5 not mandatory, your Honor, and --

6 ATTORNEY EXAMINER: I think that's kind
7 of beyond the scope of the redirect.

8 MR. NOURSE: No, because it relates to
9 the question you just said was proper about the
10 credit, the audit occurring, the Commission deciding
11 it; now he's saying it's operational. So that's all
12 I'm getting at, your Honor. So let me try again.
13 By Mr. Nourse:

14 Q. Mr. Lanzalotta, do you believe -- is it
15 your understanding that an audit will occur to
16 establish the going forward level of the operational
17 savings credit?

18 MS. BOJKO: Objection. It's beyond the
19 scope and then it's also asked and answered. He just
20 stated --

21 ATTORNEY EXAMINER: I'm going to allow
22 this. Final question.

23 THE WITNESS: Again, I have heard
24 Company people say from this stand yesterday that the
25 audit is mandatory and it will occur.

1 When I look at Page 10 I see that the
2 \$400,000 a quarter will not be adjusted during the
3 time it's in effect, which will extend until the
4 Commission adopts a new operational cost savings
5 credit as described below. And then below they talk
6 about Commission Staff may retain an external
7 consultant.

8 So when I see this I just don't see the
9 same thing that I kept hearing during the
10 cross-examination yesterday.

11 By Mr. Nourse:

12 Q. Okay. Well, assuming there is an audit,
13 and based on the language you just read that the
14 Commission's determination will replace the 1.6 mill
15 annually, is it your expectation that OCC's position
16 advocating for a larger credit will be incorporated
17 or they will be heard as part of that process leading
18 up to the Commission decision?

19 MS. BOJKO: Objection. Calls for
20 speculation.

21 ATTORNEY EXAMINER: Sustained.

22 By Mr. Nourse:

23 Q. Do you think the Commission will address
24 the audit and make a decision without incorporating
25 any consideration of OCC's position?

1 MS. BOJKO: Objection.

2 ATTORNEY EXAMINER: Sustained.

3 MR. NOURSE: I don't understand that,
4 your Honor. But --

5 ATTORNEY EXAMINER: You're calling for
6 him to guess what the Commission is going to do.

7 MR. NOURSE: Well, it's of the most
8 basic due process, your Honor, which I think is
9 always expected here. But --

10 MS. BOJKO: I would say move to strike
11 that, but I might want to move to highlight.

12 MR. NOURSE: Okay.

13 By Mr. Nourse:

14 Q. Mr. Lanzalotta, the counsel also asked
15 you about the Table 6 in your testimony.

16 A. Yes.

17 Q. And about how your data came from the
18 Company through discovery, correct?

19 A. Some of it anyway.

20 Q. Yeah. And would you agree that -- well,
21 let me ask you this way: Do you believe that two
22 years of data represents a trend that can be tied to
23 gridSMART deployment?

24 A. That's certainly a contributing factor.
25 I don't know if it's the driving factor, but it has

1 to contribute.

2 Q. And would you agree that there are other
3 factors that contribute to the Company's performance
4 under reliability metrics such as nonmajor storms,
5 such as trees falling into lines, such as cars
6 crashing into poles, such as contractors digging into
7 lines, such as failed equipment? Do you agree any
8 kind of those factors can affect the Company's
9 performance?

10 MS. BOJKO: Objection. Way beyond the
11 scope, my focus on where he obtained the data and the
12 discovery response that he retained it from and who
13 gave him the data.

14 MR. NOURSE: Yeah, and she's asking to
15 reinforce his position in Table 6, and had all the
16 questions about the information being accurate, and
17 so I'm just revisiting that point that --

18 ATTORNEY EXAMINER: I'm going to sustain
19 the objection.

20 MR. NOURSE: Okay. That's all I have,
21 your Honor.

22 ATTORNEY EXAMINER: Thank you.

23 MS. BOJKO: Thank you.

24 ATTORNEY EXAMINER: Thank you. You're
25 done, I think.

1 (Witness excused.)

2 ATTORNEY EXAMINER: We're going to do
3 one more witness.

4 MS. BOJKO: We have exhibits to move,
5 your Honor.

6 ATTORNEY EXAMINER: Yes. I'm sorry.

7 MS. BOJKO: At this time OCC would like
8 to move admission of Exhibits 13, 15, 16, 17, and
9 request administrative notice taken of the
10 Commission's Opinion and Order for Exhibit 14.

11 ATTORNEY EXAMINER: Any objections?
12 Those will be --

13 MR. NOURSE: I'm tempted, but no.

14 MS. BOJKO: I did -- just for
15 confirmation, I moved 17, too, correct?

16 ATTORNEY EXAMINER: Okay. Yes.

17 MR. NOURSE: Did you rule already?

18 ATTORNEY EXAMINER: Do you have any
19 objection?

20 MR. NOURSE: I said no, I don't have any
21 objections, but if you ruled I'll move for AEP Ohio
22 Exhibits 5, 6, and 7.

23 MS. BOJKO: We do have objections, your
24 Honor. I have an objection to Exhibit -- I believe
25 you already ruled on it but I'll renew my objection

1 to the admittance, or are you just taking
2 administrative notice of all the -- of 5 which is the
3 compilation of SAIFI reports?

4 ATTORNEY EXAMINER: Yes, I am.

5 MS. BOJKO: So if 5 is just
6 administrative notice, then I will object to Exhibit
7 6 and Exhibit 7. As was demonstrated by the
8 cross-examination the witness did not rely on Exhibit
9 6 and he did not go to the link of Exhibit 6 which is
10 the production of -- purportedly of Exhibit 7.

11 Exhibit 7 is not a full document, it
12 doesn't appear to be a document that was provided in
13 discovery outside of the link, so it doesn't have the
14 URL or any information tied to it. He did not rely
15 on 6 or 7, so we do object to the admittance of
16 those.

17 MR. NOURSE: Your Honor, 6 and 7 are
18 obviously connected. It does show -- as is very
19 routine, to use discovery responses during
20 cross-examination. Mr. Lanzalotta agreed that he had
21 access to this discovery.

22 Obviously whether we provide a link or
23 an attachment shouldn't matter, it's still provided
24 in discovery. There have been -- he had plenty of
25 discussion, he had time to review it, he had

1 observations that were made, and there are plenty of
2 discussion questions in the record.

3 ATTORNEY EXAMINER: Let me cut you short
4 here because I'm going to admit them.

5 MR. NOURSE: Okay.

6 ATTORNEY EXAMINER: Okay. Moving on.

7 MS. BOJKO: Just for clarification
8 purposes, your Exhibit 5 was the SAIFI and CAIDI
9 compilation 2010?

10 MR. NOURSE: Yeah, I'm going to submit a
11 corrected copy pursuant to our -- honestly, we looked
12 on the docket and the 13-blank is what shows up in
13 the docket, but it's in that case number, so we can
14 hand write it on there just like we verbally said it,
15 but that is what appears in the docket.

16 I can include the last page, tag it and
17 I guess reauthenticate, so I'm happy to submit a
18 corrected version tomorrow morning on that.

19 ATTORNEY EXAMINER: If you would.

20 MR. NOURSE: I think that's what was
21 intended.

22 MS. BOJKO: Thank you for that
23 clarification. Are you waiting for me?

24 ATTORNEY EXAMINER: I am.

25 MS. BOJKO: Thank you. At this time the

Office of Ohio Consumers' Counsel would like to call
Wilson Gonzales to the stand.

(Witness sworn.)

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

- - -

DIRECT EXAMINATION

By Ms. Bojko:

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

A. Yes. Wilson Gonzales, 450 Whitney
Avenue, Worthington, Ohio 43085.

Q. And did you file or cause to be filed
testimony in this case, meaning 13-1939-EL-RDR?

A. Yes.

Q. Was that testimony filed on July 22nd,
2016?

A. That's correct.

MS. BOJKO: Your Honor, at this time I'd
like to mark as Exhibit 18, the direct testimony of
Wilson Gonzales.

