

AEP OHIO EX. NO. _____

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 §4928.143, Ohio Rev. Code,)	
in the Form of an Electric Security Plan.)	
In the Matter of the Application of)	
Ohio Power Company for Approval of)	Case No. 13-2386-EL-AAM
Certain Accounting Authority)	

DIRECT TESTIMONY OF
ANDREA E. MOORE
IN SUPPORT OF AEP OHIO'S
AMENDED ELECTRIC SECURITY PLAN

Filed: May 13, 2016

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ANDREA E. MOORE

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY

1 **PERSONAL DATA**

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

3 A. My name is Andrea E. Moore and my business address is 850 Tech Center Drive,
4 Gahanna, Ohio 43230.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6 A. I am employed by Ohio Power Company, (“AEP Ohio” or “the Company”) as Director –
7 Regulatory Services.

8 **Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL AND**
9 **PROFESSIONAL BACKGROUND?**

10 A. I received my Bachelor of Science in Accounting degree from the University of Rio
11 Grande and a Master of Business Administration degree from Franklin University. In
12 addition, I have completed the Basic Concepts on Rate Making class through New
13 Mexico State University.

14 I joined American Electric Service Corporation (AEPSC) in 2001 as an Accountant and
15 joined the Regulatory Tariffs department as a Regulatory Analyst III in 2004. I
16 progressed through various positions before being promoted to my current position of
17 Director – Regulatory Services. My duties within the regulatory department have
18 included preparing cost-of-service studies for regulatory filings, preparing cost based
19 formula rates for wholesale customers, preparing rider filings and rate designs,

maintaining tariff books as well as other projects related to regulatory issues and proceedings, individual customer requests and general rate matters.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF REGULATORY SERVICES?

A. I am responsible for directing the preparation and presentation of regulatory matters to management as well as regulatory bodies. I plan, organize and direct team activities to develop and support pricing structures, rider and true-up filings, maintenance of tariffs, pilot programs, special contracts and other pricing initiatives depending on assigned function.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have testified before the Public Utilities Commission of Ohio in Case Nos. 13-2385-EL-SSO, 13-419-EL-RDR and 14-1158-EL-ATA.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to 1) provide an overview of the ESP III extension including a description of the changes being requested as well as the witnesses in the ESP with a brief description of their testimony; 2) address four new tariff proposals; 3) demonstrate how the components of the ESP III Extension advance State policy; 4) discuss the Company's corporate separation status; and 5) discuss the accounting treatment for several riders.

OVERVIEW OF THE PROPOSED ESP

Q. PLEASE PROVIDE AN OVERVIEW OF THIS PROCEEDING.

A. The Company filed its ESP III application in Case No. 13-2385-EL-SSO on December 20, 2013. The Commission issued its Opinion and Order in that case on February 25,

1 2015, and several entries on rehearing at later dates (collectively the “ESP III decision”).
2 These orders modified and approved aspects of the Company’s application. Consistent
3 with the Purchase Power Agreement (PPA) Stipulation, the Company is proposing to
4 modify and extend the provisions already approved by the Commission in the ESP III
5 decision. I am sponsoring the Application to amend the ESP III, which contains
6 additional terms and conditions.

7 **Q. WHY IS THE PROPOSED ESP EXTENSION IMPORTANT TO THE**
8 **CUSTOMER, THE STATE OF OHIO, AND THE COMPANY?**

9 A. The proposed ESP Extension incorporates numerous commitments and programs that
10 balance the interests of both customers and investors over the term of the current ESP
11 through May 31, 2024 and into the future by stabilizing customers’ rates and promoting
12 economic development in the state of Ohio. Reasonably-priced electricity is a critical
13 component to the economic vitality of our nation, particularly in Ohio. National,
14 regional, and state energy policies continue to evolve, and AEP Ohio has already
15 embraced some of these changes through investments in transmission and distribution
16 infrastructure, reliability enhancements, comprehensive energy efficiency programs, and
17 by taking an active role in educating and communicating impacts of electricity proposals
18 within various policy arenas.

19 Building on the current ESP (ESP III) and the commitments made, modified, and
20 approved in the PPA Stipulation¹, AEP Ohio’s proposed plan establishes a competitive
21 auction schedule to supply internal load, while also supporting continued infrastructure
22 investment in the Company’s transmission and distribution systems to enhance reliability.
23 The Company is committed to support Ohio’s economic growth as demonstrated through

¹ See order in Case No. 14-1693-EL-RDR, which is currently subject to a pending rehearing process.

