

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **Ohio** :
Power Company for Authority to : Case No. 13-2385-EL-SSO
Establish a Standard Service Offer :
Pursuant to Section 4928.143, Revised :
Code, in the Form of an Electric Security :
Plan. :

In the Matter of the Application of **Ohio** :
Power Company for Approval of Certain : Case No. 13-2386-EL-AAM
Accounting Authority. :

**PREFILED TESTIMONY
OF
DAVID LIPTHRATT
UTILITIES DEPARTMENT
ACCOUNTING & ELECTRICITY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

May 20, 2014

1 1. Q. Please state your name and your business address.

2 A. My name is David M. Lipthratt. My address is 180 East Broad Street,
3 Columbus, Ohio 43215-3793.

4

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio as a Public Util-
7 ities Administrator 2, in the Accounting and Electricity Division of the Util-
8 ities Department.

9

10 3. Q. Would you briefly state your educational background?

11 A. I earned a Bachelor of Arts Degree that included a Major in Political Sci-
12 ence and a Minor in History from the University of Georgia in 2003. In
13 2006 I earned a Masters in Public Administration Degree with a focus on
14 public budgeting and finance and policy analysis from the University of
15 Georgia. In addition, I earned a post-baccalaureate Certificate of Account-
16 ing Concentration at Columbus State Community College in 2009. I am a
17 Certified Public Accountant (Ohio License # CPA.48876). Moreover, I
18 have attended various seminars and rate case training programs sponsored
19 by this Commission, professional trade organizations, and the utility
20 industry community.

21

22

1 4. Q. Please outline your work experience.

2 A. After earning my Master's Degree from the University of Georgia, I joined
3 the Ohio Office of Budget and Management where I served from June of
4 2006 to June of 2008 as a Budget/Management Analyst 2 assigned to vari-
5 ous health and human services related agencies, including Medicaid, Ohio
6 Department of Health, Ohio Department of Aging, and Bureau of Worker's
7 Compensation.

8
9 In June of 2008, I accepted a position with the Ohio Department of Com-
10 merce where I served as Fiscal Officer 2 until July 2011. During my tenure
11 at the Department of Commerce, I served as the financial officer for the
12 Division of State Fire Marshal where I was responsible for accounting and
13 budgetary functions, financial reporting, financial systems and records
14 ensuring compliance with applicable laws, policies and regulations.

15
16 In July 2011, I accepted a Public Utilities Administrator 1 position with the
17 Public Utilities Commission of Ohio ("PUCO" or the "Commission"). In
18 September of 2013, I was promoted to a Public Utilities Administrator 2.

19
20 5. Q. Have you testified in prior proceedings before the Commission?

21 A. Yes.

22

1 6. Q. What is the purpose of your testimony in this proceeding?

2 A. The purpose of my testimony is to address four issues related to the Storm
3 Damage Cost Recovery Rider (“SDRR”):

- 4 • Carrying charges,
- 5 • Types of recoverable charges and incremental labor,
- 6 • Mutual assistance revenues, and
- 7 • Rate design

8
9 7. Q. Does Staff support the continuation of the SDRR with the modifications
10 proposed by Ohio Power Company (“Company”)?

11 A. In general, Staff supports the modifications as proposed by the Company;
12 however, Staff does not support the provision to establish a carrying charge
13 based on the Weighted Average Cost of Capital (“WACC”). Additionally,
14 Staff believes non-incremental labor should be excluded and mutual
15 assistance revenues should be netted against the SDRR.

16 **Carrying Charges**

17 8. Q. Does Staff believe the Company should be entitled to carrying charges?

18 A. Yes. Staff believes that a carrying charge based on the latest approved cost
19 of long-term debt should be applied to any difference between the total
20 major storm cost and the \$5 million baseline at the end of the previous cal-
21 endar year. If the total major storm cost exceeds \$5 million, the difference

1 is a regulatory asset for which the Company may apply for recovery. If the
2 cost is less than \$5 million, the difference is a regulatory liability and the
3 Company would apply for a refunding of the amount. Carrying charges
4 would accrue until the time in which recovery or refund begins.

5
6 For example, if the Company's annual major storm expense is \$7 million,
7 then the Company would be entitled to accrue carrying charges on \$2 mil-
8 lion from January 1 until recovery begins. If the Company's annual major
9 storm expense is \$4 million, then the Company would accrue carrying
10 charges on the \$1 million liability from Jan 1 until refund begins.

