

**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 for)	Case No. 20-586-EL-ATA
Tariff Approval)	
In the Matter of the Application of)	
Ohio Power Company for Approval)	Case No. 20-587-EL-AAM
To Change Accounting Methods)	

**TESTIMONY IN SUPPORT OF
THE STIPULATION AND RECOMMENDATION
OF
DAVID M. LIPTHRATT**

**RATES AND ANALYSIS DEPARTMENT
ACCOUNTING & FINANCE DIVISION**

STAFF EXHIBIT ____

April 9, 2021

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

2 A. My name is David M. Liphtratt. My address is 180 East Broad Street,
3 Columbus, Ohio, 43215-3793
4

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

6 A. I am employed by the Public Utilities Commission of Ohio (the Commis-
7 sion or PUCO) as the Chief of the Accounting and Finance Division of the
8 Rates and Analysis Department.
9

10 3. Q. Please briefly describe your educational and professional background.

11 A. I earned a Bachelor of Arts degree that included a major in Political Science
12 and a minor in History from the University of Georgia. Subsequently, I
13 earned a Master's in Public Administration degree with a focus on public
14 budgeting and finance and policy analysis from the University of Georgia.
15 In addition, I earned a post-baccalaureate Certificate of Accounting
16 Concentration at Columbus State Community College. I am a Certified
17 Public Accountant (Ohio License # CPA.48876). Moreover, I have attended
18 various seminars and rate case training programs sponsored by this
19 Commission, professional trade organizations, and the utility industry com-
20 munity.
21
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1 4. Q. Please describe your work experience.

2 A. I have previously served as a Budget/Management Analyst for the Ohio
3 Office of Budget and Management and a Fiscal Officer for the Ohio
4 Department of Commerce. I have served as a Public Utilities Administrator
5 with the PUCO before being promoted to my current position. In each of
6 these roles I have been responsible for various accounting and financial-
7 related tasks and responsibilities.

8
9 5. Q. Have you testified in previous cases at the PUCO?

10 A. Yes.

11

12 6. Q. What was your responsibility in this case?

13 A. I was the case team leader, and oversaw Staff's investigation of the
14 Application. I was also responsible for compiling and filing the Staff
15 Report of Investigation in this case.

16

17 7. Q. What is the purpose of your testimony?

18 A. The purpose of my testimony is to support the Joint Stipulation and
19 Recommendation (Stipulation) in this case by confirming that the
20 Stipulation complies with the Commission's three-part test for determining
21 a stipulation's reasonableness.

22

1 8. Q. Are you responding to any of the objections to the Staff Report of
2 Investigation?

3 A. Not at this time. The purpose of this testimony is limited to supporting the
4 Stipulation.
5

6 9. Q. What are the components of the three-part test?

7 A. A stipulation before the Commission must: (1) be the product of serious
8 bargaining among capable, knowledgeable parties; (2) as a package, benefit
9 ratepayers and the public interest; and (3) not violate any important
10 regulatory principle or practice.
11

12 10. Q. Is the Stipulation a product of serious bargaining among capable,
13 knowledgeable parties?

14 A. Yes. The Stipulation is the product of an open process in which all
15 intervenors were given an opportunity to participate. All parties were
16 represented by experienced and competent counsel that have participated in
17 numerous regulatory proceedings before the Commission. There were
18 extensive negotiations among the parties and the Stipulation represents a
19 comprehensive compromise of the issues raised by parties with diverse
20 interests.
21
22

1 11. Q. Which parties have signed the Stipulation?

2 A. The Signatory Parties to the Stipulation are the Staff of the PUCO (Staff),
3 Ohio Power Company (AEP Ohio), The Kroger Company, Ohio Hospital
4 Association, Ohio Energy Group (OEG), Walmart Stores East, L.P. and
5 Sam's East, Inc., Industrial Energy Users – Ohio (IEU), Ohio Consumers'
6 Counsel (OCC), Ohio Manufacturers' Association Energy Group
7 (OMAEG), One Energy, Clean Fuels Ohio, Charge Point, Inc, EVgo
8 Services, LLC, and Ohio Cable Telecommunications Association.

