

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Power Company for Administration of the	)	
Significantly Excessive Earnings Test for 2015	)	Case No. 16-1105-EL-UNC
Under Section 4928.143(F), Revised Code,	)	
and Rule 4901:1-35-10, Ohio Administrative	)	
Code.	)	

DIRECT TESTIMONY OF  
WILLIAM A. ALLEN  
ON BEHALF OF  
OHIO POWER COMPANY

Filed: May 16, 2016

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WILLIAM A. ALLEN

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1    **PERSONAL DATA**

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

3    A.     My name is William A. Allen, and my business address is 1 Riverside Plaza, Columbus,  
4           Ohio 43215.

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

6    A.     I am employed by the American Electric Power Service Corporation (AEPSC) as  
7           Managing Director of Regulatory Case Management.  AEPSC supplies engineering,  
8           regulatory, financing, accounting, and planning and advisory services to the electric  
9           operating companies of the American Electric Power System, one of which is Ohio  
10          Power Company ("OPCo" or "AEP Ohio").

11   **Q.     WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL AND**  
12   **PROFESSIONAL BACKGROUND?**

13   A.     Yes.  I received a Bachelor of Science in Nuclear Engineering from the University of  
14          Cincinnati in 1996 and a Master of Business Administration from the Ohio State  
15          University in 2004.

16                 I was employed by AEPSC beginning in 1992 as a Coop Engineer in the Nuclear  
17          Fuels, Safety and Analysis department and upon completing my degree in 1996 was hired  
18          on a permanent basis in the Nuclear Fuel section of the same department.  In January  
19          1997, the Nuclear Fuel section became a part of Indiana Michigan Power Company

1 (I&M) due to a corporate restructuring. In 1999, I transferred to the Business Planning  
2 section of the Nuclear Generation Group as a Financial Analyst. In 2000, I transferred  
3 back to AEPSC into the Regulatory Pricing and Analysis section as a Regulatory  
4 Consultant. In 2003, I transferred into the Corporate Financial Forecasting department as  
5 a Senior Financial Analyst. In 2007, I was promoted to the position of Director of  
6 Operating Company Forecasts. In that role, I was primarily responsible for the  
7 supervision of the financial forecasting and analysis of the AEP System's operating  
8 companies, including AEP Ohio. In 2010, I transferred to the Regulatory Services  
9 Department as Director of Regulatory Case Management. I was named to my current  
10 position in January 2013.

11 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR OF**  
12 **REGULATORY CASE MANAGEMENT?**

13 A. I am primarily responsible for the supervision, oversight and preparation of major filings  
14 with state utility commissions and the Federal Energy Regulatory Commission (FERC).

15 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**  
16 **PROCEEDINGS?**

17 A. Yes. I have previously testified before the Public Utilities Commission of Ohio  
18 (Commission) on behalf of AEP Ohio. I have also submitted testimony or testified  
19 before the Michigan Public Service Commission, the Indiana Utility Regulatory  
20 Commission, the Kentucky Public Service Commission, the West Virginia Public Service  
21 Commission and the Virginia State Corporation Commission on behalf of various other  
22 electric operating companies of the American Electric Power system.  
23

1 **PURPOSE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. I am AEP Ohio's overall policy witness supporting the position that AEP Ohio passes the  
4 statutory Significantly Excessive Earnings Test (SEET) for 2015 and that no refund is  
5 necessary. Additionally, I am sponsoring the AEP 2015 SEC Form 10K annual report  
6 and the Federal Energy Regulatory Commission (FERC) Form 1 (Form 1) for OPCo<sup>1</sup>.

7 **Q. ARE YOU SPONSORING ANY EXHIBITS AS A PART OF YOUR**  
8 **TESTIMONY?**

9 A. Yes. I am sponsoring Exhibit WAA-1, which presents the 2015 return on common equity  
10 for the companies comprising the Utilities Select Sector SPDR. I am also sponsoring  
11 Exhibit WAA-2, which sets forth AEP Ohio's actual capital investments for January  
12 2012 through December 2015 and projected capital investments for January 2017 through  
13 May 2024 as presented in the Company's recently filed Amended Electric Security Plan  
14 in Case No. 13-2385-EL-SSO.