ATTORNEY EXAMINER: Okay.

MS. BOJKO: May I approach?

(EXHIBIT MARKED FOR IDENTIFICATION.)

1 ATTORNEY EXAMINER: Sure.

2 By Ms. Bojko:

3 Q. Mr. Gonzalez, did you also have cause to
4 revise your direct testimony and did you file such
5 revisions on July 29th, 2016?

6 A. Yes, I did.

7 MS. BOJKO: Your Honor, at this time I'd
8 like to mark as OCC Exhibit 19 the revisions, the
9 errata sheet, as well updated tables and we'll have
10 Mr. Gonzalez explain his reason for the update. May
11 I approach?

12 ATTORNEY EXAMINER: Sure.

13 (EXHIBIT MARKED FOR IDENTIFICATION.)

14 MS. BOJKO: Your Honor, we have also
15 gone an additional step and have redline copies of
16 the table -- I'm sorry. Hold on.

17 By Ms. Bojko:

18 Q. Mr. Gonzalez, can you explain the
19 reasons for the update to the table?

20 MR. MC KENZIE: I'm sorry, if I could
21 just clarify, there's a further updated table,
22 correct?

23 MS. BOJKO: Yes.

24 MR. MC KENZIE: That Mr. Etter handed me
25 today. So you're talking about the updates in

1 Exhibit 19?

2 MS. BOJKO: Yes.

3 MR. MC KENZIE: I just wanted to be
4 clear.

5 By Ms. Bojko:

6 Q. Exhibit 19, you've updated two -- excuse
7 me, one table updated, Table 3; is that correct?

8 A. Yes.

9 Q. Can you explain why you updated Table 3?

10 A. Yes. There was a calculation in Table 3
11 where I excluded some discount factors, so it -- I
12 just made that correction.

13 Q. And actually, first, Mr. Gonzalez, could
14 you explain why you originally had to update Table 3
15 which is what you filed on July 29th, 2019? And
16 could you please speak loudly?

17 A. Okay. Well, one of the reasons I
18 changed Table 3 was that the -- it was based -- part
19 of that table was based on a company response, and
20 the Company later corrected its response and changed
21 the deployment of the meters, so I had to change the
22 Table to reflect the Company's new meter rollout.

23 Q. So the Company updated a discovery
24 response to OCC, and in turn that changed Table 3; is
25 that correct?

1 A. Yes. Only in Table 3 that changed, yes.

2 Q. Mr. Gonzalez, since the filing of the
3 Table 3 on July 29th, do you have additional changes
4 to Table 3?

5 A. Yes.

6 Q. Okay.

7 MS. BOJKO: At this time, your Honor,
8 I'd like to mark as OCC Exhibit 20 an updated Table
9 3, this one is dated July 31st, 2016.

10 ATTORNEY EXAMINER: Okay.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 MS. BOJKO: So that would be OCC Exhibit
13 20. Now, I'm not going to mark it but we have
14 provided a redlined copy of that updated table to the
15 Company and Staff.

16 ATTORNEY EXAMINER: Okay.

17 By Ms. Bojko:

18 Q. Okay. So do you have in front of you
19 what's been marked as OCC Exhibit 20?

20 A. Yes.

21 Q. And this is the updated Table 3 and it's
22 dated July 31st, 2016; is that correct?

23 A. Yes.

24 Q. And as you sit today here today, this
25 updated table, July 31st, 2016, is the most recent

1 table with all of the changes included that you're
2 aware of; is that correct?

3 A. That's correct.

4 Q. Okay. Now, I think you tried to do this
5 earlier to me, but can you explain to me why the
6 table was updated a second time?

7 A. Yes, if you look -- I'm trying to
8 look -- Let's see. The row that says present value
9 2015 dollars, in the years 2019 and 2020, I had not
10 raised the -- you know, the power of the discount, so
11 it's supposed to be discounted, the first year is the
12 actual dollars, second year you raise it to, you
13 know, the -- the second one you put -- you divide it
14 one by -- by the discount rate, and the second year
15 you take the square root of that, you know, you raise
16 the power to two and the third time you raise -- you
17 cube the power, depending on how many years you're
18 going to go.

19 Q. Okay. Thank you. So was the testimony
20 that you filed in the docket, as well as the
21 revisions in the table revisions, were those prepared
22 by you or under your direction?

23 A. Yes.

24 Q. And on whose behalf are you testifying
25 today?

1 A. I'm testifying on behalf of the Office
2 of the Ohio Consumers' Counsel.

3 Q. And since the filing of your testimony
4 and after the revisions we just explained -- or you
5 just explained, do you have any further changes to
6 your testimony or exhibits?

7 A. No.

8 Q. And so with the revisions that you've
9 provided, if I were to ask you the same questions
10 today as they appear in your testimony, would your
11 answers be the same?

12 A. Yes.

13 MS. BOJKO: At this time, your Honor, I
14 would like to move OCC Exhibits 18, 19, and 20,
15 subject to cross-examination. And I tender the
16 witness for cross.

17 ATTORNEY EXAMINER: All right.

18 Mr. McKenzie.

19 MR. MC KENZIE: Thank you, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. McKenzie:

23 Q. Good afternoon, Mr. Gonzalez.

24 A. I'm sorry, I didn't catch your name.

25 Q. Matthew McKenzie.

1 A. Good afternoon, Mr. McKenzie.

2 Q. Let me just ask a couple of questions
3 about your background to get started. You are not an
4 employee of OCC, correct?

5 A. That's correct.

6 Q. You're essentially an outside expert?

7 A. Yes.

8 Q. Okay. Are you an economist?

9 A. Yes.

10 Q. And you're currently the President of
11 Tree House Energy and Economic Consulting, LLC,
12 correct?

13 A. That's correct.

14 Q. How many employees do you have?

15 A. Uno; one.

16 Q. That's just you. Okay. And you do not
17 have a Ph.D. in economics, correct?

18 A. That's correct. I passed my
19 comprehensive exams but I didn't finish.

20 Q. Did you submit a doctoral thesis?

21 A. No.

22 Q. I see you graduated with a Bachelor of
23 Arts degree in economics from Yale; is that correct?

24 A. Yes.

25 Q. Is that in economics or EP&E?

1 A. No, economics.

2 Q. What year was that?

3 A. The class of '77; 1977.

4 Q. And then you have -- you have an MA in
5 economics from the University of Massachusetts at
6 Amherst?

7 A. Yes.

8 Q. Okay. Let's go to your testimony,
9 please, Page 6, Line 13. You say here, "The purpose
10 of my testimony is to present specific concerns about
11 the charges Ohio's residential customers will be
12 required to pay under the Stipulation. In
13 particular, the current Stipulation delivers to
14 customers a small fraction of overall operational
15 cost savings expected over the first three years of
16 the project." Did I read that correctly?

17 A. Yes.

18 Q. Okay. So let's talk about operational
19 savings in the first three years of the project.
20 Would you agree that the Company cannot achieve
21 operational savings from AMI meters until the meters
22 are actually installed?

23 A. I would say that's correct, but the
24 caveat that later on in my testimony when you deal
25 with risk and trying to reach a balance between risk

1 and reward, you can pay -- the Company can levelize
2 these operational savings to mitigate customer risk,
3 and in that case, you know, you're basically taking
4 the full stream of benefits over a period and
5 levelizing it. So with that caveat I would say yes.

6 Q. I understand that you advocate a
7 levelizing approach for the customer credit, but just
8 focusing on the operational savings that the Company
9 would realize, the Company cannot realize any
10 operational savings until an AMI meter is installed,
11 correct?

12 A. For operational savings of a Smart
13 Meter, that's correct.

14 Q. Okay. And obviously when the
15 Stipulation is approved, the Company can't snap it's
16 fingers and miraculously have 894,000 AMI meters
17 installed the next day, correct?

18 A. Yes, and I don't say that.

19 Q. Fair enough. So first of all, once the
20 Stipulation -- assuming the Stipulation is approved,
21 the Company must place an order for AMI meters,
22 correct?