1 newly proposed innovative tariffs. The proposed ESP extension also supports the
2 continued development of a marketplace in which CRES providers can offer innovative
3 and competitive generation supply options. Further, the proposed ESP continues to
4 support compliance with existing benchmarks concerning advanced and renewable
5 energy and energy efficiency and demand response programs. The proposed ESP aligns
6 with the state of Ohio's long-term vision for a competitive generation marketplace,
7 promotes Senate Bill 221 (SB 221) state policies, and supports economic development
8 within the state of Ohio. The proposed ESP also provides the regulatory flexibility to
9 enable innovative mechanisms that will help sustain critical investment in Ohio's
10 electricity infrastructure which will support jobs for Ohioans and an essential tax base to
11 fund Ohio's ongoing needs.

12 The regulatory mechanisms and conditions of the proposed ESP Extension, along
13 with the previously approved regulatory mechanisms from ESP I, ESP II, and ESP III
14 were considered when developing the financial forecast as supported by Company
15 Witness Kyle for the period covered by the ESP Extension.

16 **Q. PLEASE SUMMARIZE THE ADDITIONAL COMPONENTS OF AEP OHIO'S**
17 **PROPOSED ESP III EXTENSION THAT HAVE NOT BEEN REVIEWED AND**
18 **APPROVED BY THE COMMISSION.**

19 **A.** The Company is proposing to modify and extend through May 31, 2024, the riders and
20 tariffs approved in the Company's ESP III decision. These components, as well as other
21 key issues of the proposed ESP III extension, are addressed by eight witnesses. The
22 following table – Table 1: Witnesses in the ESP III Extension – summarizes and serves to

- 1 introduce the witnesses, the general ESP subject area they are sponsoring, and a brief
- 2 description of their testimony.

Table 1: Witnesses in the ESP III Extension

Witness	Subject Area	Description of Testimony
Andrea Moore	Overview of ESP Certain New Tariff Proposals Advancement of State Policies Corporate Separation Status Regulatory Accounting	<ul style="list-style-type: none"> • Overview of ESP • AEP Ohio objectives • ESP components • Fairground Accounts Transmission Proposal • Pilot Plug-In Electric Vehicle. Sub-metering and LED Tariff proposals • Increase to Customer Charge • Advancing State Policies • Corporate separation status • Regulatory accounting for certain proposed riders
Selwyn Dias	Distribution Programs	<ul style="list-style-type: none"> • Benefits and Needs of the Distribution Investment Rider and Enhanced Service Reliability Rider
David Weiss	Competitive Auction Schedule	<ul style="list-style-type: none"> • Competitive auction schedule and offerings
Stacey Gabbard	Supplier Terms and Conditions	<ul style="list-style-type: none"> • Updates to the CRES provider contract • Updates to the Supplier Terms & Conditions
David Gill	Rate Design Customer Rate Impacts Tariff and Rider Design	<ul style="list-style-type: none"> • Competitive auction rates • Rate design, rate terms and conditions • Tariffs • Rate recovery design for continuation of certain riders, for proposed changes or additions to current riders, and/or recovery of new riders • Pilot Basic Transmission Cost Rider • Automaker Credit Rider • Updates to the Economic Development Rider • Bill impacts
Matthew Kyle	Financial Forecasts Weighted Average Cost of Capital Capital Structure	<ul style="list-style-type: none"> • Forecast methodology • Forecast assumptions and results • Capitalization, weighted average cost of capital (WACC), and capital carrying costs
Adrien McKenzie	Return on Equity (ROE)	<ul style="list-style-type: none"> • Recommended ROE
William Allen	ESP Components based on Approved PPA Shopping Statistics SEET and MRO	<ul style="list-style-type: none"> • Competition Incentive Rider/SSO Credit Rider • Updates to the Economic Development Rider • Customer shopping levels Aggregate Market Rate Offer (MRO)Test • Significantly Excessive Earnings Test

1 **Q. WHY IS AEP OHIO PROPOSING TO MODIFY AND EXTEND THE CURRENT**
2 **ESP III THROUGH MAY 2024?**

3 A. AEP Ohio is proposing to modify and extend the ESP III through May 31, 2024 per the
4 terms and conditions, as approved in the PPA Stipulation, Section III, C.

5 **Q. CAN YOU SUMMARIZE THE RATE PROPOSALS INCLUDED IN THE**
6 **PROPOSED ESP?**

7 A. The overall framework of rates proposed in this ESP reflects the continuation,
8 modification, or addition of several riders. A comprehensive schedule of rate
9 mechanisms is found in Exhibit DRG-1 to the testimony of Company witness Gill as well
10 as the customer rate impacts. Details on the accounting treatment for certain of these
11 mechanisms are discussed later in my testimony.