15 **OVERVIEW OF THE SEET**

16 **Q. PLEASE BRIEFLY DESCRIBE THE SEET PROCESS.**

17 A. Senate Bill 221 (SB 221) required electric distribution utilities (EDUs), beginning  
18 January 1, 2009, to provide consumers with a standard service offer (SSO) including a  
19 firm supply of electric generation service, consisting of either an Electric Security Plan  
20 (ESP) or a market rate offer (MRO). Section 4928.143(F), Ohio Revised Code, requires  
21 EDUs operating under an ESP to demonstrate that their earned return on common equity

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<sup>1</sup>Both reports for 2015 can be found at the following sites:  
<http://www.aep.com/investors/FinancialFilingsAndReports/Filings/>  
<http://www.aep.com/investors/FinancialFilingsAndReports/FERCFilings/>

1 (ROE) is not significantly in excess of the ROE earned during the same period by  
2 publicly traded companies that face comparable business and financial risk. I have been  
3 advised by Counsel that the SEET filing requirements, as detailed in Rule 4901:1-35-  
4 03(C)(10)(a), O.A.C., state that the EDU with an established ESP shall provide testimony  
5 and analysis which shall include: 1) the EDU's ROE earned during the annual review  
6 period as compared to the ROE earned by comparable companies during the same period;  
7 2) the FERC Form 1 in its entirety for the annual review period for the EDU; 3) the latest  
8 SEC Form 10K for the EDU; and 4) the capital budget requirements for future committed  
9 investments in Ohio for each annual period remaining in the ESP for the EDU.

10 **Q. PLEASE BRIEFLY DESCRIBE THE HISTORY OF THE SEET WITH RESPECT**  
11 **TO AEP OHIO.**

12 A. In 2009, the Commission initiated Case No. 09-786 to provide SEET guidance to Ohio  
13 EDUs. Through the 09-786 case, the Commission provided guidance and interpretations  
14 regarding how it would apply the SEET. On August 8, 2012, the Commission issued an  
15 Opinion and Order in Case Nos. 11-346 and 11-348-EL-SSO modifying and approving  
16 AEP Ohio's proposed ESP for the period of September 2012 through May 2015 (ESP II).  
17 In that case, the Commission established a SEET threshold of 12% for the ESP II term.<sup>2</sup>  
18 However, on April 26, 2016, the Supreme Court of Ohio issued its decision in Case No.  
19 2013-0521, where the SEET threshold had been challenged by the Company. I have been  
20 advised by counsel that the Court reversed the 12% threshold and remanded the case back  
21 to the Commission to address the Company's argument that the flat 12% threshold  
22 conflicts with the statutory process.

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<sup>2</sup> Opinion and Order in Case Nos. 11-346-EL-SSO et. al, dated August 8, 2012, at page 37.

1           In its Opinion and Order for the Company’s ESP III on February 25, 2015, the  
2           Commission found that since a service stability rider was not renewed or authorized, it  
3           was not necessary to establish a SEET threshold for the current ESP period; instead the  
4           SEET threshold for each year of the ESP will be determined within the context of an  
5           annual SEET case. Accordingly, the methodology I have employed for 2015 is based on  
6           the approach established by the guidance presented in Case No. 09-786-EL-UNC and  
7           prior Commission orders. The Company’s 2011, 2012 and 2013 SEET cases were settled  
8           and the Commission has approved those settlements.

9           **ROE OF THE COMPARABLE RISK GROUP OF PUBLICLY TRADED COMPANIES**

10          **Q.     WHAT IS THE LEVEL FOR 2015, ABOVE THE AVERAGE EARNED ROE OF**  
11               **THE COMPARABLE RISK GROUP OF COMPANIES, WHERE THE EARNED**  
12               **ROE MAY BECOME SIGNIFICANTLY EXCESSIVE, IF ONE USED THE**  
13               **THRESHOLD METHODOLOGY AS DESCRIBED BY THE COMMISSION’S**  
14               **OPINION AND ORDER IN THE 2010 SEET (CASE NO. 11-4571) AND**  
15               **RECOGNIZED IN THE SETTLEMENT APPROVED BY THE COMMISSION IN**  
16               **THE 2011 SEET CASE FOR AEP OHIO?**

17          A.     The mean earned ROE for 2015 of the “Utilities Select Sector SPDR (XLU)” comparable  
18               risk group that the Commission utilized in its order in the 2010 SEET and recognized in  
19               the approved settlement of the 2011 SEET case for AEP Ohio is 9.74%. In the 2010  
20               SEET order the Commission applied an adder to the baseline mean earned ROE using  
21               1.64 standard deviations. In this case, that adder would be 5.62%, resulting in a SEET  
22               threshold of 15.36%. These calculations are provided in Exhibit WAA-1.