23 A. Sounds possible.

24 Q. And do you know what the lead time is on
25 ordering AMI meters?

1 A. I don't know specifically, but I know
2 that the Company has indicated they are going to get
3 75,000 meters the first year.

4 Q. So would sort of 12 to 14 weeks sound
5 about right?

6 A. All I know is it could be. I don't
7 know.

8 Q. Okay. The Company will also have to
9 order telecom equipment that supports the AMI meters,
10 correct?

11 MS. BOJKO: Objection. Your Honor, this
12 is all assuming facts not in evidence that they don't
13 have the equipment from Phase 1 or anything of that
14 nature.

15 MR. MC KENZIE: Your Honor, this is
16 cross-examination, I don't have to establish those
17 facts, I'm asking if he knows them. He can answer he
18 doesn't know, I'm fine with that.

19 ATTORNEY EXAMINER: Okay. You can
20 answer.

21 (Question read back.)

22 THE WITNESS: To the extent they haven't
23 ordered them already, yes.

24 By Mr. McKenzie:

25 Q. Okay. Do you know the extent to which

1 the Company has ordered telecom equipment for Phase
2 2?

3 A. No. I don't believe that was in the
4 Company's Business Case.

5 Q. Do you know what the lead time is on
6 ordering the telecom equipment?

7 A. No.

8 Q. When the telecom equipment comes in the
9 Company has to install that telecom system before it
10 installs any other -- or any AMI meters, correct? If
11 you know.

12 A. I don't know because the Company didn't
13 file a detailed deployment schedule, deployment
14 activity chart, you know, of basically -- a business
15 plan for deployment.

16 Q. Do you have expertise in AMI meters?

17 A. I know about -- Yes, I know --

18 MS. BOJKO: Sorry, could the witness be
19 allowed to finish the response before the counsel
20 jumps in the with --

21 THE WITNESS: Yes, I'm familiar with AMI
22 meters.

23 MS. BOJKO: Mr. Gonzalez, speak up.

24 By Mr. McKenzie:

25 Q. And are you aware that you have to have

1 a telecom system in place before installing an AMI
2 meter in order to make sure the two are communicating
3 to each other correctly?

4 A. That sounds plausible, yes.

5 Q. Are you aware that after the meters are
6 installed there is a process for verifying that the
7 system is collecting information accurately?

8 A. Yes.

9 Q. And then only after all these things
10 have occurred then can meter reader routes be
11 eliminated or reshuffled to achieve operational
12 savings, correct?

13 A. Those appear to be prerequisites before
14 the meters are fully functioning and in the field.

15 Q. Okay. So taking all these steps
16 together, do you know how long it will take before
17 the first AMI meter will be installed in gridSMART
18 Phase 2?

19 A. I would assume the fourth quarter of the
20 first year of operation, and that's what's
21 demonstrated in how customers are going to be
22 charged.

23 Q. You're referring -- I'm sorry. Were you
24 done?

25 A. Yeah, I'm done.

1 Q. You're referring to the fact that the
2 \$400,000 reported credit does not begin until the
3 fourth quarter after the Stipulation is approved?

4 A. Correct.

5 Q. You understand that the Company will
6 install AMI meters in batches, correct?

7 A. That's what the discovery response
8 indicated.

9 Q. How many the first year? I think you
10 already said.

11 A. Well, you gave a range, so in my table I
12 took the midpoint of the range, so 75,000 the first
13 year, then 223,000 thereafter, more or less.

14 Q. 75,000 the first year, 223,000 per year
15 after that?

16 A. I'm sorry, I averaged it out at 273,000.

17 Q. Okay.

18 A. Again, midpoint of the range in the
19 corrected discovery.

20 Q. And that's fine. And you've never
21 yourself installed an AMI meter, correct?

22 A. No, I have not.

23 Q. Okay. And you used to work at AEP and
24 Columbia Gas, correct?

25 A. That's correct.

1 Q. And in those capacities you never
2 managed any kind of AMI meter rollout, correct?

3 A. No. Columbia doesn't have any AMI
4 rollout.

5 Q. Fair enough. So you never managed --
6 you never managed any AMI rollout?

7 A. No, I have not.

8 Q. Now, before -- in order to submit your
9 testimony in this proceeding did you review
10 Mr. Osterholt's testimony?

11 A. Yes, I did.

12 Q. Okay. Do you have it with you?

13 A. Yes, I do.

14 Q. Okay. Could you turn to Page 5 of
15 Mr. Osterholt testimony, which is AEP Ohio Exhibit 1?

16 A. Okay.

17 Q. On Line 21, Mr. Osterholt says that the
18 AMI deployment is expected to take approximately 48
19 months after approval. Do you have any reason to
20 doubt that timeline?

21 A. No.

22 Q. Okay. Flip to Page 6, please. On
23 Line 3 Mr. Osterholt estimates that DACR deployment
24 is expected to take approximately 72 months after
25 approval. Any reason to doubt that?

1 A. No.

2 Q. And starting on Line 5 through Line 7,
3 Mr. Osterholt estimates 72 months for VVO deployment.
4 Do you have any reason to doubt that?

5 A. No, which is precisely why we're paying
6 for this in the beginning and we're not getting a
7 benefit until sometime down the road. So consistent
8 with my testimony.

9 MR. MC KENZIE: Your Honor, I'll move to
10 strike everything after the word "which". He
11 answered it.

12 MS. BOJKO: Your Honor, just as you have
13 allowed previously the witnesses fully explaining his
14 answer and it was responsive to the question, and it
15 should be allowed to stand.

16 MR. MC KENZIE: If I may, I asked about
17 72 month deployment and he took it into an extraneous
18 comment about what kind of --

19 ATTORNEY EXAMINER: Motion to strike is
20 granted. I don't think it was very responsive.
21 By Mr. McKenzie:

22 Q. Okay. Let's go back to your testimony,
23 please. Page 11 and I'm referring to Table 1. Let
24 me know when you're there.

25 A. I'm there.

1 Q. Okay. Now, this comes out of AEP Ohio
2 Witness Moore's testimony, correct? I think this is
3 an exhibit to her testimony.

4 A. This is the corrected exhibit to her
5 testimony.

6 Q. Fair enough. Thank you. And you see
7 that there are figures for operating benefits in the
8 middle columns, it's actually columns 4 and 5; is
9 that correct?

10 A. Yes.

11 Q. Okay. And on Line 3 you say that
12 residential customers will receive a penny a month
13 the first year, do you see that?

14 A. Yes.

15 Q. Okay. But we have already gone over
16 that its \$400,000 per quarter credit that starts in
17 the fourth quarter of that first year, correct?

18 A. Yes.

19 Q. Okay. And the Stipulation contemplates
20 that the Commission will replace this credit with
21 another credit, correct? I'm going to withdraw that
22 question because we have already gone over that
23 enough today.

24 Let's go back to Table 1. So let me say
25 this: You understand that if the Commission approves

1 a new credit, that the figures in the operating
2 benefits columns here would be replaced to reflect
3 that new credit, correct?

4 MS. BOJKO: I'm sorry, here is Table 1?

5 MR. MC KENZIE: Yeah, back to Table 1.

6 MS. BOJKO: Thank you.

7 THE WITNESS: So if the Commission rules
8 on a new credit, and it goes through the whole
9 process and litigation and so on and so forth,
10 possibility those numbers could change, but it seems
11 to me that even the early numbers there's no
12 reconciling operational cost savings that were
13 experienced over those three years.

14 There's no way it seems from my reading
15 of the Stipulation that the Commission can go back --
16 you know, could say well, in those first three years
17 there were actually more operational cost savings. I
18 believe the way that the Stipulation is worded with
19 no reconciliation the Commission can't retrieve those
20 cost savings to customers.