12 **Q. PLEASE SUMMARIZE WHY THE PROPOSED ESP IS REASONABLE.**

13 A. AEP Ohio's proposed ESP best serves the public interest by offering a plan that is more
14 favorable in the aggregate than would be expected under an MRO. This conclusion is
15 substantiated by Company witness Allen's testimony. The proposed ESP is consistent
16 with the framework constructed by SB 221 for all customer classes and affords all
17 customers the opportunity to participate in a competitive market for generation services.
18 The proposed ESP continues a comprehensive distribution reliability program that
19 supports both reliable and reasonably priced electric service. The table below shows the
20 estimated typical bills for certain sized customers that include a decrease upon
21 implementation of the proposal. Other than future changes in the cost of capacity and
22 energy from the market, it is expected that upon implementation of the expanded ESP III,
23 a residential customer using 1,000 kilowatt hours will see a reduction from current rates.

In addition, for the entire term of the ESP III that same type of customer can expect their bills to be either the same or lower than current rates.

Table 2: ESP III Rate Changes illustrates the rate changes for select residential, commercial, and industrial customers as shown in Exhibit DRG-6 to Company witness Gill's testimony.

Table 2: ESP III Rate Changes

Columbus Southern Power Rate Zone				
	SSO Monthly Bills			
	Current	Proposed	Change	Tariff
Household				
1,000 kWh usage	\$135	\$133	-1.5%	R-R Bill
2,000 kWh usage	\$257	\$244	-5.0%	R-R Bill
4,000 kWh usage	\$501	\$466	-6.9%	R-R Bill
Small Business				
1,000 kW demand and 100,000 kWh usage	\$15,323	\$15,165	-1.0%	GS-2 Primary
1,000 kW demand and 350,000 kWh usage	\$33,082	\$31,577	-4.5%	GS-3 Primary
Industrial Business				
20,000 kW demand and 8 million kWh usage	\$537,133	\$508,343	-5.4%	GS-4
20,000 kW demand and 12 million kWh usage	\$765,255	\$725,901	-5.1%	GS-4
Ohio Power Rate Zone				
	SSO Monthly Bills			
	Current	Proposed	Change	Tariff
Household				
1,000 kWh usage	\$140	\$138	-1.5%	RS Bill
2,000 kWh usage	\$267	\$255	-4.8%	RS Bill
4,000 kWh usage	\$521	\$487	-6.6%	RS Bill
Small Business				
1,000 kW demand and 100,000 kWh usage	\$16,645	\$16,560	-0.5%	GS-2 Primary
1,000 kW demand and 300,000 kWh usage	\$31,875	\$30,753	-3.5%	GS-2 Primary
Industrial Business				
20,000 kW demand and 8 million kWh usage	\$569,230	\$540,368	-5.1%	GS-4 Transmission
20,000 kW demand and 12 million kWh usage	\$813,269	\$773,843	-4.8%	GS-4 Transmission

1 AEP Ohio believes the proposed ESP is reasonable, and it is in our customers'
2 best interest to propose an ESP that offers aggregate benefits such as our commitment to
3 economic development and distribution infrastructure investments.

4 **COUNTY FAIR TRANSMISSION SUPPLEMENT PROPOSAL**

5 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSAL FOR TREATMENT OF**
6 **COUNTY FAIRS.**

7 A. The Company is proposing to separate the county fairs in its service territory to a non-
8 demand metered class for applying the Basic Transmission Cost Rider (BTCR). Due to
9 the unique operations of the county fairs, this change will better align the transmission
10 component of the bill with usage and match the payment terms with revenue streams. The
11 Company has determined the county fair accounts and has adjusted the single coincident
12 peak from the respective groups to the county fair transmission supplement (CFTS). This
13 change assures that the costs associated with transmission service continue to be paid by
14 the fair accounts. The results of this change are included in the typical bill impacts shown
15 above. The Company proposes that this tariff be effective with the order date in this
16 filing.