1    **AEP OHIO’S EARNED ROE FOR 2015**

2    **Q.     WHAT IS AEP OHIO’S EARNED ROE FOR 2015 FOR THE SEET?**

3    A.     Company witness Ross has determined that AEP Ohio’s earned ROE for 2015 is 11.73%.  
4           For details on the AEP Ohio ROE calculations, please see Company witness Ross’s direct  
5           testimony.

6    **Q.     HOW DOES AEP OHIO’S EARNED ROE FOR 2015 COMPARE TO THE**  
7           **COMPARABLE RISK GROUP’S THRESHOLD ROE?**

8    A.     AEP Ohio’s earned ROE for 2015 of 11.73% is substantially below the comparable risk  
9           group’s SEET ROE threshold of 15.36% that results from calculating the threshold in a  
10          manner similar to how the Commission calculated it for 2010.

11   **Q.     DID THE COMMISSION ESTABLISH OTHER THRESHOLD GUIDANCE IN**  
12          **THE 09-786 CASE REGARDING ROE CALCULATIONS FOR EDUs?**

13   A.     Yes. The Commission also concluded that for SEET purposes, any Ohio electric utility’s  
14          earnings found to be less than 200 basis points above the mean ROE of the comparable  
15          risk group of companies would not be significantly excessive.<sup>3</sup> This 200 basis point  
16          threshold is what is referred to as a “safe harbor.”

17   **Q.     DOES THE 200 BASIS POINT “SAFE HARBOR” APPLY TO AEP OHIO FOR**  
18          **2015?**

19   A.     Yes. AEP Ohio’s earned ROE is slightly below 11.74%, which is 200 basis points above  
20          the 9.74% mean earned ROE of the Utilities Select Sector SPDR (XLU) group. Thus,  
21          AEP Ohio’s 2015 earned ROE of 11.73% is within the “safe harbor” established by the  
22          Commission.

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<sup>3</sup> 09-786, Order at 29 (June 30, 2010) and 11-4571, Order at 27-28 (October 23, 2013)



1 **Q. ARE THERE ANY PENDING CASES THAT COULD IMPACT THE**  
2 **COMPANY'S EARNINGS FOR PURPOSES OF THE 2015 SEET?**

3 A. Yes. As the Company noted in its Application for a Limited Waiver to extend the filing  
4 date for its 2014 SEET, Case No.15-386-EL-WVR, the resolution of Case Nos. 11-5906-  
5 EL-FAC, *et al.* (the pending audit concerning the allegations of double recovery of  
6 certain demand costs) could have the potential to impact the Company's 2014 earnings  
7 for SEET purposes, and the same holds true for the 2015 earnings. The so-called "double  
8 recovery" case could affect the adjusted 2015 earnings for SEET purposes if a  
9 disallowance is imposed by the Commission. The Company is confident that no such  
10 double recovery has occurred and remains optimistic that the Commission will confirm  
11 that result. Any resolution of the SEET for 2015 should incorporate the results of these  
12 cases as recognized by the Commission in its April 22, 2015 Order in Case No. 15-386-  
13 EL-WVR regarding the 2014 SEET as the circumstances remain the same.