21 By Mr. McKenzie:

22 Q. Right, it's a stipulated \$1.6 million
23 annual credit until there's an audit, and the
24 Commission replaces that number. My question to you
25 was -- let's say this: Let's say that the Commission

1 replaces that number in year 2. If you wanted to
2 update this table you would strike the numbers in the
3 residential and nonresidential operating benefits and
4 replace it with what the Commission determines on a
5 go forward basis, correct?

6 A. I believe that would be more correct for
7 year 4 based on my assessment, you know. And
8 basically your assessment based on this table.

9 Q. Well, so are you saying that -- let me
10 ask you this: Where in the Stipulation does it say
11 that the Commission will update the stipulated credit
12 in year 4?

13 A. I don't believe it says year 4, but it
14 establishes a process, and if you have a process you
15 have due rights, due process, and you know, you can
16 have appeals on that, so you know, that's why I said
17 it. You say year 2. I think that's too premature.

18 Q. You understand the Commission orders on
19 rates are effective the minute the order comes out
20 pending and don't depend on an appeal?

21 MS. BOJKO: Objection. It
22 mischaracterizes his testimony, that's not what he
23 said.

24 MR. MC KENZIE: I'm not characterizing
25 his testimony, I'm just asking him that.

1 ATTORNEY EXAMINER: I'll overrule the
2 objection. You can answer.

3 ATTORNEY EXAMINER: Do you need the
4 question?

5 (Question read back.)

6 THE WITNESS: Generally I'm aware of
7 that.

8 By Mr. McKenzie:

9 Q. And you would agree that when the audit
10 occurs it is in the hands of Staff and the
11 Commission, correct?

12 MS. BOJKO: Objection. Could you define
13 the word "audit", because audit is not in the
14 Stipulation?

15 MR. MC KENZIE: You know, if the witness
16 needs clarification, I think the witness can ask for
17 it.

18 MS. BOJKO: Your Honor, there are
19 multiple audits in the Stipulation. Is he talking
20 about the operational cost savings, his own
21 definition of audit, or is he talking about the
22 prudence audit that was raised by Ms. Moore in the
23 Stipulation?

24 MR. MC KENZIE: We're clearly in the
25 discussion of the operational savings audit.

1 ATTORNEY EXAMINER: Okay.

2 MR. MC KENZIE: I can ask that.

3 ATTORNEY EXAMINER: Can you rephrase?

4 That would be great.

5 By Mr. McKenzie:

6 Q. Would you agree that when the
7 operational savings audit and Commission proceeding
8 to set the new operational savings credit occurs,
9 it's in the hands of Staff and the Commission?

10 A. Are you saying at the end of the process
11 or are you saying --

12 Q. I'm just saying isn't it true that when
13 the audit occurs, whether it's -- I'm sorry, the
14 operational savings audit and Commission proceeding
15 to determine the new credit, when that occurs,
16 whether it's year 1 or year 3 or year 4, that's up to
17 Staff and the Commission, correct?

18 MS. BOJKO: Objection, your Honor.
19 Under Rule 611(A) and in 103(C) --

20 ATTORNEY EXAMINER: I'm going to
21 sustain.

22 MR. MC KENZIE: Okay. I'll move on.
23 By Mr. McKenzie:

24 Q. Let's go to Page 22 of your testimony
25 and I guess refer you to Table 3, but for that we

1 should refer to your -- to OCC Exhibit 20, which is
2 the updated table, this is the table that supports
3 your proposed levelized credit, correct?

4 A. Yes.

5 Q. Okay. One line here is "Credit
6 Collections and Revenue Enhancements". There's a
7 couple lines; is that correct?

8 A. Correct.

9 Q. And the -- the input from this line
10 comes from the Business Case that was attached to
11 Mr. Osterholt's testimony, correct?

12 MS. BOJKO: I'm sorry, which line? I
13 see four lines that say that.

14 By Mr. McKenzie:

15 Q. Well, let me say a line. The input that
16 you used for the credit collections and revenue
17 amount came from the Business Case sponsored by AEP
18 Ohio Witness Osterholt, correct?

19 A. Not completely, only the Phase 2
20 numbers. The Phase 1 numbers came from the final AEP
21 Phase 1 report.

22 Q. Fair enough. That's a fair
23 clarification. And you reviewed -- let me ask you,
24 did you review the Business Case before compiling
25 this table?

1 A. I reviewed what Mr. Osterholt attached
2 to his testimony, the 14 pages.

3 Q. Excuse me. So then you're aware that a
4 portion of the credit collections and revenue
5 enhancements estimated in the Business Case,
6 specifically 1.5 to 2 million dollars annually,
7 relates to remote disconnections for nonpayment,
8 correct?

9 MS. BOJKO: I'm sorry, could I have that
10 question reread? Mr. Gonzalez, I'm having trouble
11 hearing you again.

12 (Question read back.)

13 THE WITNESS: I'm aware of that. I
14 didn't include that in my table, I was very
15 conservative. So if you look at -- the actual amount
16 is 8 to 10 million in annual utility benefits. I
17 used 8 million to take into account the operational
18 benefits because my understanding was that I wasn't
19 aware of the waiver, and I knew that as Witness Moore
20 mentioned yesterday, that there had been some small
21 adjustment in -- you know, in the reconnect and
22 disconnect charge.

23 By Mr. McKenzie:

24 Q. So I think I understand, but let me ask.
25 Let's go to Page 5 of the Business Case. Do you have

1 that open in front of you?

2 A. Uh-huh.

3 MS. BOJKO: I'm sorry, the one attached
4 to Mr. Osterholt?

5 MR. MC KENZIE: Yes, Exhibit SSO-1 Page
6 5.

7 By Mr. McKenzie:

8 Q. Immediately below the table there's a
9 sentence that begins, "Credit collections and revenue
10 enhancements." Do you see that?

11 A. Yes.

12 Q. It says, "Credit collections and revenue
13 enhancements through earlier theft detection, lower
14 consumption on inactive meters and greater billing
15 accuracy are projected to lead to an additional 8 to
16 10 million in annual utility benefits." Did I read
17 that correctly?

18 A. Yes.

19 Q. You took the 8 million figure, correct?

20 A. Yes, because I specifically -- he
21 follows up that sentence by saying 1.5 to 2 million
22 are -- are because of the remote switching. Well, I
23 knew that there had already been an adjustment, and I
24 wasn't aware of necessarily the waiver, so I was very
25 conservative, I took it out of my table.

1 Q. Fair enough. You understand -- I think
2 you just said that AEP Ohio has not received any
3 waiver that would allow remote disconnection in Phase
4 2, correct?

5 A. I believe I heard the witness say that,
6 the Company witness say that they would ask for that
7 waiver going forward.

8 Q. Okay. And generally you agree that
9 operational savings should be maximized in order to
10 eventually pass those through to customers, correct?

11 A. Subject to other conversations, I think
12 when you're disconnecting a -- somebody in a
13 distressed class or something, I think it gets a
14 little more complicated than that.

15 Q. Well --

16 A. So you have to -- you would try to
17 maximize operational cost savings subject to certain
18 constraints, and one constraint could be, you know,
19 consideration for the client that you're
20 disconnecting and their circumstances, and whether
21 there might be some safety issues down the road,
22 health and safety.

23 Q. I'm sorry, what are the safety issues?

24 A. Health and safety. You disconnect
25 somebody without notice and they die, you know,

1 because of the weather or something.

2 Q. So you believe that the remote
3 disconnection procedure doesn't have notice?

4 A. No, no, I'm just saying a physical
5 notice.

6 Q. And you're aware that AEP Ohio has
7 procedures in place not to disconnect anyone with
8 life support or other health conditions, correct?

9 A. I don't recall the specific language in
10 the waiver.

11 Q. And so let me just ask, would you
12 support a waiver in Phase 2 to allow AEP Ohio to
13 maximize operational savings to remotely disconnect
14 for nonpayment?

15 A. I would have to look at the filing and
16 the evidence and information since the first waiver.

17 Q. So you have no opinion?

18 A. I have -- barring seeing information and
19 analysis of what occurred, I would not. I think it
20 would be premature.

