

FILE

COMPANY EX NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-351-EL-AIR
Their Proposed Merger is Approved, as a) Case No. 11-352-EL-AIR
Merged Company (collectively, AEP Ohio))
for an Increase in Electric Distribution Rates)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-353-EL-ATA
Their Proposed Merger is Approved, as a) Case No. 11-354-EL-ATA
Merged Company (collectively AEP Ohio))
for Tariff Approval)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company, Individually and, if) Case No. 11-356-EL-AAM
Their Proposed Merger is Approved, as a) Case No. 11-358-EL-AAM
Merged Company (collectively AEP Ohio))
for Approval to Change Accounting)
Methods)

**PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY
IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS
OF
SELWYN J. DIAS
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY**

PUCO

2011 OCT 24 PM 4:45

RECEIVED-DOCKETING DIV

Management Policies, Practices & Organizations

X Operating Income

Ratebase

Allocations

Rate of Return

Rates and Tariffs

Other

Filed October 24th, 2011

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Selwyn J. Dias and my business address is 850 Tech Center Drive, Gahanna,
3 Ohio 43230.

4 **Q. ARE YOU THE SAME SELWYN J. DIAS THAT FILED DIRECT TESTIMONY**
5 **IN THIS PROCEEDING?**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR PRE-FILED SUPPLEMENTAL**
8 **DIRECT TESTIMONY IN SUPPORT OF OBJECTIONS TO THE STAFF**
9 **REPORTS IN THIS PROCEEDING?**

10 A. The purpose of my pre-filed supplemental direct testimony in support of objections to
11 the Staff Reports is to address Staff responses regarding the Columbus Southern
12 Power Company's and Ohio Power Company's (collectively "Companies" or
13 "Company") overall request, identify the Companies' witnesses and their
14 corresponding objections discussed in their pre-filed supplemental direct testimonies,
15 and the severance amortization adjustment (Obj-7).

16 **Q. PLEASE SUMMARIZE THE COMPANIES' ORIGINAL REVENUE**
17 **REQUEST AND THE STAFF'S POSITION REGARDING THIS REQUEST.**

18 A. As stated by Company witness Hamrock in his direct testimony, AEP Ohio is
19 proposing to increase its retail electric distribution rates by approximately \$94
20 million. The Staff recommends an increase in base rates in the range of
21 approximately \$23 million to \$32 million for OPCo and a decrease in base rates in the

1 range of approximately \$2 million to \$10 million for CSP, with the overall effect of
2 increasing base rates for AEP Ohio by approximately \$21 million.

3 **Q. BASED ON THE COMPANIES' ANALYSIS OF THE STAFF REPORTS OF**
4 **INVESTIGATION, WHAT CONCLUSIONS DO YOU HAVE?**

5 A. Based upon the Companies' analysis as shown by Companies witnesses Roush,
6 Mitchell, and Bartsch in their pre-filed supplemental direct testimonies, the
7 Companies have identified numerous errors and inconsistencies made by the Staff
8 throughout the Staff Reports of Investigation ("SR") which, when corrected, results
9 in a revenue request that supports the reasonableness of the Companies' original
10 revenue request.

11 **Q. HOW ARE THE PRE-FILED SUPPLEMENTAL DIRECT TESTIMONIES IN**
12 **SUPPORT OF OBJECTIONS TO THE STAFF REPORTS ORGANIZED IN**
13 **THIS FILING?**

14 A. The Companies have nine witnesses supporting various objections to the SR in this
15 filing. The following table summarizes the Companies' witnesses and the objections
16 that they support in their pre-filed supplemental direct testimonies.

Witness	Title	Objection(s) Addressed
Selwyn Dias	VP Regulatory and Finance,	Obj. 7
Renee Hawkins	Managing Director Corporate Finance	Obj. 20
Thomas Mitchell	Managing Director Regulatory Accounting Services	Obj. 2, Obj. 3, Obj. 4, Obj. 8, Obj. 10, Obj. 11a, Obj. 11d, Obj. 19
Andrea Moore	Manager Regulatory Pricing and Analysis	Obj. 5, Obj. 6, Obj. 28, Obj. 29, Obj. 30, Obj. 31, Obj. 32, Obj. 33, Obj. 34, Obj. 35, Obj. 36, Obj. 37, Obj. 38
David Davis	Manager Property Accounting Policy & Research	Obj. 9
Thomas Kirkpatrick	VP Distribution Region Operations, AEP Ohio	Obj. 10, Obj. 17, Obj. 18, Obj. 39, Obj. 40

Jeffrey Bartsch	Director Tax Accounting & Regulatory Support	Obj. 4, Obj. 11c, Obj. 12, Obj. 13, Obj. 14, Obj. 15, Obj. 16
William Avera	External Return on Equity Consultant	Obj. 21, Obj. 22, Obj. 23, Obj. 24, Obj. 25, Obj. 26, Obj. 27
David Roush	Director Regulator Pricing & Analysis	Obj. 1, Obj. 11b, Obj. 11d, Obj. 18

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2 **Q. WHAT WAS THE COMPANY'S ORIGINAL REQUEST IN REGARDS TO**
3 **THE SEVERANCE PROGRAM?**

4 A. As per my direct testimony and supported by Companies witness Mitchell, the
5 Companies proposed to recover the full cost of the severance program of
6 approximately \$34 million and amortize this amount over a three-year period.

7 **Q. WHAT WERE THE STAFF'S RECOMMENDATIONS CONCERNING THE**
8 **SEVERANCE PROGRAM?**

9 A. The Staff recommended a 50 percent reduction to the amount of the severance
10 program cost to be amortized over the three year-period.

11 **Q. DO YOU AGREE WITH THE STAFF'S RECOMMENDATION TO REDUCE**
12 **THE SEVERANCE AMORTIZATION AMOUNT BY 50 PERCENT?**

13 A. No. Staff's recommendation concerning the reduction in severance amortization by
14 50 percent is based on their conclusion that the severance program was a benefit to
15 both shareholders and to ratepayers alike, therefore they should share in the amount
16 amortized. AEP Ohio's cost savings for distribution were estimated to be
17 approximately \$13.7 million annually, which is solely to the benefit of AEP Ohio's
18 customers. Since the entirety of the benefit goes to customers through reduced O&M,
19 it is reasonable that customers bear all of the costs of the severance program.

1 **Q. CAN YOU PLEASE FURTHER EXPLAIN WHY THE COMPANY'S**
2 **REQUEST TO RECOVER THE ACTUAL-COST OF THE SEVERANCE**
3 **PROGRAM IS REASONABLE?**

4 A. The Company has asked for recovery of approximately \$34 million associated with
5 the severance program over a three-year period. On a yearly basis, this equates to
6 approximately \$11.3. Comparing this amount to the annual O&M savings of \$13.7
7 million, customers gain an annual net benefit of approximately \$2.4 million for years
8 to come. The severance program was implemented to better allow the Company to
9 manage its costs for the benefit of customers, and it should not be penalized for
10 making prudent cost beneficial decisions. There is no difference between the cost of
11 the severance program as proposed by the Companies and the cost of any other
12 program the Companies undertake to reduce O&M expenses and to keep customers'
13 rates low.

14 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SUPPLEMENTAL DIRECT**
15 **TESTIMONY IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS?**

16 A. Yes, it does.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Pre-Filed Supplemental Direct Testimony In Support of Objections to the Staff Reports of Selwyn J. Dias on behalf of Columbus Southern Power Company and Ohio Power Company has been served upon the below-named counsel via First Class mail, postage prepaid, this 24th day of October, 2011.


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