14 "We are aware of the relationship between the 2014 SEET proceedings  
15 and the pending cases cited by AEP Ohio, and we will take necessary  
16 steps in the conduct of the 2014 SEET proceeding to ensure that the  
17 decisions in those cases are appropriately considered by the Commission."  
18

19 **CAPITAL INVESTMENTS AND OTHER CONSIDERATIONS**

20 **Q. WHAT ARE SOME ADDITIONAL FACTORS, BESIDES THE EARNED ROE**  
21 **CALCULATIONS DISCUSSED ABOVE, THAT THE COMMISSION**  
22 **INDICATED IN ITS 09-786 ORDER THAT IT WOULD CONSIDER IN**  
23 **EVALUATING WHAT IS SIGNIFICANTLY EXCESSIVE?**

24 A. In the Commission's June 30, 2010, Finding and Order in Case No. 09-786-EL-UNC, at  
25 page 29, the Commission provided the following guidance:

1 The Commission notes that within Ohio's electric utilities, there is  
2 significant variation, including, for example, whether the electric  
3 utility provides transmission, generation, and distribution service or  
4 only distribution service. For this reason, the Commission will give  
5 due consideration to certain factors, including, but not limited to, the  
6 electric utility's most recently authorized return on equity, the electric  
7 utility's risk, including the following: whether the electric utility owns  
8 generation; whether the ESP includes a fuel and purchased power  
9 adjustment or other similar adjustments; the rate design and the  
10 extent to which the electric utility remains subject to weather and  
11 economic risk; capital commitments and future capital requirements;  
12 indicators of management performance and benchmarks to other  
13 utilities; and innovation and industry leadership with respect to  
14 meeting industry challenges to maintain and improve the  
15 competitiveness of Ohio's economy, including research and  
16 development expenditures/investments in advanced technology, and  
17 innovative practices; and the extent to which the electric utility has  
18 advanced state policy. We therefore, direct the electric utilities to  
19 include this information in their SEET filings.

20 **Q. HAS AEP OHIO ADVANCED STATE POLICY?**

21 A. Yes. AEP Ohio and its employees are active members of the communities we serve. Not  
22 only is AEP Ohio investing capital assets and facilities within the state of Ohio, but  
23 during 2015, AEP Ohio also paid approximately \$353million in Ohio state and local  
24 taxes. This amount does not include expenditures for philanthropic contributions and  
25 purchases of Ohio goods and services. AEP Ohio's gridSMART<sup>®</sup> project is advancing  
26 electric infrastructure development by testing and implementing advanced smart grid  
27 technologies. Contributions to the emerging solar power industry through AEP Ohio's  
28 commitment to purchase and invest in Ohio renewable solar power on a commercial basis  
29 beginning in 2010 and beyond demonstrates AEP Ohio's advancement of Ohio  
30 renewable goals. Finally, AEP Ohio has made contributions to the Partnership with Ohio  
31 Fund during the 2015.

1   **Q.    ARE THERE OTHER WAYS THAT THE COMPANY IS WORKING TO**  
2       **ADVANCE STATE POLICY?**

3    A.    Yes. The Company's Purchase Power Agreement (PPA) Rider filing (Case No. 14-1693-  
4       EL-RDR), was approved on March 31, 2016. This plan provides long-term benefits for  
5       AEP Ohio's customers and Ohio's economy while also advancing important Ohio energy  
6       policies. The stipulation approved in the PPA case includes adding 900 MW of  
7       renewable energy as well as innovative pricing to incentivize customer shopping. The  
8       recently filed ESP III extension includes elements for Plug-In Electric Vehicle charging  
9       stations, supports a robust distribution plan, and proposes a Generation Resource Rider to  
10      address the long-term capacity needs in Ohio by providing the opportunity to build  
11      additional generation if needed.

12   **Q.    WHAT IS THE CURRENTLY APPROVED ROE FOR AEP OHIO?**

13   A.    The Company's most recently approved ROE is 10.2%, which was approved in Case No.  
14       13-2385-EL-SSO.

15   **Q.    DID AEP OHIO OWN GENERATION IN 2015?**

16   A.    No. While AEP Ohio no longer directly owns any generation it does have a contractual  
17       entitlement and obligation to a portion of the generation output of the Clifty and Kyger  
18       Creek facilities totaling approximately 400 MW. During 2015 the Company faced  
19       uncertainty and risk associated with the operation of these units.

20   **Q.    DID THE ESP INCLUDE A FUEL AND PURCHASED POWER ADJUSTMENT?**

21   A.    No. In 2015 the ESP did not include a fuel adjustment clause (FAC) mechanism. During  
22       2015 the ESP included the Fixed Cost Rider (FCR) and the Auction Phase-In Rider  
23       (APIR).