21 Q. Do you know if OCC would support a
22 waiver for Phase 2?

23 MS. BOJKO: Objection.

24 THE WITNESS: I don't know.

25 MS. BOJKO: Calls for attorney/client

1 privileged communications.

2 ATTORNEY EXAMINER: Sustained.

3 By Mr. McKenzie:

4 Q. Now, in this chart you've got Phase 1 --
5 gridSMART Phase 1 operational savings reflected in
6 here, correct?

7 A. Yeah, I figured we would get some of
8 those in there also.

9 Q. And that's on an assumption that the
10 Phase 1 operational savings have not been passed
11 through to customers already and reflected in rates,
12 correct?

13 A. Based on my understanding, the only
14 credit I believe that had been passed through to
15 customers was the discussion that Witness Moore
16 entertained yesterday concerning the reconnect and
17 disconnect, yes.

18 Q. Well, I'm just asking about this table.
19 The Phase 1 operational savings in this table do not
20 contain any discount or reduction for Phase 1 savings
21 that have already been passed through to customers,
22 correct?

23 A. That's correct. And I guess in our
24 discussion with the prior witness, you know, no rate
25 case order that states that it's Smart Grid savings

1 would pass along.

2 Q. Do you know when -- do you know when the
3 AMI meters in Phase 1 were installed, completely
4 installed?

5 A. Not specifically, but -- yeah, not
6 specifically.

7 Q. And before you made this chart did you
8 review AEP Ohio's last distribution base case?

9 MS. BOJKO: I'm sorry, did you review
10 the entire base rate case?

11 By Mr. McKenzie:

12 Q. Did you review any aspect of the base
13 case?

14 A. I believe I -- I reviewed the order.

15 Q. Did you review the application?

16 A. You're talking about 2011 case, right?
17 The rate case of 2011, 11-351, I was peripherally
18 involved in that case and it was very specific to one
19 item.

20 Q. Do you recall what the test year in the
21 application was?

22 A. It didn't -- it didn't -- I don't
23 recall.

24 Q. Do you recall what the date certain in
25 the application was?

1 A. Didn't recall because it wasn't -- it
2 didn't impact the testimony I was delivering in that
3 particular case. Usually a test case is usually
4 based on some historic information and it could be
5 the last few months, could be projected.

6 Q. Did you make any attempt to determine
7 whether Phase 1 operational savings were included in
8 the test year for the last base cases?

9 MS. BOJKO: Objection. Are you talking
10 about for purposes of his testimony in this case or
11 back in the rate case?

12 MS. BOJKO: For purposes of the Phase 1
13 credits that he put down in his Table 3.

14 MS. BOJKO: Thank you.

15 (Question read.)

16 THE WITNESS: I guess I kind of skipped
17 that part when reviewing because I went straight to
18 the audit, it was the black box settlement. Then I
19 don't know what went in there, what's not in there.
20 By Mr. McKenzie:

21 Q. Okay. Let's go back to Table 3, updated
22 Table 3, OCC Exhibit 20. Now, if I understand the
23 way you -- I'm sorry, let's go to the -- the first
24 line that has numbers, Phase 2 meter reading and
25 operations, nominal dollars. Do you see that?

1 A. Yes.

2 Q. That is based on the number of meters
3 installed times the average annual meter benefits,
4 correct?

5 A. Again, I was conservative there. I took
6 the mid point as opposed to the high level.

7 Q. I'm just asking if I understand the way
8 you did it.

9 A. That's what I calculated, yes.

10 Q. And the number of meters installed is
11 down in Phase 2 meters installed asterisk, asterisk,
12 correct?

13 A. Correct. And that's one of the lines I
14 changed based on the corrected Company interrogatory
15 response.

16 Q. Okay. And the way this works is in
17 year 1 you've got 75,000 there, correct? And then
18 you multiply that by the Phase 2 annual meter
19 benefits which is \$7.27, I believe, just above it
20 there; is that correct?

21 A. Yes.

22 Q. Okay. And so that would assume that the
23 75,000 meters are installed for the full year,
24 correct?

25 A. Yes. I'm thinking whether that was

1 taking -- instead of the actual year whether I was
2 taking four quarters to represent the years.

3 Q. Well, in order to create this table you
4 had to assume when the rollout would start, correct?
5 And it seems to me you've assumed it would be
6 January 1st of 2017; is that correct?

7 A. I think the 2017 could be year 1,
8 corresponding year 1.

9 Q. Great. And so in order to get 75,000
10 times 7.27 as the number for the Phase 2 meter
11 reading and operation savings, you necessarily
12 assumed that those 75,000 meters would be installed
13 on January 1st, 2017, correct?

14 A. I guess to get the full value, yes.

15 Q. Right. And the full value is included
16 in your proposed credit, correct?

17 A. Yes.

18 Q. And earlier I believe we discussed that
19 the first meter will not be installed until the
20 fourth quarter of that first year, correct?

21 A. That's correct. Can I finish?

22 Q. I'm sorry.

23 A. That's correct, but the purpose of this
24 particular exhibit table was to show that these
25 benefits are going to -- you know, operational

1 benefits -- most of these operational benefits are
2 going to occur over the -- over the period in the
3 table.

4 And since we're levelizing it, you know,
5 over those four years, the benefits -- you know, that
6 impact is going to be very small relative to a
7 nonlevelized table.

8 So while it's true the final impact is
9 not as -- you know, as -- it's not as impactful if I
10 wasn't levelizing the numbers.

11 MR. MC KENZIE: Your Honor, I'd move to
12 strike everything after, "The purpose of this table."
13 I did not ask about the purpose of the table. He
14 answered my question.

15 ATTORNEY EXAMINER: I'm going to
16 overrule that.

17 MR. MC KENZIE: Okay.

18 By Mr. McKenzie:

19 Q. Year 2, it's the same thing, you've
20 assumed 273,000 meters would be installed on
21 January 1st of 2018, correct?

22 A. I think you could say that, although I
23 think if I had used the high operational cost savings
24 of the meter range you could definitely say that, but
25 I used the midpoint, so it's movement. It could be

1 movement in any way.

2 Q. Let's move on. You focused on
3 operational benefits primarily from AMI meters in
4 Phase 1 and Phase 2, but there are other customer
5 benefits that are attributable to DACR and VVO,
6 correct?

7 A. Yeah, my testimony is very narrow,
8 looking at operational cost savings. The other OCC
9 witnesses looked at reliability savings, looked at
10 DACR and Volt/VAR, but I was really operation --
11 interested in operational cost savings because those
12 come directly to customers for the payment, for the
13 charges the Company is imposing on customers. So I
14 wanted to look at that very particularly.

15 Q. Let's turn to Mr. Osterholt's testimony,
16 Page 5, please. From Lines 3 -- Lines 3 -- I'm
17 sorry, take your time.

18 A. I'm sorry, what page?

19 Q. Page 5, Osterholt.

20 A. Page 5.

21 Q. Yes, the testimony, not the Business
22 Case.

23 A. That's fair.

24 Q. Okay. On Lines 3 to 8, Mr. Osterholt
25 provides the Company's expected customer value for

1 the three technologies, more than one billing for
2 DACR, more than 220 million customer bill savings for
3 VVO, and 200 million in operational savings for AMI
4 deployment. Do you see that?

5 A. Yes. And my testimony addresses the 200
6 million that we're not seeing.

7 Q. Okay. The billion dollars in customer
8 value for DACR, that doesn't depend on whether
9 there's any operational credit, correct?

10 A. Based on the Company's application where
11 it's on the consumer side of the deal and how they
12 value it, no.

13 Q. Okay. And the 220 million in customer
14 bill savings related to VVO, that doesn't depend on
15 any operational credit, correct?

16 A. Again, I believe that's on the customer
17 side of the meter, and my testimony was not -- was
18 looking at -- it was \$200 million that Witness
19 Osterholt provides in his testimony of which we're
20 going to get 3.6, I believe, over those -- over the
21 initial period.

