BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Ohio Power Company for an)	Case No. 20-585-EL-AIR
Increase in Electric Distribution Rates.)	
In the Matter of the Application of)	
Ohio Power Company)	Case No. 20-586-EL-ATA
for Tariff Approval.)	
In the Matter of the Application of)	
Ohio Power Company for Approval)	Case No. 20-587-EL-AAM
to Change Accounting Methods.)	

DIRECT TESTIMONY OF DAVID M. ROUSH ON BEHALF OF OHIO POWER COMPANY

Management Policies, Practices & Organizations

X Operating Income

Rate Base

Allocations

Rate of Return

X Rates and Tariffs

Other

Filed: June 15th, 2020

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO DIRECT TESTIMONY OF DAVID M. ROUSH ON BEHALF OF OHIO POWER COMPANY

1	I.	PERSONAL DATA						
2	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.						
3	A.	My name is David M. Roush, 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 American Electric Power Service Corporation (AEPSC) as the						
7		Managing Director - Regulated Pricing and Analysis. AEPSC supplies engineering,						
8		financing, accounting, planning, advisory, and other services to the subsidiaries of the						
9		American Electric Power (AEP) system, one of which is Ohio Power Company (AEP Ohio						
10		or the Company).						
11	Q.	WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL AND						
12		PROFESSIONAL BACKGROUND?						
13	A.	I graduated from The Ohio State University (OSU) in 1989 with a Bachelor of Science						
14		degree in mathematics and a computer and information science minor. In 1999, I earned a						
15		Master of Business Administration degree from The University of Dayton. I have						
16		completed both the EEI Electric Rate Fundamentals and Advanced Courses. In 2003, I						
17		completed the AEP/OSU Strategic Leadership Program. In 1989, I joined AEPSC as a						
18		Rate Assistant. Since that time, I have progressed through various positions and was						

- promoted to my current position of Managing Director Regulated Pricing and Analysis
- 2 in April 2019.
- 3 Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR -
- 4 REGULATED PRICING AND ANALYSIS?
- 5 A. My responsibilities include the oversight of the preparation of cost of service and rate
- 6 design analysis for the AEP System operating companies, and oversight of the preparation
- 7 of special contracts and pricing for customers.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY

9 **PROCEEDINGS?**

- 10 A. Yes. I have testified in several rate cases and other proceedings before the Public Utilities
- 11 Commission of Ohio (Commission), the Indiana Utility Regulatory Commission, the
- Public Service Commission of Kentucky, Michigan Public Service Commission and the
- Public Service Commission of West Virginia. Before the Commission, I have testified in
- a number of cases, including Case Nos. 11-351-EL-AIR and 11-352-EL-AIR regarding the
- 15 Company's most recent base distribution rate case.

16 II. PURPOSE OF TESTIMONY

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

- 18 A. The purpose of my testimony is to sponsor certain revenue and operation and maintenance
- expense adjustments; to determine and sponsor the allocation of the Company's
- 20 jurisdictional required rate relief to each tariff class; and to sponsor the rate design
- supporting AEP Ohio's proposed Tariffs sponsored by Company witness Moore. In
- addition, I address the Company's proposed continuation of the Pilot Throughput

1		Balancing Adjustment Rider (PTBAR) and present the Company's calculation of the Retail
2		Reconciliation Rider and SSO Credit Rider.
3	Q.	WHAT SCHEDULES ARE YOU SPONSORING?
4	A.	I am sponsoring or co-sponsoring the following Schedules:
5		• C-2.1, Operating Revenue
6		• C-3.1, Universal Service Fund Rider
7		• C-3.2, kWh Tax Rider
8		C-3.3, Energy Efficiency and Peak Demand Reduction Cost Recovery Rider
9		C-3.4, Economic Development Cost Recovery Rider
10		• C-3.5, Enhanced Service Reliability Rider
11		• C-3.15, gridSMART Phase 2 Rider
12		• C-3.16, Distribution Investment Rider
13		• C-3.17, Pilot Throughput Balancing Adjustment Rider
14		• C-3.19, Tax Savings Credit Rider
15		• C-3.20, Smart City Rider
16		• E-4, Class and Schedule Revenue Summary
17		• E-4.1, Test Year Revenue, Proposed vs. Current Rates
18		• E-5, Typical Bill Comparison
19		• Supplemental Schedule C-9
20	Q.	ARE YOU SPONSORING ANY EXHIBITS?
21	A.	Yes, I am sponsoring the following Exhibits:
22		DMR-1, Pilot Throughput Balancing Adjustment Rider
		DMR-2 SSO Cost Analysis

III. COMMENTS ON SCHEDULES

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2 Q. WHAT PORTION OF SCHEDULE C-2.1 ARE YOU SPONSORING?