17 **PILOT PLUG-IN ELECTRIC VEHICLE TARIFF**

18 **Q. PLEASE DESCRIBE THE PROPOSED PILOT PLUG-IN ELECTRIC VEHICLE**
19 **TARIFF.**

20 A. Recognizing the increasing demand for electric vehicles, both plug-in hybrid and all-
21 electric plug in vehicles; the Company is requesting a pilot placeholder tariff for Plug-In
22 Electric Vehicles (PEV), which will allow for the expanded build out of PEV charging
23 stations. The Company will file before the Commission a cost based approach to offering

1 a tariff for charging stations. The tariff filing will include the costs associated with the
2 tariff offering for the Commission's consideration. The tariff will be structured much
3 like that of a street light tariff. This offering will be made to all non-residential classes,
4 such as cities, for public charging as well as commercial and industrial workplace
5 charging stations. The tariff will be provided on an opt-in basis for customers that wish
6 to extend the services they offer their employees and citizens through charging stations.
7 Additional details including the monthly costs will be made available through the tariff
8 filing.

9 **SUB-METERING RIDER**

10 **Q. PLEASE DESCRIBE THE PROPOSED SUB-METERING RIDER.**

11 A. Recent activity around sub-metering practices has led to several concerns around existing
12 sub-metering set up. Because the Company is filing this extension through 2024, it is
13 important to look ahead at future changes that may be necessary. In this extension, the
14 Company is proposing a placeholder Sub-Metering Rider (SR) that would be used in
15 cases where the Company may have the opportunity to purchase the distribution
16 infrastructure of certain complexes to be served under AEP Ohio's tariff schedules. The
17 tariff would include collecting any costs relating to the sub-metering issue as a
18 percentage of base distribution revenue, similar to distribution costs currently collected
19 through base rates. The tariff would include a return on and of the assets similar to the
20 current Distribution Investment Rider (DIR) for any capital portion.

1 **LED TARIFF**

2 **Q. PLEASE DESCRIBE THE PROPOSED LED LIGHTING TARIFF.**

3 A. The Company is proposing an LED tariff as an opt-in option for customers interested in
4 utilizing this type of technology for their outdoor and street lighting needs. The tariff will
5 be structured much like the current lighting tariffs. The Company will file before the
6 Commission in a separate docket the cost based information and the proposed tariff
7 language of the LED Lighting Tariff for Commission approval.

8 **CUSTOMER CHARGE**

9 **Q. PLEASE DESCRIBE THE CHANGE TO THE CUSTOMER CHARGE.**

10 A. The Company is proposing to phase in an increase to the customer charge with an
11 offsetting reduction in the energy charge. This proposal includes an increase in the
12 residential customer charge of \$5 to \$13.40 for a standard residential customer charge
13 effective with the order in this filing. The Company further proposes to increase the
14 customer charge by an additional \$5 on January 1, 2018. The Company filed, in Case
15 No. 11-351-EL-AIR, an updated cost of service study showing that a full customer
16 charge should be \$27.24 for a standard residential customer. While it is appropriate to
17 move customers towards the full customer charge, the Company is proposing to
18 implement this charge in a gradual fashion.

19 The Company filed an increase to the customer charge as a compliance filing to Case No.
20 11-351-EL-AIR. Because the increase in the customer charge increases the amount of
21 non-energy revenue collected, the Company also made an offset to the Pilot Throughput
22 Adjustment Rider (PTBAR) for the energy revenue collected. Upon approval of an

1 increase in the customer charge, the Company will make the same adjustment to the
2 PTBAR to assure a revenue neutral rate design.

3 **GENERATION RESOURCE RIDER**

4 **Q. PLEASE DESCRIBE THE BENEFITS OF THE GENERATION RESOURCE**
5 **RIDER (GRR).**

6 A. The GRR helps AEP Ohio to address long-term capacity needs by providing the
7 opportunity to build additional generation if needed in the future. For instance, if the
8 Company were to build utility scale solar projects, the Company would expect recovery
9 of the investment through the GRR. Because the term of the ESP is being extended
10 through 2024, it is important that this mechanism is approved to provide generation
11 investment opportunities to AEP Ohio if the need should develop, consistent with the
12 options in the ESP statute. An added benefit is this option would provide a hedge against
13 potentially volatile market prices. This rider will be designed to recovery renewable and
14 alternative capacity additions as well as more traditional capacity constructed or financed
15 by the Company and approved by the Commission

16 The GRR also provides the potential for substantial economic impact in the state. These
17 benefits to the state would include payroll taxes associated with jobs in both construction
18 and thereafter, purchase of Ohio goods and services, taxes that provide critical funding
19 for Ohio schools, infrastructure and public services, and substantial philanthropic support
20 from AEP Ohio.