22 Q. So the answer is yes, the 220 million in
23 customer bill savings does not depend on any
24 operational savings credit, correct?

25 A. Yes, I would say that's correct.

1 Obviously assuming they materialize.

2 Q. Let's go back to the Business Case,
3 please, Exhibit SSO-1. Actually, I withdraw that.
4 It's not even a question. I can streamline this.

5 So let's go to Page 5 of the Business
6 Case. You see under the heading "AMI Benefits" there
7 is a list of --

8 A. I'm sorry, Page 5?

9 Q. Page 5 of the Business Case, Exhibit
10 SSO-1.

11 A. Okay.

12 Q. Okay. There are five items listed, One
13 through Five there. Do you see that?

14 A. Yes.

15 Q. Okay. The first one says "Improved Data
16 For Billing". Do you agree that estimated bills can
17 sometimes cause hardships for customers when the bill
18 is trued up after an actual reading?

19 A. Depends on if you're getting a credit or
20 debit.

21 Q. Does it depend on whether they get a
22 credit or debit if they have to pay more in month 1
23 and then they pay less in month 2? Wouldn't they
24 rather pay later?

25 A. I think in a moment they -- any time you

1 get a bonus you --

2 Q. But you're an economist, aren't you?

3 You know there's a time value of money and if they
4 pay more in year 1 -- I'm sorry, in month 1 than they
5 could have paid, that there's a time value of that
6 money, correct?

7 MS. BOJKO: Objection. Could I again
8 ask that the witness be allowed to finish his answer
9 before counsel jumps in and asks his next question?
10 I'm not sure that Mr. Gonzalez was finished.

11 THE WITNESS: I would say if there was a
12 deflationary period, that might hold.
13 By Mr. McKenzie:

14 Q. Let's just ask this: Is there a
15 customer benefit to eliminating estimated bills?

16 A. I would say generally, yes.

17 Q. And customers would receive this benefit
18 from gridSMART Phase 2 meters regardless of whether
19 there's any operational savings or credit, correct --
20 I should say regardless of the amount of the
21 operational savings, correct?

22 THE WITNESS: I'm sorry, repeat that
23 back.

24 (Question read.)

25 THE WITNESS: I would say -- I would say

1 yes, except that the improved data does impact the
2 operational savings.

3 By Mr. McKenzie:

4 Q. But they receive that benefit regardless
5 of the amount of the operational savings, correct?
6 If it's what you want or the Company has proposed,
7 the customers will obtain the assessment benefit
8 related to improved data for billing, correct?

9 A. Yes, if the rollout is -- yeah, if the
10 rollout is successful.

11 Q. Let's go to the second one, "Better
12 Customer Service and Satisfaction". Do you agree
13 that AMI meters lead to better customer service and
14 satisfaction?

15 A. The better customer service in the sense
16 that they are getting exact bills.

17 Q. No, let's go to -- I'm sorry to
18 interrupt you.

19 A. No, go ahead.

20 Q. Go to Page 6 of the -- of this document
21 in the Business Case. The middle of the page there
22 is a paragraph that begins, "In addition to." Do you
23 see that?

24 A. Yes.

25 Q. So it says, "In addition to the benefits

1 previously described AMI provides billing and call
2 center efficiencies that will enable Staff to address
3 more inquiries and to do so faster. Customers should
4 experience fewer billing issues from continual meter
5 reads and the elimination of estimated meter reads
6 through AMI, and call center representatives will
7 have realtime access to meter data which will help
8 them discuss actual usage information with
9 customers."

10 Do you agree that those are benefits
11 from AMI meters?

12 A. I would say if executed correctly, they
13 can be benefits. But they have to be realized. Just
14 because you slap a meter on somebody's house, it's
15 not going to happen.

16 Q. Fair enough. And assuming that the --
17 that the meters are installed and those benefits are
18 realized, those benefits don't depend on the amount
19 of the operational savings credit, correct?

20 A. Again, I would say they contribute to
21 the operational credit.

22 Q. But the benefit the customers receive
23 from better customer service and satisfaction, that
24 wouldn't be something that goes into an operational
25 savings credit, would it?

1 A. No.

2 Q. And customers would receive that
3 intangible benefit regardless of what the operational
4 savings credit is, correct?

5 A. Yes. But, you know, the customer, you
6 know, satisfaction -- the customer would be weighing
7 how much he paid for it. So, you know, that would
8 impact the satisfaction.

9 Q. Let's go to No. 3, "Reduced Outages",
10 this is back on Page 5. Do you agree that AMI meters
11 will improve reliability for customers?

12 MS. BOJKO: Objection, your Honor. I
13 mean, this is way beyond the scope of Mr. Gonzalez'
14 testimony. He doesn't talk about reliability,
15 outages, anything --

16 MR. MC KENZIE: Your Honor, first of
17 all, it's cross-examination and I don't think outside
18 the scope of direct --

19 ATTORNEY EXAMINER: Maybe we can move
20 this along a little quicker.

21 By Mr. McKenzie:

22 Q. Would you agree that reliability
23 improvements from AMI meters don't depend on the
24 level of operational savings credit?

25 A. Do you mean improved reliability because

1 the meter pings and -- no, serious. I mean, I think
2 most of the reliability that has been discussed has
3 been related to DACR.

4 Q. You've read the Business Case, correct?

5 A. So the meter --

6 MR. MC KENZIE: I'm sorry, I thought he
7 finished.

8 THE WITNESS: So my understanding is
9 that the meter -- obviously it helps the Company
10 locate and identify quick, quicker, and so on and so
11 forth, that may have a benefit, by my understanding
12 was that the bigger benefit was -- the bigger
13 purported evidence was on the DACR side.

14 By Mr. McKenzie:

15 Q. And you've read part of the Business
16 Case that describes the reliability benefits
17 resulting from AMI meters, correct?

18 A. I read the whole Business Case. I mean,
19 I haven't committed any of it to memory.

20 Q. Okay. Well, I'm trying to move this
21 along. So can we agree that improved reliability
22 from AMI meters does not depend on the level of the
23 operational savings credit?

24 A. It may not.

25 Q. Okay. And let's go to Nos. 4 and 5,

1 "Improved crew and meter safety," and, "Reduced
2 environmental impacts." Do you agree that those
3 benefits from AMI meters do not depend on the level
4 of the operational savings credit?

5 A. I would say No. 5 definitely. I would
6 say No. 4, again it's -- you know, improved crew and
7 meter -- meter reader safety is part of the
8 operational benefit.

9 Q. There's a monetary benefit associated
10 with it; you would agree there's also a tangible
11 benefit to improved safety, correct?

12 A. You mean like we really don't want
13 people to get hurt, that kind of thing?

14 Q. Yeah. Do you agree with that?

15 A. I would say yes.

16 MR. MC KENZIE: May I approach? I'd
17 like to have this marked as AEP Ohio Exhibit 8. This
18 is the Opinion and Order of the Commission in Case
19 No. 8-971-EL-SSO, it's the ESP I case.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 By Mr. McKenzie:

22 Q. Could you please turn to Page 37 of this
23 order?

24 ATTORNEY EXAMINER: I'm sorry, what
25 number was this, 8?

1 By Mr. McKenzie:

2 Q. I'm going to direct you to the paragraph
3 that begins, "The Commission believes." It's at the
4 bottom. Do you see that?

5 ATTORNEY EXAMINER: I'm sorry, what
6 page?

7 MR. MC KENZIE: Page 37.

8 MS. BOJKO: Objection. There's been no
9 foundation laid as to this document before counsel
10 starts reading it into the record.

11 MR. MC KENZIE: It's a Commission order.
12 We've taken administrative notice of --

13 ATTORNEY EXAMINER: I will take
14 administrative notice.

15 MS. BOJKO: Still a foundation has to be
16 laid before questioning the witness.

17 MR. MC KENZIE: That's actually not
18 true. I'm going to ask him a question whether he's
19 read this or not, read statements from it, and ask if
20 he agrees with it.