1   **Q.    DOES THE COMPANY’S RATE DESIGN SUBJECT THE COMPANY TO**  
2   **WEATHER AND ECONOMIC RISK?**

3   A.    Yes.   The Company has a Pilot Throughput Balancing Adjustment Rider (PTBAR)  
4        mechanism for residential and small commercial customers. This mechanism helps to  
5        limit the weather impact on revenues but does not insulate the company from the effects  
6        of weather. Larger commercial and industrial customers are not included in the PTBAR  
7        mechanism and any weather effect on these customers impacts the earnings of AEP Ohio.  
8        In addition, the Company faces economic risk in the form of changes in customer usage  
9        resulting from the overall economic condition of the state or as a result of adverse  
10       economic pressures to specific industries.

11   **Q.    HOW DO AEP AND AEP OHIO MAINTAIN ENERGY INDUSTRY**  
12   **LEADERSHIP?**

13   A.    Throughout its century-plus history, AEP has led the industry through enhancements and  
14        technological advances to the generation, transmission, and distribution components of  
15        the electric industry. Some examples of these advancements are the first supercritical and  
16        ultra-supercritical coal-fired generating plants, development and construction of 765-kV  
17        transmission lines, and deployment of sodium-sulfur (NAS) batteries. AEP has also  
18        created new and innovative ways to provide power for today while preparing for the  
19        needs of tomorrow, such as developing and operating the world’s first carbon dioxide  
20        capture and storage process at a coal fired power plant and then partnering with the  
21        Department of Energy (DOE) on an engineering study to scale the technology  
22        commercially. Our commitment to environmental compliance is evidenced by our focus  
23        on finding reasonable, achievable, and affordable solutions that meet increasingly

1 stringent state and federal energy regulations that properly address environmental issues  
2 in a realistic, cost effective manner.

3 In implementing the Commission's Alternative Energy Portfolio Standard rules,  
4 AEP Ohio led a demand side management (DSM) collaborative to develop energy  
5 efficiency and peak demand response programs (EE/PDR) and gridSMART® initiatives.  
6 As a result of implementing these programs, AEP Ohio customers have saved through  
7 reduced electricity bills, and customers will continue to save over the life of the programs  
8 and help reduce power plant emissions. As our Portfolio Status Report indicates, AEP  
9 Ohio's energy efficiency and peak demand response programs have been very successful,  
10 meeting or exceeding the benchmark requirements for both areas. AEP Ohio has received  
11 numerous awards and recognition for its work in energy efficiency. The Midwest Energy  
12 Efficiency Alliance covers fourteen states in the Midwestern area of the country and has  
13 recognized AEP Ohio for its e3smart school program educating students on energy  
14 efficiency and for its industrial continuous energy improvement program as two  
15 examples. The US Environmental Protection agency through its Energy Star program  
16 has recognized AEP Ohio multiple times for its residential new homes program and for  
17 its Efficient Products program. The Association of Energy Services Professionals, a  
18 national organization that is focused on energy efficiency, recognized AEP Ohio's  
19 Community Energy Savers program for marketing and communications excellence.

20 Additionally, AEP Ohio has deployed infrastructure and technology  
21 enhancements as part of the gridSMART® Phase 1 project. This project demonstrated  
22 AEP Ohio's leadership in the industry and includes the installation of smart meters,  
23 distribution automation equipment, demand dispatch and integrated volt-var control

1 circuits to enhance the electricity infrastructure. AEP also developed a Cyber Security  
2 Operations Center to provide highly customizable threat management and response on  
3 top of AEP's existing security framework. Additionally, meeting certain project  
4 requirements, obligations, and data collection criteria allowed the gridSMART® project  
5 to obtain 50 percent funding through the Department of Energy and thus limit Ohio  
6 customer impact while enhancing their ability to save energy. AEP Ohio is building on  
7 this through its proposed gridSMART® Phase 2 project.

