

COMPANY EX NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to update its)	Case No. 13-1406-EL-RDR
Transmission Cost Recovery Rider)	

**DIRECT TESTIMONY OF
ERIC J. GLECKLER**

Filed October 8, 2013

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Eric J. Gleckler and my business address is 155 West Nationwide
3 Boulevard, Columbus, Ohio 43215.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the American Electric Power Service Corporation (“AEPSC”) as
6 Manager – Regulated RTO Market Settlements. AEPSC is a subsidiary of the American
7 Electric Power Company, Inc. (“AEP”) and provides technical and other services to
8 Ohio Power Company (“AEP Ohio” or the “Company”) and other operating units within
9 the AEP System.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
11 **PROFESSIONAL EXPERIENCE.**

12 A. I graduated from Ohio University in 1997 with a Bachelor of Arts degree in Psychology.
13 In 2006, I was hired by AEPSC as a Settlements Analyst, where I was responsible for
14 settling various market-related transactions both among AEP’s eastern operating
15 companies and with regional transmission organizations (“RTO”). In 2011, I was
16 promoted to my current position. As Manager – Regulated RTO Market Settlements, I
17 am responsible for a team of analysts that perform AEP Commercial Operations
18 settlement activity with RTOs, including PJM Interconnection, LLC (“PJM”). The
19 team’s tasks include RTO charge/credit validation, invoice reconciliation, market
20 working group participation and general ledger reporting.

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1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. The purpose of my testimony is to discuss how AEP settles charges and credits from
3 PJM for Reactive Supply and Voltage Control (“Reactive Supply”), discuss the
4 change in Reactive Supply charges and credits to AEP beginning in July 2011, and
5 describe an additional step in the current settlement process to ensure that the
6 Reactive Supply charges are properly captured for recovery in AEP Ohio’s TCRR.

7 **Q. WHAT ARE REACTIVE SUPPLY CHARGES AND CREDITS?**

8 A. Reactive Supply is an ancillary service procured and provided by PJM to ensure that
9 acceptable transmission voltages are maintained for system stability. PJM assigns
10 Reactive Supply credits to generators that supply Reactive Supply based on FERC
11 (“Federal Energy Regulatory Commission”)-approved reactive revenue requirements.
12 PJM assesses Reactive Supply charges to Load Serving Entities (“LSE”) and other
13 transmission users based on their contribution to PJM’s peak load. Because AEP’s
14 operating companies have FERC-approved reactive revenue requirements and are
15 LSEs that use reactive services, AEP receives both credits and charges from PJM for
16 Reactive Supply.

17 **Q. PLEASE DESCRIBE HOW AEP SETTLES THE REACTIVE SUPPLY**
18 **CHARGES AND CREDITS.**

19 A. Each month, AEP receives an invoice from PJM including several line items for
20 various charges and credits. Reactive Supply charges and credits are line items 1330
21 and 2330, respectively on the monthly PJM invoice. AEP has a settlement system in

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1 place, nMarket, which automates the accounting process for PJM charges and credits.
2 This process includes assigning each charge and credit from the PJM invoice to its
3 appropriate FERC account and allocating the charges and credits to the four AEP
4 operating companies that are members of the AEP East Interconnection Agreement
5 (“East Pool”). The FERC account assignments and allocation methodologies for
6 each charge and credit were determined by AEP’s commercial operation and
7 accounting business units and are described in Schedule D-3c of the Application¹. In
8 the case of Reactive Supply charges and credits, the ultimate account to which they
9 are booked is dependent on the net position of these two billing line items from the
10 invoice. If the net of the two line items is a charge, the Reactive Supply charge from
11 the invoice is recorded in account 5550074 (PJM Reactive – Charge) and the
12 Reactive Supply credit from the invoice is recorded in account 5550075 (PJM
13 Reactive – Credit). If the net of the two line items is a credit, the net of the Reactive
14 Supply charge and credit is recorded in account 4470098 (PJM Operating Reserve
15 Revenue – Off-System Sales). Once the Reactive Supply charges and credits are
16 assigned to the applicable accounts, they are then allocated to the East Pool
17 companies based on their peak load.

18 **Q. WHAT IS THE METHODOLOGY USED TO ASSIGN THE CHARGES AND**
19 **CREDITS TO FERC ACCOUNTS?**

20 A. As discussed above Reactive Supply is a service provided by PJM to maintain
21 acceptable voltages for loads. Because AEP is an LSE within PJM, it is charged for

¹ The allocation and assignment methodologies are described on pages 2 and 9 of Schedule D-3c, respectively.

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1 Reactive Supply based on its load. AEP also provides Reactive Supply and is
2 compensated by PJM. When the charges that AEP receives for Reactive Supply due
3 to its load exceeds the credits it receives as a Reactive Supply provider, AEP is
4 effectively a net buyer of Reactive Supply and the associated billings from PJM are
5 booked as expenses. In order to differentiate the credits and charges within the
6 expense accounts, the credits and charges are booked to separate accounts.
7 Conversely, when the credits that AEP receives exceed its charges, AEP, as a net
8 seller of Reactive Supply, books the net credit as revenue. When AEP initially
9 determined the FERC account assignments for PJM charges and credits, the charges
10 and credits within the revenue account were not differentiated between the separate
11 charge and credit amounts as the need to do so was unforeseen at the time.