21 ATTORNEY EXAMINER: That's fine.

22 By Mr. McKenzie:

23 Q. So the paragraph that begins, "The
24 Commission believes," do you see that?

25 A. Yes.

1 Q. Okay. It says, "The Commission believes
2 that it is important that steps be taken by the
3 electric utilities to explore and implement
4 technologies, such as AMI, that will potentially
5 provide long-term benefits to customers and the
6 electric utility."

7 First of all, do you agree with the
8 Commission that it's important that steps be taken by
9 electric utilities to explore and implement
10 technologies such as AMI?

11 MS. BOJKO: Your Honor, I'm going to
12 object. It is -- Rule 602, 703, 803, 804, and 901
13 deal with the necessity to have proper foundation
14 before inquiring into a witness regarding evidence
15 that they seek to question him on.

16 MR. MC KENZIE: So those rules apply
17 when I ask him a question about what he's seen or
18 heard or something like that. I'm asking his opinion
19 as an expert witness as to whether he agrees with
20 this statement. I don't need foundation for that.

21 ATTORNEY EXAMINER: I'm going to allow
22 it.

23 MR. MC KENZIE: Thank you.

24 ATTORNEY EXAMINER: Briefly.

25 THE WITNESS: So you're asking me if I

1 believe what the Commission believes in that
2 statement?

3 By Mr. McKenzie:

4 Q. Would you agree with the Commission?

5 A. I would -- my take would be that if the
6 electric utilities want to explore and implement
7 technologies, they should do it on their dime. They
8 should, you know, file it as a regulatory asset rate
9 case. If it works, we pay you. If it doesn't work,
10 if it's not used and useful, you eat the cost.

11 MR. MC KENZIE: Excuse me just one
12 second.

13 Okay. I'm just going to move this
14 along. May I approach, your Honor? I'd like to mark
15 this AEP Ohio 9.

16 MR. MC KENZIE: This is the Opinion and
17 Order in Case No. 13-2385-EL-SSO, ESP III decision,
18 AEP Ohio. Your Honor, could we take administrative
19 notice of this document, please?

20 ATTORNEY EXAMINER: Yes. This is AEP
21 Exhibit 9?

22 MR. MC KENZIE: Yes.

23 By Mr. McKenzie:

24 Q. Could you go to the bottom of Page 51,
25 please?

1 A. I don't believe I've read this order
2 from page to page.

3 MS. BOJKO: I'm sorry, I didn't hear.

4 THE WITNESS: I wasn't working on this
5 case so --

6 ATTORNEY EXAMINER: So you haven't read
7 this order?

8 By Mr. McKenzie:

9 Q. I'm just going to ask you whether you
10 agree with one sentence. So if you could turn to the
11 page, Page 51, at the very bottom it starts, "As
12 discussed in." Do you see that?

13 MS. BOJKO: Is there a question pending,
14 your Honor?

15 MR. MC KENZIE: The witness -- he's
16 reading.

17 By Mr. McKenzie:

18 Q. So I'll ask a question. This sentence
19 says, "As discussed in the ESP I case and the ESP II
20 case, the Commission continues to find significant
21 long-term value and benefit for AEP Ohio and its
22 customers with the implementation of advanced
23 metering infrastructure, distribution automation, and
24 other Smart Grid technologies." Do you agree with
25 that statement?

1 MS. BOJKO: Objection. Your Honor, he
2 said he's never read the order. It lacks foundation,
3 and as well as it's prejudicial.

4 He's asking the witness -- he said he
5 hasn't read it and he's taking one sentence out of
6 the whole order and he's asking him to agree or
7 disagree with it. It's unfair and it's prejudicial.

8 ATTORNEY EXAMINER: Well, he can answer
9 whether he believes there is value in the
10 implementation of advanced metering and
11 infrastructure.

12 MS. BOJKO: Well, your Honor, he needs
13 time to read the remaining paragraph and put it in
14 context. I'd ask that he be allowed to do this. I
15 mean, this is a 50-some page order.

16 ATTORNEY EXAMINER: Do we really need
17 this?

18 MR. MC KENZIE: I just want to ask him
19 if he agrees with the Commission or disagrees. I
20 think that's very probative to the Commission when it
21 evaluates his testimony. I'm sure counsel is very
22 familiar with this order. If she wants to bring
23 something up on redirect, she can.

24 MS. BOJKO: Your Honor, I'd also ask for
25 the definition of the word "you". Is he asking

1 personally or in representing Consumer Counsel?

2 MR. MC KENZIE: I'm asking in his
3 capacity on the stand here today representing the
4 Ohio Consumers' Counsel.

5 MS. BOJKO: Thank you for that
6 clarification.

7 ATTORNEY EXAMINER: Okay. Do you agree
8 with the Commission statement?

9 THE WITNESS: I believe that there is
10 potential, but as my testimony indicates, it hasn't
11 been realized. So if you have potential and it's not
12 realized, is it a benefit?

13 By Mr. McKenzie:

14 Q. Let's go back to your testimony, please,
15 Page 12, Line 19. You're referencing here an audit
16 that was conducted for Duke Energy's Smart Grid
17 program to identify operational savings, correct?

18 A. I'm sorry, what page did you say?

19 Q. Page 12, Line 19.

20 A. Correct.

21 Q. Okay. Now, the Commission selected an
22 outside auditor, I think it's the -- is it Meta Vu,
23 is that how you say it?

24 A. That's correct.

25 Q. And the outside auditor conducted this

1 audit, correct?

2 A. Yes.

3 Q. And this was a mid-deployment audit,
4 correct?

5 A. It was. Duke had about as many meters
6 installed as AEP from Phase 1.

7 Q. Okay. Now, on your Footnote 13 on the
8 next page, you reference a settlement filed in Duke
9 Energy Ohio Case No. 10-2326-GE-RDR. Do you see
10 that?

11 A. Yes, I do.

12 Q. And that's a settlement in the case we
13 were just referring to with the mid-deployment audit,
14 correct?

15 A. That's correct.

16 Q. And OCC was a signatory party to that
17 settlement, correct?

18 A. I believe we were, yes.

19 Q. Now, Duke's rider for its electric Smart
20 Grid system is called the Rider Distribution
21 Reliability Infrastructure Modernization for Rider
22 DR-IM; is that correct?

23 A. I believe -- I haven't looked at it in a
24 while, but I believe that sounds contract.

25 Q. And are you aware that in this Case No.

1 10-2326 that's referenced by you in Footnote 13, that
2 as part of the Stipulation the stipulating parties
3 agree to Rider DR-IM rates of \$2.24 per meter per
4 month for residential customers?

5 A. I don't recall the exact table, but I
6 know there was some charges.

7 Q. Well, let me ask you this: Duke's rider
8 DR-IM rates are periodically updated; is that
9 correct?

10 A. I believe that's correct.

11 Q. Okay.

12 MR. MC KENZIE: Last exhibit, your
13 Honor. May I approach? I'd like to mark this AEP
14 Ohio Exhibit 10.

15 (EXHIBIT MARKED FOR IDENTIFICATION.)

16 By Mr. McKenzie:

17 Q. This is the Commission's Opinion and
18 Order in case 15-883-GE-RDR. Do you recognize this
19 as the order approving the most recent update to
20 Duke's Rider DR-IM?

21 A. It looks to be. I don't know if it's
22 the most recent, but it says 2015.

23 MS. BOJKO: I'm sorry. Could you read
24 that answer back?

25 (Question read.)

1 By Mr. McKenzie:

2 Q. Let's turn to Page 7. Actually, I'm
3 sorry, first let's turn to Page 2. Are you aware
4 that there was a Stipulation in this case that OCC
5 joined?

6 A. No, I was not involved in this case. I
7 have no prior knowledge of this particular case.

8 Q. Okay. On Page 2, could you go down to
9 the paragraph that begins, "On January 6, 2016"? Do
10 you see that?

11 A. Yes.

12 Q. Could you read that sentence, please?

13 A. "On January 6, 2016, Duke, Staff, OPAE,
14 and OCC (collectively Signatory Parties) filed a
15 Stipulation and Recommendation (Stipulation)."