8 In response to SB 221, AEP Ohio has demonstrated its leadership in the industry  
9 by embracing and harnessing new generation resources such as wind and solar to comply  
10 with Ohio's renewable portfolio standard. For example, AEP Ohio facilitated  
11 development of an 80-acre solar project located in Wyandot County, as Ohio's first  
12 utility-scale solar power facility in which all the output is purchased through contract by  
13 AEP Ohio. Thus, AEP Ohio is promoting diversity of electricity supplies and suppliers  
14 while maximizing Ohio economic development value within the state.

15 **Q. PLEASE EXPLAIN THE REGULATORY RISK IMPACTS ON THE COMPANY**  
16 **AND ITS CUSTOMERS.**

17 A. Balancing customer expectations for better EDU performance while continuing to be a  
18 low cost utility within the state of Ohio is an ever increasing risk for AEP Ohio. As the  
19 result of a struggling economy, the increased pressure on regulators to maintain existing  
20 utility electric rates can create regulatory lag issues for EDUs. One way regulators can  
21 alleviate pressure to control rates is to allow EDUs to defer previously spent utility costs  
22 to the balance sheet. And, while deferrals delay the immediate collection of rates in the  
23 near term, deferrals can increase regulatory risk to the EDU and eventually impact

1 customers when the time comes to pay for those deferrals. This rate volatility impacts the  
2 timing of cash flow, which can also potentially impact an EDU's credit ratings. Rate  
3 volatility, combined with our desire to fulfill increased customer expectations regarding  
4 reliability, increasing infrastructure mandates and investment requirements, put electric  
5 utilities and regulators under very different demands. In Ohio, a combination of  
6 outstanding deferred assets, SB 221 requirements, environmental mandates, and ESP  
7 timing, has left AEP Ohio with an elevated level of risk.

8 **Q. PLEASE EXPLAIN CUSTOMER SERVICE RELIABILITY RISKS.**

9 A. The information shown in the following table reflects both the System Average  
10 Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration  
11 Index (CAIDI) indices used to gauge service reliability for AEP Ohio. The 2015 SAIFI  
12 of 1.13 for frequency of interruption was below the SAIFI standard for AEP Ohio of  
13 1.20. The 2015 CAIDI of 139.0 for outage duration was below the CAIDI standard for  
14 AEP Ohio of 150.0. AEP Ohio will need to make substantial and continuing investments  
15 in infrastructure to maintain or improve its reliability performance. The Distribution  
16 Investment Rider (DIR) mechanism that has been in place since mid-2012 has allowed  
17 AEP Ohio to make the investments necessary to support these reliability standards.

**AEP Ohio Reliability Indices**

**(Per O.A.C. Rule 1-10-10(B))**

<b>12 Months Ending</b>	<b>SAIFI</b>	<b>CAIDI</b>
Dec-11	1.23	145.6
Dec-12	0.98	145.0
Dec-13	1.03	141.0
Dec-14	1.13	146.6
Dec-15	1.13	139.0

**Q. WHAT INFORMATION HAS AEP OHIO PROVIDED TO IDENTIFY THE CAPITAL REQUIREMENTS OF FUTURE INVESTMENTS?**

A. AEP Ohio's actual annual capital expenditures for 2012 through 2015 and those projected for the Expanded ESP III term are contained in Exhibit WAA-2 attached to my testimony. Exhibit WAA-2 shows that AEP Ohio invested approximately \$453 million during 2015. The Company is forecasted to spend approximately \$3.4 billion in the ESP III period – a tremendous amount of capital to invest. The actual level of capital expenditures during the Expanded ESP III term will be subject to a number of considerations, including the resolution of the request for rehearing related to the DIR caps and the approval of the recently proposed DIR caps through May of 2024. These factors should be taken into consideration by the Commission when determining the 2015 SEET decision.



1    **CONCLUSION**

2    **Q.     WERE THE COMPANY’S 2015 EARNINGS SIGNIFICANTLY EXCESSIVE?**

3    A.     No. Based upon the Company’s 2015 earnings of 11.73%, which is both within the “safe  
4           harbor” and below the SEET threshold of 15.36%, and the additional factors that the  
5           Commission indicated in its 09-786 Order that it would consider in evaluating what is  
6           significantly excessive, AEP Ohio did not have significantly excessive earnings in 2015  
7           and no refund is necessary.