21 **MODIFICATION TO THE AUCTION COST RECONCILIATION RIDER**

22 **Q. PLEASE EXPLAIN THE MODIFICATION TO THE AUCTION COST**
23 **RECONCILIATION RIDER (ACRR).**

1 A. The Company is proposing to include for recovery in the auction cost reconciliation rider
2 any payments to customers with cogeneration facilities related to the COGEN schedule of
3 the tariffs. Currently there is no recovery mechanism for those payments. Because the
4 payments are related directly to the generation output, the ESP is the appropriate case in
5 which to determine the recovery aspect of payments for customer owned generation. In
6 addition, to the extent not otherwise recovered, the Company would request that any net
7 credit paid to customers based on the net metering tariff also be included in the ACRR.

8 **ADVANCEMENT OF STATE POLICY**

9 **Q. PLEASE GENERALLY DESCRIBE HOW THE MODIFICATION AND ESP III**
10 **EXTENSION ADVANCES STATE POLICIES CONTAINED IN §4928.02 OHIO**
11 **R.C.**

12 A. Many aspects of AEP Ohio's proposed ESP touch on the policy considerations detailed in
13 §4928.02 R.C. As a whole, the proposed ESP enhances the state's effectiveness in the
14 global economy, in accordance with §4928.02(N). Additionally, many of the additional
15 components of the proposed ESP support state policies including, but not limited to, the
16 following:

- 17 • Extension of the EDR provision described by Company witnesses Allen and Gill
18 related to reasonable arrangements with mercantile customers, approved by the
19 Commission, modified to include an auto maker credit, fifty percent of the IRP-D
20 cost and fifty percent of the sub-transmission and transmission Energy Efficiency
21 and Peak Demand Reduction costs. The EDR facilitates the state's effectiveness
22 in a global economy;
 - 23 ○ *§4928.02(N) Facilitate the state's effectiveness in the global economy. In*
24 *carrying out this policy, the commission shall consider rules as they apply*

1 to the costs of electric distribution infrastructure, including, but not
2 limited to, line extensions, for the purpose of development in this state;

- 3 • Extension of Schedule IRP-D (IRP-D), modified to include an additional 250
4 MW of interruptible load, which Company witness Gill describes, enables AEP
5 Ohio to focus on the Commission's determination that "the IRP-D offers
6 numerous benefits, including the promotion of economic development and the
7 retention of manufacturing jobs, and furthers state policy" (ESP III Opinion and
8 order at p. 40);
9

10 • §4928.02(A) *Ensure the availability to consumers of adequate,*
11 *reliable, safe, efficient, nondiscriminatory, and reasonably priced*
12 *retail electric service;*
13

14 • §4928.02(D) *Encourage innovation and market access for cost-*
15 *effective supply- and demand-side retail electric service including,*
16 *but not limited to, demand-side management, time-differentiated*
17 *pricing, waste energy recovery systems, smart grid programs, and*
18 *implementation of advanced metering infrastructure;*
19

20 • §4928.02(N) *Facilitate the state's effectiveness in the global*
21 *economy. In carrying out this policy, the commission shall consider*
22 *rules as they apply to the costs of electric distribution infrastructure,*
23 *including, but not limited to, line extensions, for the purpose of*
24 *development in this state;*
25

- 26 • The Pilot Opt-in for the Basic Transmission Cost Rider, which Company witness
27 Gill supports, aligns the billing determinants with the way that PJM bills for
28 transmission. This opt-in also incentivizes customers to manage their coincident
29 peak in order to lower the overall coincident peak of AEP Ohio, reducing costs
30 for all customers;

31 • §4928.02(A) *Ensure the availability to consumers of adequate,*
32 *reliable, safe, efficient, nondiscriminatory, and reasonably priced*
33 *retail electric service;*
34

35 • §4928.02(D) *Encourage innovation and market access for cost-*
36 *effective supply- and demand-side retail electric service including,*
37 *but not limited to, demand-side management, time-differentiated*
38 *pricing, waste energy recovery systems, smart grid programs, and*
39 *implementation of advanced metering infrastructure;*

- *§4928.02(G) Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;*
- Updated forecast of the Enhanced Service Reliability Rider (ESRR), supported by Company witness Dias, enhances electric distribution service consistent with the value customers place on service reliability and targets for service quality;
- *§4928.02(A) Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*
- *§4928.02(E) Encourage cost-effective and efficient access to information regarding the operation of the transmission and distribution systems of electric utilities in order to promote both effective customer choice of retail electric service and the development of performance standards and targets for service quality for all consumers, including annual achievement reports written in plain language;*
- Updated forecast of the Distribution Investment Rider (DIR), supported by Company witness Dias, supports the Company's asset renewal, distribution capacity and infrastructure improvements. This allows AEP Ohio the ability to meet customer demand to maintain and improve the reliability of its distribution system. In addition, the extension of the DIR allows the Company to be robust in the building of its distribution system in order to achieve additional success in economic development;
- *§4928.02(A) Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*