16 Q. That's enough. That's good. Thank you.
17 You don't have any reason to doubt that OCC joined
18 that Stipulation, correct?

19 A. No, this is legitimate.

20 Q. Okay. Could you turn to Page 7, please?
21 Would you agree that as a part of the Stipulation in
22 this case OCC agreed to a rate increase for the Duke
23 rider of \$6.28?

24 MS. BOJKO: Objection.

25 MR. MC KENZIE: I'm sorry, that's the

1 final rate.

2 MS. BOJKO: My objection is he asked if
3 OCC agreed, and Mr. Gonzalez just said he didn't
4 participate in this case on behalf of OCC, so I don't
5 know how he would know that.

6 ATTORNEY EXAMINER: Sustained.

7 By Mr. McKenzie:

8 Q. OCC joined the Stipulation in this case,
9 correct?

10 MS. BOJKO: Objection. Asked and
11 answered.

12 ATTORNEY EXAMINER: Sustained.

13 By Mr. McKenzie:

14 Q. So on Page 7, the little (a), second
15 sentence -- I'm sorry, the first sentence, do you see
16 where this is a paragraph describing what the
17 signatory parties agreed?

18 A. I see the sentence.

19 Q. Okay. And then there is a table on the
20 next page. That shows that the residential proposed
21 rate is \$6.28. Do you see that?

22 A. Yes, I do.

23 Q. Okay. Let's go back -- keep that handy,
24 but let's go back to your testimony, Page 11, Table
25 1. We have already gone over this table. This came

1 from AEP Ohio Witness Moore's projected rate impacts,
2 correct?

3 A. Okay. Yes.

4 Q. If you go all the way down to year 7 for
5 the residential rates, the rate there is \$2.48; is
6 that correct?

7 A. That's the number that appears on the
8 table.

9 Q. And that's not counting any operational
10 benefit credit, correct?

11 A. According to the table, that's correct.

12 Q. And you would agree mathematically that
13 \$2.48 is two-and-a-half times lower than \$6.28,
14 correct?

15 MS. BOJKO: Objection.

16 ATTORNEY EXAMINER: Basis?

17 MS. BOJKO: Yes, your Honor, the
18 implication by counsel is that somehow these are
19 apples to oranges numbers, and we have not
20 established what other items may or may not have gone
21 into the Stipulation and Order, and I don't think
22 there's been any foundation that the average monthly
23 rate impact number is comparable to information that
24 he's asking him to compare. There's just been no
25 foundation of that.

1 MR. MC KENZIE: Your Honor, those are
2 all points that can be made on redirect or on brief.
3 There's no evidentiary objection there. I asked a
4 question that could be answered with a priori logic.
5 That's all I'm asking.

6 ATTORNEY EXAMINER: Okay.

7 MS. BOJKO: Your Honor, there is an
8 objection. It assumes facts not in evidence, which
9 is the objection under the Rules of Evidence.

10 MR. MC KENZIE: These are -- I got these
11 from the Commission order --

12 ATTORNEY EXAMINER: Reliable sources.

13 MR. MC KENZIE: Yes, your Honor.

14 ATTORNEY EXAMINER: Okay. I'm going to
15 allow this question.

16 THE WITNESS: I feel uncomfortable
17 because I don't know the specifics that went into
18 each of these rates. I know more about the AEP rate
19 and how the -- there's no operational savings there,
20 but I wasn't part of the Duke rate, so I don't know
21 why that number is that number.

22 It could be a very good reason for it,
23 or it could be not. We have agreed to it or we
24 didn't, we were just part of a settlement.

25 By Mr. McKenzie:

1 Q. I didn't ask you for an explanation --

2 ATTORNEY EXAMINER: I think you can
3 leave it there.

4 MR. MC KENZIE: That's fine. I have no
5 further questions.

6 MS. BOJKO: Nobody -- any other
7 questions, your Honor? Could we have two minutes?

8 (Recess taken.)

9 ATTORNEY EXAMINER: Ms. Bojko.

10 MS. BOJKO: Just a few follow-up
11 questions, your Honor.

12 - - -

13 REDIRECT EXAMINATION

14 By Ms. Bojko:

15 Q. Mr. Gonzalez, you were questioned by
16 AEP's counsel regarding an update to the operational
17 savings credit in year 4 of the Stipulation. Do you
18 recall that?

19 A. Yes.

20 Q. Does the Stipulation require the
21 Commission to update the credit at all?

22 A. My reading of this is no, it's
23 permissive, it may happen.

24 Q. And is your answer the same even
25 assuming the purported operational savings audit that

1 was discussed with you today?

2 A. Yes.

3 Q. Do you recall being asked questions
4 regarding the Duke mid-deployment review case?

5 A. Yes, I do.

6 Q. Do you know whether the benefits in the
7 Duke midpoint -- mid-deployment review case were
8 levelized?

9 A. A levelization -- levelizaiton was
10 included as part of the settlement, correct, as a
11 benefit to customers.

12 Q. Do you recall a discussion, sir, from
13 the Page 5 of the revised Business Case attached as
14 Exhibit SSO-1 to Mr. Osterholt's testimony?

15 A. Yes, I do.

16 Q. And you were asked numerous questions
17 regarding the five purported benefits listed in the
18 Business Case on Page 5?

19 A. Yes.

20 Q. Do customers that don't have AMI meters
21 receive the benefits that you discussed with counsel
22 and that are listed on Page 5?

23 A. I wouldn't think so. As they stated,
24 the benefits start when you get the equipment and the
25 system is operating.

1 Q. So if a customer doesn't have an AMI
2 meter they wouldn't receive, those same benefits,
3 correct?

4 A. No, especially I would say the customers
5 at the far end of the deployment are worse off than
6 the customers in the beginning because they both are
7 paying the same amount, but one is getting some
8 benefits and the other one -- and cost benefits,
9 yeah.

10 Q. And would your response be the same for
11 customers that aren't even in the Phase 2 geographic
12 area?

13 A. The ones targeted for Phase 3? Yeah, I
14 guess that would be true, also.

15 Q. But it's your understanding that all
16 customers are still paying for those benefits through
17 the Phase 2 gridSMART deployment?

18 A. Yes.

19 MS. BOJKO: No further questions. Thank
20 you, your Honor.

21 ATTORNEY EXAMINER: Any --

22 MR. MC KENZIE: No questions, your
23 Honor.

24 ATTORNEY EXAMINER: Thank you. Thank
25 you, Mr. Gonzalez. I think you're done here.

1 (Witness excused.)

2 MS. BOJKO: And at this time I would
3 like to move the admission of OCC Exhibits 18, 19,
4 and 20.

5 ATTORNEY EXAMINER: Any objection?

6 MR. MC KENZIE: No, your Honor.

7 ATTORNEY EXAMINER: Okay. Those will be
8 so admitted.

9 (EXHIBITS ADMITTED INTO EVIDENCE.)

10 MR. MC KENZIE: Your Honor, I would ask
11 that -- we may have already done this on the record,
12 but that we take administrative notice of AEP Ohio
13 Exhibits 8, 9, and 10.

14 ATTORNEY EXAMINER: Yes, we'll take
15 administrative notice of those.

16 Okay. I think we can go off the record.

17 (Thereupon, the hearing was

18 adjourned at 4:51 p.m.)

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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 Tuesday, August 2nd,
2016, and carefully compared with my original
stenographic notes.

Valerie J. Grubaugh,
Registered Merit Reporter
and Notary Public in and
for the State of Ohio.

My Commission expires August 16, 2016

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in

Case No(s). 13-1939-EL-RDR

Summary: Transcript of Ohio Power Company to Initiate Phase 2 of Its gridSMART Project hearing held on 08/02/16 - Volume II electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Grubaugh, Valerie