8    **Q.     DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

9    A.     Yes.

Ohio Power Company						
Peer Group ROE Analysis						
Company	Ticker	Common Equity <sup>1</sup>			Net Income <sup>2</sup>	Return on
		YE 2014	YE2015	Average	YE2015	Common Equity
AES Corp.	AES	\$4,272	\$3,149	\$3,711	\$306	8.25%
AGL Resources, Inc.	GAS	\$3,784	\$3,929	\$3,857	\$353	9.15%
American Electric Power Co., Inc.	AEP	\$16,820	\$17,892	\$17,356	\$2,052	11.82%
Ameren Corp.	AEE	\$6,713	\$6,946	\$6,830	\$630	9.22%
CenterPoint Energy Inc.	CNP	\$4,548	\$3,461	\$4,005	\$465	11.61%
Consolidated Edison, Inc.	ED	\$12,576	\$13,052	\$12,814	\$1,193	9.31%
CMS Energy Corp.	CMS	\$3,670	\$3,938	\$3,804	\$523	13.75%
Dominion Resources, Inc.	D	\$11,555	\$12,664	\$12,110	\$1,899	15.68%
DTE Energy Company	DTE	\$8,327	\$8,772	\$8,550	\$727	8.50%
Duke Energy Corp.	DUK	\$40,875	\$39,727	\$40,301	\$2,816	6.99%
Edison International	EIX	\$10,960	\$11,368	\$11,164	\$1,020	9.14%
Entergy Corp.	ETR	\$10,008	\$9,257	\$9,632	\$1,075	11.16%
Eversource Energy	ES	\$9,977	\$10,352	\$10,165	\$878	8.64%
Exelon Corp.	EXC	\$22,608	\$25,793	\$24,201	\$2,269	9.38%
FirstEnergy Corp.	FE	\$12,420	\$12,421	\$12,421	\$578	4.65%
NextEra Energy, Inc.	NEE	\$19,916	\$22,574	\$21,245	\$2,752	12.95%
NRG Energy, Inc.	NRG	\$11,676	\$5,434	\$8,555	(\$57)	(0.67%)
Pepco Holdings, Inc.	POM	\$4,322	\$4,413	\$4,368	\$327	7.49%
Pinnacle West Capital Corp.	PNW	\$4,367	\$4,584	\$4,476	\$437	9.77%
PG&E Corp.	PCG	\$15,748	\$16,576	\$16,162	\$888	5.49%
PPL Corp.	PPL	\$13,628	\$9,919	\$11,774	\$1,489	12.65%
Public Service Enterprise Group Inc.	PEG	\$12,185	\$13,066	\$12,626	\$1,679	13.30%
SCANA Corp.	SCG	\$4,987	\$5,443	\$5,215	\$746	14.30%
Sempra Energy	SRE	\$11,326	\$11,809	\$11,568	\$1,448	12.52%
Southern Co.	SO	\$19,949	\$20,592	\$20,271	\$2,367	11.68%
TECO Energy, Inc.	TE	\$2,575	\$2,559	\$2,567	\$174	6.76%
Xcel Energy, Inc.	XEL	\$10,214	\$10,601	\$10,408	\$984	9.46%
Total		\$310,006	\$310,291	\$310,148	\$30,019	9.74%
<sup>1</sup> Total common equity excluding preferred equity and non-controlling interest.						
<sup>2</sup> Net income attributable to common shares.					Standard Deviation	3.43%
\$ in millions						
(source: Companies' 10-K filings)					Standard Deviation Multiplier (95% Confidence)	1.64
SEET Threshold						15.36%

**AEP Ohio Capital Expenditures**

Historical Actual Expenditures*				Forecasted ESP III Expenditures							
2012	2013	2014	2015	2017	2018	2019	2020	2021	2022	2023	Jan- May 2024
\$518M	\$640M	\$453M	\$453M	\$584M	\$572M	\$484M	\$466M	\$392M	\$392M	\$393M	\$165M

\* Historical capital expenditures include the generation function that was separated from the transmission and distribution functions at the end of 2013.

**This foregoing document was electronically filed with the Public Utilities**

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Summary: Testimony -Direct Testimony of William A. Allen on Behalf of Ohio Power Company  
electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company