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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of **Columbus Southern Power Company** and **Ohio Power Company** for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Revised Code, in the Form of an Electric Security Plan.	:	Case Nos. 11-346-EL-SSO 11-348-EL-SSO
In the Matter of the Application of **Columbus Southern Power Company** and **Ohio Power Company** for Approval of Certain Accounting Authority	:	Case Nos. 11-349-EL-AAM 11-350-EL-AAM

PREFILED TESTIMONY
OF
TAMARA S. TURKENTON

ACCOUNTING AND ELECTRICITY DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO

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May 9, 2012

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

A. My name is Tamara S. Turkenton. My business address is 180 East Broad Street, Columbus, Ohio 43215.

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

A. I am employed by the Public Utilities Commission of Ohio as Chief of the Accounting and Electricity Division of the Utilities Department.

3. Q. Please briefly summarize your educational background and work experience.

A. I received a Bachelor of Business Administration in Finance and Business Pre-Law (BBA) from Ohio University. I also received a Master of Business Administration (MBA) degree from Capital University and a Master of Tax Laws (MT) degree from Capital Law School.

I have been employed by the Commission since June 1994 involved in the Electric Fuel Component (EFC) section, the Telecommunications section, the Competitive Retail Electric Service (CRES) section working on electric deregulation and SB 3, and the Rates & Tariffs section working on electric utility rates, tariffs, and rules. In April 2009, I was assigned to the Accounting and Electricity Division working on many aspects of SB 221.

4. Q. Have you testified in prior proceedings before the Commission?

A. Yes.

5. Q. What is the purpose of your testimony in this proceeding?

A. My testimony focuses on aspects of AEP Ohio's (AEP or Company) request for continuation of the Fuel Adjustment Clause (FAC), and the Phase-In Recovery Rider (PIRR).

FAC & PIRR

6. Q. Can you briefly describe the purpose and scope of FAC?

A. FAC began in 2009 as part of AEP's current ESP (2009-2011). The FAC recovers the actual cost of fuel, purchased power, including capacity and other variable production costs such as environmental variable costs.[1] The Company proposes to continue FAC but has proposed some modifications. The Company proposes to modify the FAC by removing Account 557 and the Renewable Energy Credit (REC) expense from FAC and recovering the REC expense through a new Alternative Energy Rider (AER) rider.[2] In addition, bundled power products, currently recorded in Account 555, will

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1 Direct Testimony of Philip J. Nelson at 14, lines 9-11.

2 *Id.* at 17, lines 8-10.

be split into REC and non-REC components.[3] AEP proposes to recover the REC component through the new AER and the non-REC portion will continue to be recovered through the FAC.[4]

7. Q. Do you have any issues with the newly proposed REC and Non-REC components of FAC?

A. No. I am amenable to the Company's proposal in terms of "where" the REC and non-REC component costs will be recovered. I believe the energy portion (non-REC component) should continue to be recovered through the FAC. For more detail and discussion regarding the REC portion and the newly proposed AER Rider see Staff witness Strom's testimony.

8. Q. Can you briefly describe the purpose of PIRR?

A. Based on Commission Orders in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, any deferred FAC expense that remains on the Company books as of December 31, 2011 would be recovered as a non-bypassable surcharge for collection over a 7 year period from 2012 through 2018.

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[3] Direct Testimony of Philip J. Nelson at 17, lines 10-12.

[4] *Id.* at 17, lines 12-14.

9. Q. Did you review the Company application regarding the proposal to delay the merging of the FAC rates until June 2013?

A. Yes. The Company illustrates in David M Roush's testimony its proposal to delay until June of 2013[5] the merging of the FAC rates until the PIRR is also merged. The Company states that merging the FAC increases rates for Ohio Power (OP) Rate Zone customers and reduces rates for Columbus Southern Power (CSP) Rate Zone customers.[6] Conversely, merging the PIRR reduces rates for OP Rate Zone customers and increases rates for CSP rate Zone customers.[7] The Company also states that merging the FAC rates at the same time that the PIRR is implemented on a merged basis limits the impact on both CSP and OP Rate Zone customers and is a benefit of AEP Ohio's proposed ESP.[8]

10. Q. Do you have any recommendations regarding FAC and PIRR and whether the Companies should recover fuel and PIRR through one merged rate in June of 2013?

A. Yes. I am not supporting the Company proposal to delay the merged FAC rate and the PIRR until June 2013. I recommend that the Company should,

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5 Direct Testimony of David M. Roush at 5, lines 10-12.