- §4928.02(G) *Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;*
- §4928.02(N) *Facilitate the state's effectiveness in the global economy. In carrying out this policy, the commission shall consider rules as they apply to the costs of electric distribution infrastructure, including, but not limited to, line extensions, for the purpose of development in this state;*

- The proposed Compensation Incentive Rider (CIR) and offsetting Standard Service Offer (SSO) Credit Rider, which is described by Company witness Allen, is an incentive rider to encourage shopping;

- §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*
- §4928.02(D) *Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure;*
- §4928.02(G) *Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;*

- The proposed Pilot Plug-In Electric Vehicle (PEV) tariff promotes the use of plug in electric vehicles by enabling workplace and public charging stations;

- §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*
- §4928.02(D) *Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure;*

- §4928.02(G) *Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;*
 - §4928.02(N) *Facilitate the state's effectiveness in the global economy. In carrying out this policy, the commission shall consider rules as they apply to the costs of electric distribution infrastructure, including, but not limited to, line extensions, for the purpose of development in this state;*
- The proposed sub-metering rider provides a mechanism for the Company to purchase distribution assets for certain complexes that are currently being billed under sub-metering practices. This rider would be a placeholder in anticipation of changes to the sub-metering eligibility;
- §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*
 - §4928.02(D) *Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure;*
 - §4928.02(E) *Encourage cost-effective and efficient access to information regarding the operation of the transmission and distribution systems of electric utilities in order to promote both effective customer choice of retail electric service and the development of performance standards and targets for service quality for all consumers, including annual achievement reports written in plain language;*
 - §4928.02(G) *Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;*
- The proposed LED Lighting tariff provides customers an additional option for their outdoor and street lighting needs while encouraging energy efficiency;

1 • §4928.02(A) *Ensure the availability to consumers of adequate,*
2 *reliable, safe, efficient, nondiscriminatory, and reasonably priced*
3 *retail electric service;*

4
5 • §4928.02(D) *Encourage innovation and market access for cost-*
6 *effective supply- and demand-side retail electric service including,*
7 *but not limited to, demand-side management, time-differentiated*
8 *pricing, waste energy recovery systems, smart grid programs, and*
9 *implementation of advanced metering infrastructure;*
10

11 • The GRR helps AEP Ohio to address long-term capacity needs by providing the
12 opportunity to build additional generation if needed in the future while providing
13 a hedge against potentially volatile market prices;

14 • §4928.02(A) *Ensure the availability to consumers of adequate,*
15 *reliable, safe, efficient, nondiscriminatory, and reasonably priced*
16 *retail electric service;*

17
18 • §4928.02(G) *Recognize the continuing emergence of competitive*
19 *electricity markets through the development and implementation of*
20 *flexible regulatory treatment;*
21

22 • §4928.02(N) *Facilitate the state's effectiveness in the global*
23 *economy. In carrying out this policy, the commission shall consider*
24 *rules as they apply to the costs of electric distribution infrastructure,*
25 *including, but not limited to, line extensions, for the purpose of*
26 *development in this state;*

27 **Q. PLEASE EXPLAIN HOW CONTINUATION OF CERTAIN ASPECTS OF THE**
28 **APPROVED ESP III WILL ALSO ADVANCE STATE POLICIES.**

29 A. The continuation of certain riders and components of ESP III as outlined below will
30 advance State policies.

- 31 • Continuation of the transparency in AEP Ohio's SSO pricing, through the continuation of
32 a Generation Energy (GENE) rider, a Generation Capacity (GENC) rider, Alternative
33 Energy Rider (AER), the Auction Cost Reconciliation Rider (ACRR), EE/PDR and pilot
34 demand response gives consumers a per kilowatt hour price that they can use to compare

1 information when determining whether to select an alternative supplier. Customer
2 knowledge of and education regarding charges for services allows customers to make
3 informed decisions when dealing with sales practices and interacting in the market with
4 potential suppliers, and to receive reasonably priced service. Continuation of the Energy
5 Efficiency / Peak Demand Reduction (EE/PDR) Rider enables AEP Ohio to continue
6 offering innovative energy efficiency programs for all customer segments, allowing the
7 Company to achieve the established benchmarks for both the energy efficiency and peak
8 demand reduction programs. The EE/PDR Rider will be modified to collect one half of
9 the IRP credits and fifty percent of the sub-transmission and transmission EE/PDR costs.
10 The Company is also continuing the Commission ordered Pilot Demand Response Rider;

- 11 • §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe,*
12 *efficient, nondiscriminatory, and reasonably priced retail electric service;*
13
- 14 • §4928.02(B) *Ensure the availability of unbundled and comparable retail*
15 *electric service that provides consumers with the supplier, price, terms,*
16 *conditions, and quality options they elect to meet their respective needs;*
17
- 18 • §4928.02(D) *Encourage innovation and market access for cost-effective*
19 *supply- and demand-side retail electric service including, but not limited to,*
20 *demand-side management, time-differentiated pricing, waste energy recovery*
21 *systems, smart grid programs, and implementation of advanced metering*
22 *infrastructure;*
23
- 24 • §4928.02(H) *Ensure effective competition in the provision of retail electric*
25 *service by avoiding anticompetitive subsidies flowing from a noncompetitive*
26 *retail electric service to a competitive retail electric service or to a product or*
27 *service other than retail electric service, and vice versa, including by*
28 *prohibiting the recovery of any generation-related costs through distribution*
29 *or transmission rates;*
30
- 31 • §4928.02(I) *Ensure retail electric service consumers protection against*
32 *unreasonable sales practices, market deficiencies, and market power;*
33
- 34 • §4928.02(M) *Encourage the education of small business owners in this state*
35 *regarding the use of, and encourage the use of, energy efficiency programs*
36 *and alternative energy resources in their businesses*

- 1 • Continuation of the gridSMART® Phase II Rider provides for continued deployment
2 of emerging distribution system technologies where they can cost-effectively improve
3 the efficiency and reliability of the distribution system, develop performance
4 standards and targets for service quality for all consumers, and encourage the use of
5 energy efficiency programs and alternative energy resources. A pending stipulation
6 in Case No. 13-1939-EL-RDR provides the Company's gridSMART® Phase II plan.
7 The Company is also proposing to continue the variable price tariff offers in
8 accordance with the Commission's ESP III Order;

- 9 • §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe,*
10 *efficient, nondiscriminatory, and reasonably priced retail electric service;*
11
12 • §4928.02(D) *Encourage innovation and market access for cost-effective*
13 *supply- and demand-side retail electric service including, but not limited to,*
14 *demand-side management, time-differentiated pricing, waste energy recovery*
15 *systems, smart grid programs, and implementation of advanced metering*
16 *infrastructure;*
17
18 • §4928.02(E) *Encourage cost-effective and efficient access to information*
19 *regarding the operation of the transmission and distribution systems of*
20 *electric utilities in order to promote both effective customer choice of retail*
21 *electric service and the development of performance standards and targets*
22 *for service quality for all consumers, including annual achievement reports*
23 *written in plain language;*
24
25 • §4928.02(G) *Recognize the continuing emergence of competitive electricity*
26 *markets through the development and implementation of flexible regulatory*
27 *treatment;*
28
29 • §4928.02(M) *Encourage the education of small business owners in this state*
30 *regarding the use of, and the encourage the use of, energy efficiency*
31 *programs and alternative energy resources in their businesses;*
32
33 • §4928.02(N) *Facilitate the state's effectiveness in the global economy. In*
34 *carrying out this policy, the commission shall consider rules as they apply to*
35 *the costs of electric distribution infrastructure, including, but not limited to,*
36 *line extensions, for the purpose of development in this state;*
37

- 1 • Continuation of the Storm Damage Recovery (SDR) Mechanism ensures the ability
2 of the Company to continue to perform and fund the costs of performing its normal
3 responsibilities;
4 • *§4928.02(A) Ensure the availability to consumers of adequate, reliable, safe,*
5 *efficient, nondiscriminatory, and reasonably priced retail electric service;*
6
7 • *§4928.02(E) Encourage cost-effective and efficient access to information*
8 *regarding the operation of the transmission and distribution systems of*
9 *electric utilities in order to promote both effective customer choice of retail*
10 *electric service and the development of performance standards and targets*
11 *for service quality for all consumers, including annual achievement reports*
12 *written in plain language;*
13
14 • Continuation of the Alternative Energy Rider (AER) to continue recovery of
15 renewable energy credit (REC) expenses;
16 • *§4928.02(B) Ensure the availability of unbundled and comparable retail*
17 *electric service that provides consumers with the supplier, price, terms,*
18 *conditions, and quality options they elect to meet their respective needs;*
19
20 • *§4928.02(N) Facilitate the state's effectiveness in the global economy. In*
21 *carrying out this policy, the commission shall consider rules as they apply to*
22 *the costs of electric distribution infrastructure, including, but not limited to,*
23 *line extensions, for the purpose of development in this state;*
24
25 • Continuation of the Pilot Throughput Balancing Adjustment Rider (PTBAR) and the
26 Residential Distribution Credit (RDC) Rider will allow the Company to recover lost
27 distribution revenue associated with achieving the established benchmarks for both
28 the energy efficiency and peak demand reduction programs. The PTBAR is a
29 revenue decoupling pilot program applicable to the residential and GS-1 tariff rate
30 schedules. The RDC rider provides for a credit to residential customers offering
31 additional savings throughout the extended period of the ESP III. Company witness
32 Allen discussed the benefits of the RDC rider;