3 A. I am sponsoring the unadjusted base revenue as calculated in Column K, Page 2 of 2, on 4 Schedule E-4 and shown on Schedule C-2.1 (Page 1, Line 2, Column F). This revenue is 5 based upon test year billing determinants (one month actual and eleven months forecasted for the period ending November 30, 2020), current base rates and December 2019 rider 6 7 rates. The \$19.502 million dollar difference between Schedule E-4 and Schedule C-2.1 is 8 due to certain accounting entries that are also recorded in those accounts and will be 9 removed as part of adjustments shown in Schedules C-3.1, C-3.3, C-3.4, C-3.17, and C-10 3.19.

Q. WHAT PORTION OF SCHEDULE C-3 ARE YOU SPONSORING?

I am co-sponsoring the rider revenue adjustments shown on Schedules C-3.1, C-3.2, C-3.3, C-3.4, C-3.5, C-3.15, C-3.16, C-3.17, C-3.19, and C-3.20. The rider revenue for each tariff is calculated on Schedule E-4.1 by multiplying the billing determinants by the December 2019 rider rates. Consistent with the removal of certain rider-related rate base and expense amounts supported by Company witness Yoder, rider-related revenues have been removed from the cost of service because these revenues and associated expenses are collected and recovered separately through the various Commission-approved riders. For the Distribution Investment, Enhanced Service Reliability, Storm Damage Recovery, and Tax Savings Credit Riders, the amount of rate base and expense to be included in base rates has been adjusted while all of the rider revenues have been removed.

Q. PLEASE EXPLAIN SCHEDULE E-4.

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2 A. Schedule E-4 is the revenue summary schedule showing distribution revenues at current 3 rates and at the proposed rate level. This schedule is a summary of the sales, current revenue, and proposed revenue by rate schedule as computed in Schedule E-4.1 and the 4 5 percent of revenue each rate schedule contributes to total distribution service revenue. In 6 addition, Schedule E-4 displays the amount and percent increase proposed by rate schedule.

7 PLEASE EXPLAIN SCHEDULE E-4.1. Q.

Schedule E-4.1 provides the detail of the revenue calculations by rate schedule as summarized in Schedule E-4. This Schedule also presents the billing determinants associated with the respective rate schedules. The sales revenues for the 12 months ended November 30, 2020 are based upon historical data for the one month ended December 31, 2019 and kWh sales and customer forecasts by revenue class for the eleven months ended November 30, 2020. The forecast was applied to historical billing units to develop projected billing units by rate schedule for the 11-month forecast period. The projected billing units were added to the actual billing units for the 1-month historical period to determine the total billing units by rate schedule for the test year. These billing units were then multiplied by current rates and the proposed rates to determine the current and projected base distribution revenues by rate schedule.

19 Q. PLEASE EXPLAIN SCHEDULE E-5.

20 A. Schedule E-5 is a typical bill comparison that presents the effect of the proposed rates on customer bills. Schedule E-5 shows the amount and percentage difference for a total bill 22 at various consumption levels for the various rate schedules.

1	Q.	PLEASE DISCU	SS THE	TREATMENT	OF	DISTRIBUTION	RIDERS	IN
2		SCHEDULES A-	l, E-4, E-4	.1, AND E-5.				

- A. To provide a meaningful comparison, I have included estimates of the impact of the Company's proposed modifications to the Economic Development Cost Recovery, Enhanced Service Reliability, Distribution Investment, and Tax Savings Credit Riders in these comparisons. The present rates shown for each of these riders are the rates in effect in December 2019. The proposed rates for those riders are based upon the same information used to compute those rates from the rider filing in which those rates were approved and the Company's proposed changes to the rider basing point or mechanism. Lastly, I have reflected the expected expiration of the Energy Efficiency and Peak Demand Reduction Cost Recovery and Residential Distribution Credit Riders.
 - Company witness Moore discusses the potential impacts by year for four years of the Company's proposals with respect to the Distribution Investment Rider and Enhanced Service Reliability Rider.

15 IV. REVENUE ALLOCATION

- 16 Q. PLEASE EXPLAIN HOW THE PROPOSED REVENUE INCREASE WAS
 17 ALLOCATED AMONG THE TARIFF CLASSES.
- A. One key objective of ratemaking is to design rates such that they reflect as nearly as possible the actual costs of serving the customer. To fully meet this objective would require that the rates of return for all tariff classes be equalized. The class cost-of-service study prepared by Company witness Buck (Schedule E-3.2) provides the information needed to perform this calculation.

As shown in Schedule E-3.2 and the testimony of Company witness Buck, only the rates of return for the demand metered primary and subtransmission/transmission classes are below the total retail current rate of return and the rates of return for all other classes are above the total retail current rate of return. Given this encouraging current rate of return information, the Company calculated the increases at the proposed rate of return for all tariff classes. Moving to equalized rates of return for all tariff classes resulted in relatively limited total class increases. As such, the Company proposes to apply the base rate increase to equalize the rates of return for all classes.

V. <u>RATE DESIGN</u>

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10 Q. PLEASE EXPLAIN THE COMPANY'S GENERAL APPROACH TO RATE 11 DESIGN.

In general, the Company's approach is to design rates and rate components which reflect the underlying costs of the Company. This includes endeavoring to collect fixed costs through fixed charges and recognizing the differences in the costs to serve customers at different service delivery voltages. Further, the concept of gradualism must be considered in the movement toward full cost-based rate components to avoid undue impacts on customers. Lastly, simplification and consolidation and, in particular, continuing the long-term effort to reduce differences in rates by rate zone, were significant goals in this proceeding.

Q. PLEASE DISCUSS THE DESIGN OF THE RESIDENTIAL RATES.

The basic design of the Company's proposed residential rates is a uniform monthly customer/service charge and a uniform rate per kWh consumed. With the Company's continuing implementation of AMI metering, there is no longer a need to have different

customer charges for customers receiving standard, time-of-use or demand metered service. The monthly service charge is designed to collect all costs classified as customer-related and a portion of the costs classified as secondary-distribution demand related. All remaining fixed distribution costs continue to be collected through an energy charge for all customers except those electing the Company's optional demand billing tariff Schedule RSDM. This approach reasonably balances the concept of gradualism with a recognition that there is a level of fixed costs that are necessary to connect a customer to the system regardless of how much energy is consumed. Specifically, for most residential customers, the effective customer charge they were paying as of December 2019 was \$11.79 per month. In this proceeding, the Company has proposed to increase the charge to \$14 per month. As shown in Schedule E-5, the combined effect of the Company's proposed customer charge and other rate and rider charges is that the bill for a residential customer that uses no energy in a month increases by \$2.10, from \$13.02 to \$15.12.

A.

Q. PLEASE DISCUSS THE DESIGN OF THE COMMERCIAL AND INDUSTRIAL SECONDARY AND PRIMARY VOLTAGE SERVICE RATES.

The Company currently has separate non-demand tariffs for customers generally less than 10 kW and demand metered tariffs for customers over 10 kW. The identification and determination of when a customer exceeds 10 kW or falls below 10 kW can result in the need for the customer to change tariffs and creates uncertainty for customers. A successful approach implemented by other AEP companies is to establish a single tariff that combines

¹ December 2019 Base Rate Charge of \$8.40 + EDR, ESRR, RDCR and DIR of 40.36715% = \$11.79.

elements of both the non-demand and demand tariffs and eliminate the need for customers to change tariffs as their load changes.

The basic construct is that the first 4,500 kWh of energy used in a month are charged at a rate equivalent to a non-demand metered rate. There is no distribution energy charge for consumption above 4,500 kWh because there is a demand charge. Consistent with that design, the first 10 kW that the customer uses during the month are not subject to a monthly demand charge, because those costs are reflected in the energy charge for the first 4,500 kWh. Conversely, all monthly kW in excess of 10 kW is charged a demand charge. The table below illustrates the design for secondary voltage service.

Energy Charges	Demand Charges
Over 4,500 kWh No Energy Costs Rate = \$0 /kWh	Over 10 kW Demand Costs Rate = \$7.29 /kW
First 4,500 kWh No Energy Costs Rate = \$0.0215502 /kWh	First 10 kW <= Costs included there Rate = \$0 /kW

This model allows a customer's usage to fluctuate over time without resulting in the need for them to change tariffs. Small customers continue to see only a customer charge and an energy charge. Larger customers see a slight change in that they pay an energy charge for 4,500 kWh and do not pay a demand charge for the first 10 kW.

Other changes include eliminating the off-peak demand provision for distribution service, as the charges are currently the same and distribution facilities generally must meet the localized peak regardless of when it occurs. The off-peak demand provision will

- continue to apply to charges under the Basic Transmission Cost Recovery Rider. Lastly,
- 2 the excess kVA reactive charge provision will apply to secondary and primary voltage
- 3 customers.
- 4 Q. PLEASE DISCUSS THE DESIGN OF THE COMMERCIAL AND INDUSTRIAL
- 5 SUBTRANSMISSION AND TRANSMISSION VOLTAGE SERVICE RATES.
- 6 A. The Company's current distribution rates for subtransmission and transmission voltage 7 service generally consist of a customer charge and a reactive power charge. In this
- 8 proceeding, the Company proposes to eliminate any remaining differentiation between
- 9 subtransmission and transmission voltage service and standardize and apply an excess kvar
- reactive charge. Lastly, due to the impact of the potential increase in the customer charge
- on smaller transmission voltage service customers, the Company proposes a demand
- charge per kW for the first 2,000 kW of monthly usage. This approach limits the increase
- on the smaller customers while having virtually no impact on larger customers using over
- 14 2,000 kW per month.
- 15 Q. PLEASE DISCUSS THE DESIGN OF THE RATES FOR THE OTHER NON-
- 16 **LIGHTING CLASSES.**
- 17 A. The School Service, Electric Heating Schools, and Electric Heating General Schedules
- have been in the process of elimination and withdrawn except for previous customers for
- decades. The rates for those tariffs have generally been aligned with the standard rates for
- secondary service.
- 21 Q. PLEASE DISCUSS THE DESIGN OF THE LIGHTING RATES.
- A. As discussed by Company witness Williams, the Company proposes a complete transition
- of its lighting equipment to LED over 5 years. In anticipation of that implementation, the

Company is consolidating and simplifying all existing lighting rates into uniform charges
by lamp type and eliminating all existing facility charges. New LED lighting rates were
designed based upon the anticipated cost of the mass transition.

4 Q. PLEASE DISCUSS THE COMPANY'S PROPOSALS REGARDING THE PILOT

THROUGHPUT BALANCING ADJUSTMENT RIDER

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The Company proposes to continue the PTBAR, updating it to reflect the test year usage and rates authorized in this proceeding. This reset or rebasing of the PTBAR should reduce the ongoing variances in the rider as the cumulative impacts of changes in customer usage over the past several years would be reflected in the new test year usage per customer basing points. As a result of the redesign of the Company's General Service schedules discussed previously, the Company also has to slightly adjust the PTBAR. Instead of tracking all usage from former Schedule GS-1 customers, the PTBAR will track the first 4,500 kWh for all Schedule GS secondary voltage customers. The PTBAR will continue to include all usage for former Schedule GS-1 unmetered customers, energy storage customers, and flood pumping customers. All of these updates are reflected in the test year data and example shown in Exhibit DMR-1.

17 Q. PLEASE DISCUSS THE COMPANY'S ANALYSIS OF THE RETAIL 18 RECONCILIATION RIDER AND SSO CREDIT RIDER.

Consistent with the Commission's Order in Case No. 16-1852-EL-SSO, *et al.*, the Company has prepared a quantitative and qualitative analysis of its costs related to the provision of SSO service that are included in its distribution cost of service and the costs related to shopping service that are included in the distribution cost of service. Specifically, the Company identified a portion of uncollectible costs, PUCO and OCC assessment fees

to be assigned strictly to non-shopping customers and certain choice-related costs to be assigned strictly to shopping customers. In addition, the Company reviewed certain functions, such as its call center, accounting operations and billing system that are clearly necessary to support both shopping and non-shopping customers. A summary of the results of this analysis and proposed rider rates are presented in Exhibit DMR-2.