11 **Types of Recoverable Expenses and Incremental Labor**

12 9. Q. What types of storm repair expenses should the Company be allowed to
13 recover?

14 A. The Company should be allowed to recover any incremental expenses
15 incurred due to major storm events.

16
17 10. Q. How does Staff define the term "incremental labor"?

18 A. Incremental labor is that which would have not been incurred absent the
19 storms and is above what would be considered in base rates. For example,
20 the first 40 hours of each employee's labor would have been incurred any-
21 way and is already considered to be in base rates. If an employee charges

his or her time to a project code assigned to major storm restoration, the first 40 hours that the employee works in a week is considered to be in base rates and should not be included in the SDRR revenue requirement.

11. Q. Should the Company treat management and union labor treated differently in the accumulation of storm recovery expense?

A. In Staff's view, there are four main types of labor expense: union straight time, union overtime, management (exempt) straight time, and management overtime. When rates are calculated in a base rate case, Staff determines the number of employees that typically work in a week and multiplies it by 40 hours and the wage rates to arrive to an amount of labor to be included in base rates. Therefore, theoretically, the pay for the first 40 hours in a week for management and union employees is included in base rates. Overtime (paid at time and a half or double-time rates) performed by union employees would be considered incremental labor and would be considered valid expenses to be included in recovery. Staff believes that management overtime, although usually paid at straight time rates, should not be considered as incremental as the expense is discretionary and that management employees are typically paid a salary to perform whatever functions the Company deems necessary. For these reasons, Staff believes it would not be appropriate to charge ratepayers for this overtime, regardless of whether

1 or not the Company has a policy to pay management personnel for this
2 overtime labor.

3 **Mutual Assistance**

4 12. Q. Please describe the term “mutual assistance.”

5 A. Mutual assistance refers to voluntary agreements that allow for one utility
6 to provide another utility resources, labor (both utility employees and con-
7 tractors), and equipment in order to perform restoration services. Under
8 mutual assistance agreements, it is the responsibility of the requesting util-
9 ity to reimburse any assisting utilities for costs incurred.

10
11 13. Q. How does the cost of mutual assistance performed by other companies
12 affect the Company’s SDRR?

13 A. The utilities that provide resources to the Company’s restoration efforts will
14 invoice the Company for its costs incurred. These costs typically include
15 hourly wages of each employee (as provided in existing labor contracts or
16 other wage agreements), meals, lodging, fuel expenses for vehicles and
17 equipment, minor repairs if necessary and reasonable personal expenses
18 such as laundry and telephone.

1 14. Q. How should revenue in which the Company receives from other companies
2 for work done by Ohio Power Company workers in other companies' juris-
3 dictions be treated within the SDRR?

4 A. Staff believes that any monies received by the Company for mutual assis-
5 tance work performed by its employees should be treated as an offset to the
6 storm expenses being requested. Whenever mutual assistance is provided
7 to another jurisdiction, Ohio Power Company's employees' labor, equip-
8 ment and other resources are being paid for by Ohio Power Company's
9 jurisdictional customers, but those customers are getting no benefit for the
10 use of those resources. Therefore, Staff believes the entire amount reim-
11 bursed to Ohio Power Company for mutual assistance should be applied as
12 a reduction to the SDRR revenue requirement.

13 **Rate Design**

14 15. Q. How does Staff believe that customers should be billed for the SDRR rider
15 recovery?

16 A. In its Application and in its response to a Staff Data Request, the Company
17 requests that recovery be based on a percentage of distribution revenue.
18 However, Staff believes that a fixed charge per customer is more appropri-
19 ate. Staff recommends that the Company separate the total allowed recov-
20 ery amount between residential and non-residential customers based on the
21 percentage of distribution revenue (from the prior full calendar year) and

1 then divide the amount in each category by the number of customers in
2 their respective categories. Recent precedent shows that this method of
3 recovery has been ordered in Case No. 12-3255-EL-RDR, (Ohio Power's
4 storm damage rider).

5
6 16. Q. Does this conclude your testimony?

7 A. Yes, it does. However, I reserve the right to submit supplemental testi-
8 mony as described herein, as new information subsequently becomes avail-
9 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **David Lipthratt** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 20th day of May, 2014.

/s/ Devin D. Parram

Devin D. Parram

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Summary: Testimony Prefiled Testimony of David Lipthrott submitted on behalf of the Staff of the Public Utilities Commission of Ohio by Assistant Attorney General Devin Parram electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio