

**FILE**

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**PUBLIC VERSION**

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

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Fuel Adjustment Clauses	)	Case No. 09-872-EL-FAC
For Columbus Southern Power Company	)	Case No. 09-873-EL-FAC
And Ohio Power Company	)	

**DIRECT TESTIMONY  
OF  
TIMOTHY M. DOOLEY  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY**

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TIMOTHY M. DOOLEY  
CASE NO. 09-872-EL-FAC and 09-873-EL-FAC**

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
DIRECT TESTIMONY OF  
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ON BEHALF OF COLUMBUS SOUTHERN POWER COMPANY  
AND OHIO POWER COMPANY  
IN CASE NOS. 09-0872-EL-FAC AND 09-873-EL-FAC**

**PERSONAL DATA**

**Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

**A.** My name is Timothy M. Dooley. I am employed by the American Electric Power Service Corporation ("AEPSC"), a subsidiary of American Electric Power Company, Inc. ("AEP"), in the Utility Energy & Commercial Accounting group as Director of Energy Accounting and Reporting. My business address is 155 West Nationwide Boulevard, Columbus, Ohio 43215.

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL AFFILIATIONS.**

**A.** I graduated from Cleveland State University in 1985 receiving a Bachelor of Business Administration in Accounting. I am a Certified Public Accountant in the State of Ohio, and I am a member of the American Institute of Certified Public Accountants.

**Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

**A.** In 1985 I joined AEPSC as an internal auditor and through 1997 held various financial/operational and IT internal audit positions. In 1998 I transferred to Accounting Policy & Research where I held staff accounting positions through 2001. In 2002 I became a Manager in Utility Energy & Commercial Accounting.

1 I assumed my current position, Director of Energy Accounting and Reporting, in  
2 March 2007.

3 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY AS**  
4 **DIRECTOR OF ENERGY ACCOUNTING AND REPORTING FOR**  
5 **AEPSC?**

6 **A.** I am responsible for the accounting and reporting of fuel, consumables, and  
7 emission allowances for the generation business units of AEP's eastern and  
8 western operating companies, which includes respective transactions for power  
9 plants owned and operated by Columbus Southern Power (CSP), Ohio Power  
10 (OPCo), Indiana Michigan Power Company, Kentucky Power Company,  
11 Appalachian Power Company, Public Service of Oklahoma, and Southwestern  
12 Electric Power Company. I am also responsible for the accounting and reporting  
13 of deferred fuel for the eastern operating companies, including the Fuel  
14 Adjustment Clause (FAC) for OPCo and CSP.

15  
16 **PURPOSE OF TESTIMONY**

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
18 **PROCEEDING?**

19 **A.** The purpose of my direct testimony is to describe OPCo's accounting for certain  
20 fuel-related transactions referred to in Major Management Audit Finding 2, and to  
21 address Financial Audit Recommendations 1, 2, 3, 6.c, 6.d, 6.h, and 6.i in Energy  
22 Ventures Analysis, Inc.'s (EVA) Report of the Management/Performance and

Financial Audits of the FAC of the Columbus Southern Power Company and the Ohio Power Company, dated May 14, 2010.

**MAJOR MANAGEMENT AUDIT FINDING 2**

**Q. HOW DID OPCO ACCOUNT FOR THE 2008 COAL CONTRACT SETTLEMENT WITH A COAL SUPPLIER WHERE OPCO RECEIVED A NOTE RECEIVABLE AND RESERVE MINERAL RIGHTS REFERRED TO IN MAJOR MANAGEMENT AUDIT FINDING 2 ON PAGE 1-5 OF THE AUDIT REPORT AND DISCUSSED IN DIRECT TESTIMONY OF COMPANIES WITNESS RUSK?**

**A.** Per the subject settlement agreement with a coal supplier, OPCo received a note receivable from a coal supplier for \$■ million with separate payments of \$■ million to be made January 15, 2008, July 15, 2008, and January 15, 2009, and also received mineral and real property interests (coal reserves) with an appraised value of \$■ million.

In the first quarter of 2008, OPCo recorded a debit to cash (Account 131) for the cash receipt of the first \$■ million payment, a debit of \$■ million to note receivable (Account 141), and a debit to non-utility property (Account 121) for the coal reserve property estimated value of \$■ million. Offsetting credits were recorded as follows: a credit to Other Deferred Credits (Account 253) for \$■ million and a credit to fuel expense (Account 501) for \$■ million. The 2008 credit to fuel expense represents the value of the contract settlement not attributable to future coal delivery commitments under the new 2008 contract

1 with the coal supplier. At December 31, 2008, the deferred credit balance for the  
2 settlement in Account 253 was \$[REDACTED] million (with \$[REDACTED] million estimated as the  
3 current portion for 2009, and \$[REDACTED] million estimated as the long-term portion for  
4 2010). The deferred credit balance reflects the net present value of the price  
5 differentials for the future coal deliveries of 2009 and 2010 coal commitments  
6 when comparing the original contract (terminated under the settlement) and the  
7 new 2008 contract.