9
10 12. Q. Are there any non-opposing parties to the Stipulation?

11 A. Yes. Greenlots filed a letter in the docket on March 25, 2021, stating that it
12 does not object to the Stipulation.

13
14 13. Q. Does the Stipulation, as a package, benefit ratepayers and the public
15 interest?

16 A. Yes. The Stipulation results in a just and reasonable resolution of the
17 matters pending in these Commission dockets. Included in this reasonable
18 resolution is a revenue requirement that benefits ratepayers, which was
19 reached through a balanced approach, by considering objections to the Staff
20 Report of Investigation raised by intervening parties, and also considering
21 alternative approaches. Additionally, the following are some of the key
22 benefits that are achieved from the Stipulation:

- The stipulated revenue increase of \$955.1 million is lower than the \$1,066 million increase requested by AEP Ohio in its application.
- The stipulated rate of return of 7.28% is lower than the 7.90% requested by AEP Ohio in its application.
- The stipulated residential customer charge of \$10 per month is lower than the \$14 requested by AEP Ohio in its application.
- Elimination of the Pilot Throughput Balancing Adjustment Rider.
- The Basic Transmission Cost Rider Pilot will continue and the total participation allotment for OEG, IEU and OMAEG will be increased to 15 slots each.
- The Stipulation establishes a distributed generation tariff for eligible customers installing on-site renewable generation to provide an opportunity for demand savings for those customers that can reduce demand during the Company's seasonal peak periods.

14. Q. Does the Stipulation violate any important regulatory principles or practices?

A. No.

1 15. Q. What adjustments were made from the Staff Report of Investigation to
2 arrive at the stipulated recommended revenue requirement?

3 A. Embedded within the stipulated revenue requirement are the following
4 adjustments to the Staff Report of Investigation:

- 5 • The Stipulation reflects an increase of gross plant in service by
6 approximately \$24.8 million, which represents plant investments
7 removed from the prior rate case as they were being recovered in
8 separate riders. In the current case, these plant investments are no
9 longer being recovered in separate riders, so they are properly
10 includable in base rates. This adjustment includes a corresponding
11 increase of \$4.6 million to depreciation reserve.
- 12 • Within other rate base items, an increase of \$165.2 million associated
13 with the jurisdictional balance of the prepaid pension asset.
- 14 • An increase of \$6.8 million to labor and payroll expenses.
- 15 • An increase of \$1.0 million to operating income to reflect the two-
16 month update as part of the standard filing requirements.
- 17 • An increase of depreciation and amortization expense by \$5.7 million.
- 18 • A decrease of \$1.7 million to the revenue requirement to reflect
19 capitalized incentive compensation costs.
- 20 • An increase of \$4.1 million to operating expenses to allow out of
21 period expenses.

- A \$4 million reduction to miscellaneous revenue as a result of lowering the reconnection charge to \$0.
- Removal of approximately \$23,000 in travel and entertainment expenses.
- An increase of property tax expense by \$6.8 million.
- An increase of federal income tax expense by \$6.5 million.

16. Q. Are you recommending that the Commission approve the Stipulation?

A. Yes. In my opinion, the Stipulation represents a fair, balanced, and reasonable compromise of the issues in this proceeding. I believe that the Stipulation meets all of the Commission's criteria for adoption of settlements, and it is my recommendation that the Commission issue an order approving the Stipulation.

17. Q. Does this conclude your testimony?

A. Yes, it does. However, I reserve the right to incorporate new information that may subsequently become available through outstanding discovery or otherwise.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the **Pre-filed Testimony of David Lipthratt in Support of the Stipulation** has been served upon the below-named counsel via electronic mail, this 9th day of April, 2021.

/s/ Werner L. Margard

Werner L. Margard

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This foregoing document was electronically filed with the Public Utilities

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4/9/2021 1:17:04 PM

in

Case No(s). 20-0585-EL-AIR, 20-0586-EL-ATA, 20-0587-EL-AAM

Summary: Testimony in Support of the Stipulation and Recommendation of David M. Lipthratt, Rates and Analysis Department, Accounting & Finance Division electronically filed by Mrs. Kimberly M Naeder on behalf of PUCO