- §4928.02(A) *Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;*
- §4928.02(D) *Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure;*
- §4928.02(L) *Protect at-risk populations, including, but not limited to, when considering implementation of any new advanced energy or renewable energy resource;*
- §4928.02(M) *Encourage the education of small business owners in this state regarding the use of, and encourage the use of, energy efficiency programs and alternative energy resources in their businesses;*

STATUS OF CORPORATE SEPARATION ACTIVITIES

Q. WHAT IS THE CURRENT STATUS OF AEP OHIO'S CORPORATE SEPARATION ACTIVITIES FOR AEP OHIO?

A. The Commission has previously found that AEP Ohio should divest its competitive generation assets from its noncompetitive electric distribution utility. On December 31, 2013 AEP Ohio transferred its generating units to AEP Generation Resources, Inc. and completed the requirements of corporate separation. However, AEP Ohio has been unable to obtain the required consent of the other Ohio Valley Electric Corporation ("OVEC") Sponsoring Companies to permit AEP Ohio to transfer its OVEC contractual entitlements to AEP Generation Resources, Inc. Therefore, on October 4, 2013, the Company filed an application in Case No. 12-1126-EL-UNC to amend its corporate separation plan to permit it to maintain AEP Ohio's existing contractual relationship with OVEC. The Commission approved AEP Ohio's application on December 4, 2013. Further, while it is currently subject to a pending rehearing process, the Commission approved the Company's inclusion of the OVEC entitlements in the PPA Rider in Case

No. 14-1693-EL-RDR. The Company requests that the Commission terminate the ongoing obligation to sell or transfer for the term of the extended ESP III (2024).

REGULATORY ACCOUNTING TREATMENT

Q. SEVERAL OF THE COMPANY’S RIDERS (SEE COMPANY WITNESS GILL’S EXHIBIT DRG-1) UTILIZE OVER/UNDER ACCOUNTING. PLEASE SUMMARIZE THE BASIS FOR OVER/UNDER ACCOUNTING.

A. Financial Accounting Standards Board’s Accounting Standards Codification (FASB ASC) 980 requires deferral accounting when a regulatory commission requires future rates to be reduced to refund an over recovery and when a regulatory commission provides for the future recovery of incurred expenses or it is probable that a regulatory commission will provide for such future recovery of an incurred expense, subject to any prudence and audit reviews ordered by the Commission. Therefore, in order to record regulatory liabilities or regulatory assets and perform regulatory deferral over/under recovery true-up accounting, it must be probable that the regulatory liability will be refunded or that the regulatory asset will be recovered in the future.

Q. WHAT IS NEEDED TO ESTABLISH PROBABILITY AND THUS MEET THE ACCOUNTING CRITERIA FOR RECORDING A REGULATORY LIABILITY OR ASSET FOR THESE RIDERS?

A. In order to meet the probability standard, the final order in this proceeding should clearly extend the accounting authority to record regulatory liabilities and regulatory assets and to perform regulatory deferral over/under recovery true-up accounting for a number of riders, as well as continued deferral accounting authority for the Storm Damage Recovery rider. This will provide for either the future recovery or the future

1 refund in the next applicable filing as determined by the Commission for any difference
2 between incurred expenses (plus a carrying cost where appropriate) compared with the
3 actual revenues collected.

4 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 A. Yes.

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Direct Testimony of Andrea E. Moore* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 13th day of mAY 2016, via electronic transmission.

/s/ Steven T. Nourse

Steven T. Nourse

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Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Testimony -Direct Testimony of Andrea E. Moore in Support of AEP Ohio's Amended Electric Security Plan electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company