12 **Q. WHAT HAPPENED DURING THE PERIOD JULY 2011 THROUGH MARCH**
13 **2013 THAT LED TO APPROXIMATELY \$23 MILLION IN PJM REACTIVE**
14 **SUPPLY CHARGES BEING INADVERTENTLY OMITTED FROM THE**
15 **COMPANY'S TCRR CHARGES AS INDICATED IN THE APPLICATION?**

16 A. Beginning in July 2011, AEP's credits exceeded its charges for Reactive Supply.
17 Accordingly, the net of those credits and charges was booked to revenue account
18 4470098, with no differentiation between the separate charge amount and credit
19 amount. As described in more detail in the testimony of witness Moore, because the
20 Reactive Service Charges were embedded in revenue account 4470098, they were not
21 included in the TCRR.

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1 **Q. DID THE METHODOLOGY USED TO ASSIGN THE PJM REACTIVE**
2 **CHARGES AND CREDITS CHANGE DURING THE PERIOD FROM JULY**
3 **2011 THROUGH MARCH 2013?**

4 A. No it did not. As I described above, the Reactive Supply has continued to be a
5 service provided by PJM to maintain acceptable voltage levels for loads. AEP, as a
6 generation owner, continues to receive Reactive Supply credits on its PJM bill. And
7 as an LSE, AEP continues to receive Reactive Supply charges. These monthly credits
8 and charges continue to be netted as previously described.

9 **Q. WHAT CAUSED AEP'S NET REACTIVE SUPPLY POSITION TO**
10 **CHANGE?**

11 A. AEP's load has decreased, in large part due to customer switching in Ohio as
12 discussed by Company witness Moore. Because Reactive Supply charges are
13 assigned to AEP by PJM based on load, AEP Ohio's decrease in load contributed to
14 reduced Reactive Supply charges assessed to AEP. Beginning in July 2011, the
15 Reactive Supply charges were reduced to an amount that caused AEP to become a net
16 seller of Reactive Supply. As discussed above, this caused AEP to receive a net
17 credit for Reactive Supply which was booked to a single revenue account which
18 caused the PJM Reactive Supply charge to not be included in the TCRR, as discussed
19 by Company witness Moore.

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1 **Q. PRIOR TO JULY 2011, WHAT WAS AEP’S NET POSITION FOR**
2 **REACTIVE SUPPLY?**

3 A. Prior to July 2011 PJM’s charges to AEP for Reactive Supply were greater than the
4 credits AEP was receiving as a Reactive Supply provider. Accordingly, the Reactive
5 Supply charges were booked to account 5550074 (PJM Reactive – Charge) and
6 Reactive Supply credits were booked to account 5550075 (PJM Reactive – Credit).

7 **Q. DID AEP EXAMINE IF THIS ALLOCATION AND ASSIGNMENT**
8 **METHODOLOGY IS USED FOR OTHER PJM CHARGES AND CREDITS?**

9 A. Yes. While investigating the treatment of Reactive Supply charges and credits, AEP
10 also examined its accounting treatment for other line items on the PJM bill. Through
11 this process it was determined that similar accounting treatment was used for two
12 other PJM ancillary services: Regulation and Synchronous Reserve. Similar to
13 Reactive Supply, AEP’s net Synchronous Reserve position flipped to a credit and the
14 charges were no longer recorded in the expense accounts. While AEP identified the
15 same issue with its treatment of Regulation charges and credits, the net of the
16 Regulation amounts has always been a charge to AEP, and thus recorded in expense
17 accounts.

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1 **Q. PLEASE DISCUSS THE ROLE OF THE SETTLEMENT PROCESS IN AEP**
2 **OHIO’S PLAN TO PREVENT REACTIVE SUPPLY CHARGES FROM**
3 **BEING INADVERTENTLY OMITTED FROM THE COMPANY’S TCRR**
4 **CHARGES IN THE FUTURE.**

5 A. As discussed by Company witness Moore, AEP Ohio’s plan includes an additional
6 step in the settlement process to increase the granularity in its books and records for
7 its portion of Reactive Supply, Regulation, and Synchronous Reserve expenses.
8 When the net of any of these billing line items (Reactive Supply, Regulation, and
9 Synchronous Reserve) is a credit, AEP makes a manual accounting entry to reclassify
10 the gross expense and an offsetting credit to the applicable FERC 555 expense
11 accounts. For example, for Reactive Supply charges, the gross expense is recorded to
12 account 5550074 and an offsetting credit is recorded to account 5550075. The net
13 credit remains in 4470098.

14 **Q. PLEASE DESCRIBE WHY A RECLASSIFICATION ENTRY IS**
15 **APPROPRIATE.**

16 A. Ohio Power is undergoing a corporate separation process in which it will separate its
17 load from its generating assets, thus eliminating the netting of the charges and credits
18 for Ohio Power’s accounting and financial reporting purposes. In January 2014, once
19 this separation process is complete, all charges associated with the load will be
20 assigned directly to the load. Likewise, all credits for generators will be directly
21 assigned to the generators.

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1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the below-named individuals via electronic mail, this 8th day of October, 2013.

/s/ Yazen Alami

Yazen Alami

William L. Wright
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
William.wright@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

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Summary: Testimony Direct Testimony of Eric J. Gleckler electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company