6 VI. OTHER MATTERS

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7 Q. PLEASE DISCUSS THE ERRATA IDENTIFIED IN SCHEDULE E-4 AND THE

8 SCHEDULE E-1 RATE DESIGN WORKPAPER.

During final preparation of Schedule E-4 for filing, the Company identified that it had designed base rates assuming that \$3 million of the requested \$42.3 million increase would be collected through higher miscellaneous service charges (WPE-1k) when, in fact, miscellaneous service charges were being reduced by \$3 million (WPE-1a). As a result, the Company's proposed base rates were designed to collect \$39.2 million dollars, producing a total increase of \$36.2 million including the reduction in miscellaneous service charges. The Company is not modifying the requested base rates as filed in the Pre-Filing Notice for this error. If the Commission were to accept all revenue-related aspects of the Company's filing in its entirety, the increase would be \$36.2 million as shown on Schedule E-4, Page 2, Column M, Line 26 and not the \$42.3 million supported by Schedule A-1.

19 VII. <u>CONCLUSION</u>

20 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes.

Pilot Throughput Balancing Adjustment Rider

Test Year Data		<u>F</u>	Residential (1)	<u>G</u> :	Standard S-Secondary (2)
Test Year Energy Revenue	(A)	\$ 3	381,649,324	\$	69,366,131
Test Year Average # of Customers	(B)		1,294,606		188,955
Test Year Energy Revenue per Customer	(C)=(A)/(B)	\$	294.80	\$	367.10

Example Calculation (Annual Values for Illustration Only, Excluding Interest)

Average # of Customers	(D)	1,300,000	185,000
Change in Customers	(E)=(D)-(B)	5,394	(3,955)
Change in Energy Revenue Target	(F)=(C)x(E)	\$ 1,590,151	\$ (1,451,881)
Energy Revenue Target	(G)=(A)+(F)	\$ 383,239,475	\$ 67,914,250
Actual Energy Revenue	(H)	\$ 383,000,000	\$ 56,500,000
Balancing Account Charge/(Credit)	(I)=(G)-(H)	\$ 239,475	\$ 11,414,250

SSO Cost Analysis

Line	e Description	Stan	Costs Sp	Costs Specific to rd Offer Service Open Access Service		Amount included in Distribution Cost of Service		Notes
Quantifiable Costs			<u> </u>					
	PUCO & OCC Assessment Fees	\$	791,251			\$	3,305,646	SSO/generation specific portion = 23.94%
2	Uncollectible Costs	\$	3,912,705			\$	12,589,353	SSO/generation specific portion = 31.08%
3	SSO/PIPP Auction Costs	\$	-			\$	-	Removed from distribution costs - part of Auction Cost Reconciliation Rider
4	Provider Support Costs			\$	565,000	\$	565,000	Direct Labor Costs Only
5	Choice Specific IT Costs			\$	638,191	\$	638,191	Amortization Expense Only
6	Subtotal	\$	4,703,956	\$	1,203,191	_		
Line	<u>Description</u>	Stan	dard Offer Service	<u>Ope</u>	n Access Service		<u>Total</u>	<u>Notes</u>
Rate D	<u>Design</u>							
7 8	Retail Reconciliation Rider Target Test Year Energy (kWh)	\$	3,500,765 11,221,669,119		32,099,183,166		43,320,852,285	
10	Retail Reconciliation Rider Rate (\$/kWh)	\$	0.0003120					
9	SSO Credit Rider Rate (\$/kWh)	\$	(8080000.0)	\$	(8080000.0)			
11	Revenue Verification	\$	2,594,450	\$	(2,593,614)	\$	836	Slight Difference Due to Rounding
-								_

<u>Line</u>	<u>Description</u>	<u>Notes</u>
Qualitative Co	osts_	
12 Call Ce	enter	Call's not tracked based upon Choice or Non-Choice, Calls primarily related to service or billing, including both SSO and choice
13 Genera	al Plant, A&G	billing Small amounts related to both provider support and auctions
14 Regula	tory, Accounting & Legal	Costs related to both Choice and SSO, including Rider Administration, Settlement Systems, EDI Working Group, Rulemakings
15 Printing	g and Postage	No difference in Company costs unless Supplier Consolidated Billing

0.259036204	0.259036204
0.740963796	0.740963796

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 David M. Roush* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 15th day of June 2020, via electronic transmission.

/s/ Steven T. Nourse
Steven T. Nourse

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Summary: Testimony -Direct Testimony of David M. Roush on Behalf of Ohio Power Company electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company