8 In July 2008 and January 2009, OPCo received from the coal supplier separate  
9 \$[REDACTED] million payments to reduce the note receivable. These were recorded as  
10 credits to Account 141.

11 **Q. WAS A PORTION OF THE AFFORMENTIONED SETTLEMENT**  
12 **CREDITED TO COAL FUEL INVENTORY AND THEREBY SUBJECT**  
13 **TO THE FAC?**

14 **A.** Yes, beginning in 2009 as coal was delivered under the new 2008 contract to  
15 OPCo's generating plants, portions of the settlement balance in Account 253,  
16 deferred credits, were amortized as credits to Account 151, Fuel Stock (coal  
17 inventory). Through 2009, \$[REDACTED] million of the previously deferred settlement  
18 amount was credited to Account 151. The remaining balance, as of December  
19 31, 2009, of \$[REDACTED] million is expected to be amortized to Account 151 by the end of  
20 2010.

21 **Q. HOW DID OPCO ACCOUNT FOR THE \$[REDACTED] MILLION "[REDACTED]**  
22 **[REDACTED]" TO A COAL SUPPLIER IN JUNE 2008 THAT**  
23 **PROVIDED THE COAL SUPPLIER IMMEDIATE FINANCIAL**

1 ASSISTANCE REFERENCED ON PAGE 2-22 OF AUDIT REPORT AND  
2 DISCUSSED IN DIRECT TESTIMONY OF COMPANIES WITNESS  
3 RUSK?

4 A. In June 2008, OPCo recorded the subject payment to Account 501, fuel consumed  
5 (expense). The payment related to coal previously delivered and consumed in the  
6 second quarter of 2008.

7 Q. WAS THE AFFORMENTIONED PAYMENT TO COAL SUPPLIER AND  
8 RESULTING FUEL EXPENSE REFLECTED IN OPCO'S FAC COSTS?

9 A. No. This fuel expense was incurred in 2008 prior to the FAC.

10 Q. HOW DID OPCO ACCOUNT FOR THE \$■ PER TON "ONGOING  
11 FINANCIAL ASSISTANCE" PAYMENTS TO A COAL SUPPLIER FOR  
12 COAL DELIVERED IN 2009 AS REFERENCED ON PAGES 1-5 AND 2-23  
13 OF THE AUDIT REPORT AND DISCUSSED IN DIRECT TESTIMONY  
14 OF COMPANIES WITNESS RUSK?

15 A. OPCo paid and charged the cost of the subject financial assistance agreement  
16 adder to Account 151, Fuel Stock, as coal was delivered to OPCo. Payments for  
17 this agreement adder ceased for deliveries after December 15, 2009.

18 Q. WAS THE ABOVE DESCRIBED ACCOUNTING IN ACCORDANCE  
19 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)  
20 AND THE FERC UNIFORM SYSTEM OF ACCOUNTS?

21 A. Yes.

1       **Q.    ARE ALL COAL COSTS CHARGED TO ACCOUNT 151, FUEL STOCK,**  
2       **INCLUDED IN THE FAC UNDER/OVER RECOVERY THAT**  
3       **COMMENCED JANUARY 1, 2009?**

4       **A.    No. Only the Ohio FAC retail portion of OPCo's and CSP's fuel expense**  
5       **(consumption) is subject to FAC under/over recovery.**

6  
7                   **FINANCIAL AUDIT RECOMMENDATIONS**

8       **Q.    DOES AEPSC AGREE WITH THE FINANCIAL AUDIT**  
9       **RECOMMENDATIONS 1, 2, AND 3 ON PAGE 1-7 OF THE AUDIT**  
10       **REPORT?**

11       **A.    Yes.**

12       **Q.    DOES AEPSC AGREE WITH THE FINANCIAL AUDIT**  
13       **RECOMMENDATIONS 6.c. AND 6.d ON PAGE 1-8 OF THE AUDIT**  
14       **REPORT?**

15       **A.    Yes. River Transportation Division (RTD) has made all necessary changes to**  
16       **correct the Working Capital Requirement for 2008 and 2009, and will**  
17       **appropriately credit the applicable operating companies, including OPCo, as a**  
18       **result of these changes. Documentation will be available for next year's audit.**

19       **Q.    DOES AEPSC AGREE WITH THE FINANCIAL AUDIT**  
20       **RECOMMENDATIONS 6.h AND 6.i ON PAGE 1-9 OF THE AUDIT**  
21       **REPORT?**

1       **A.**     Yes. AEPSC will provide explanations as to how RTD's income tax expense and  
2               accumulated deferred income taxes are accounted for in preparation for the next  
3               audit.

4       **Q.**     **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5       **A.**     Yes.  
6  
7

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the Public Version of the Direct Testimony of Timothy M. Dooley on behalf of Columbus Southern Power Company and Ohio Power Company was served by U.S. Mail upon the individuals listed below this 16<sup>th</sup> day of August, 2010.



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