6 *Id.* at 5, lines 21-23.

7 *Id.* at 5, line 23 and at 6 lines 1-2.

8 *Id.* at 6, lines 7-9.

upon Commission approval, merge their FAC rates and implement the merged PIRR; thereby not creating additional carrying charges for Rider PIRR. As denoted in WP-DMR (Page 8 of 140) the carrying charges associated with delaying the PIRR implementation until June of 2013 is approximately $71M. This is evidenced by the March 31, 2012 PIRR balance of approximately $549M.[9]

Work paper (WP-DMR page 8 of 140) shows the estimated May 31, 2013 PIRR balance to be approximately $621M. During the delayed collection period that runs through June 2013, the Company proposes to continue to apply a pre-tax weighted average cost of capital (WACC) of 11.26 percent resulting in $71M in carrying charges. I am proposing that collection start as soon as a Commission order is final thus reducing the $71M in carrying charges. I don't believe that ratepayers should have to pay the total $71M in carrying charges because the Company elects to delay the implementation of Rider PIRR. Customers will pay less carrying costs if collections begin sooner.

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[9] Response to Staff Data Request Number 202 received April 19, 2012

Therefore, based on the preceding discussion, I recommend that the Company merge the FAC rate, merge the PIRR rate and start collection as soon as practicable following a Commission order in this modified ESP case. This is pursuant to and in agreement with Commission Orders in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO stating any deferred FAC expense that remains on the Company books as of December 31, 2011 would be recovered over a 7 year period from 2012 through 2018.

11. Q. Do you have any other recommendations regarding the PIRR deferred fuel balance if the Commission agrees with the Company proposal to delay collection until June 2013?

A. Yes. As I stated previously, delaying collection of the PIRR until June of 2013 results in increased carrying charges solely due to the delay of implementation. There are no additional costs being deferred into the PIRR during the 2012-2013 timeframe as the Company is collecting their full fuel costs through FAC. If the Commission chooses to mitigate rate impacts in this modified ESP and delay the collection until June of 2013, I recommend the Commission deny the Company the ability to apply carrying charges during the timeframe starting with the date of the Commission order in this modified ESP case and the Company proposed June 2013 implementation date. Ratepayers should not have to pay additional carrying costs for a deferred liability simply because the Company voluntarily elects to delay collections that were supposed to begin January 1, 2012.

12. Q. Do you have any other items regarding the PIRR deferred fuel balance that you would like to bring to the Commission's attention?

A. Yes. As background, on September 7, 2011, a Stipulation and Recommendation (ESP 2) was filed in Case Nos. 11-346-EL-SSO, 11-4920-EL-RDR, 11-4921-EL-RDR, and several other cases pending before the Commission. The ESP 2 Stipulation included provisions regarding the establishment and terms of the PIRR. On December 14, 2011 the Commission issued an Opinion an Order in the consolidated cases, modifying, and adopting the ESP 2 Stipulation. The PIRR provisions of the ESP 2 Stipulation were not modified in the Opinion and Order.

On February 23, 2012, the Commission rejected the ESP 2 Stipulation and the application. On March 14, 2012, the Attorney Examiner ordered that in light of the Commission's rejection of the ESP 2 Stipulation, the PIRR case (Case Nos. 11-4920-EL-RDR, 11-4921-EL-RDR) should move forward and as such set April 2, 2012 and April 17, 2012 respectively as deadlines for the filing of comments and reply comments on the PIRR Application. I note this in my modified ESP testimony, as I want to be clear that the only issue I am addressing in this testimony is the Company proposal to delay of the implementation of the PIRR until June 2013. The other critically important issues regarding PIRR mechanics should move forward on their own merits in Case Nos. 11-4920-EL-RDR, 11-4921-EL-RDR. Items of note filed in Staff Comments on April 2, 2012 include the following:

1. Once Rider PIRR collection commences the carrying charges should be calculated on the most recently approved Commission debt rate (5.34%) and not the 11.26 % pre-tax weighted average costs of capital (WACC) as currently proposed by the Company.

2. The ending fuel deferral balance at the end of December 2011 should be reduced for Accumulated Deferred Income Taxes (ADIT) in the calculation of carrying costs for Rider PIRR.

3. The Company should be required to calculate the deferral balance "going forward" on annual compounding not monthly compounding.

13. Q. Doe this conclude your testimony?

A. Yes, it does. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Tamara S. Turkenton submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 9th day of May, 2012.

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