

COMPANY EX NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to update its)	Case No. 13-1406-EL-RDR
Transmission Cost Recovery Rider)	

**DIRECT TESTIMONY OF
ANDREA E. MOORE**

Filed October 8, 2013

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
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ANDREA E. MOORE

1 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 **A.** My name is Andrea E. Moore and my business address is 850 Tech Center Drive,
3 Gahanna, Ohio 43230.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 **A.** I am employed by Ohio Power Company (“AEP Ohio” or the “Company”), as Manager –
6 Regulated Pricing and Analysis.

7 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER – REGULATED**
8 **PRICING AND ANALYSIS?**

9 **A.** I am responsible for directing the preparation and presentation of regulatory matters to
10 management as well as regulatory bodies. I plan, organize, and direct team activities to
11 develop and support pricing structures, rider and true-up filings, maintenance of tariffs,
12 pilot programs, special contracts, and other pricing initiatives depending on assigned
13 function.

14 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

15 **A.** I received my Bachelor of Science degree in Accounting from the University of Rio
16 Grande. I completed the Basic Concepts of Rate Making class through New Mexico
17 State University. I earned a Master of Business Administration degree from Franklin
18 University. I joined AEPSC in 2001 as an Accountant and joined the Regulatory Tariffs
19 department as a Regulatory Analyst III in 2004. I progressed through various positions
20 before being promoted to my current position of Manager – Regulated Pricing and
21 Analysis. My duties within the regulatory department have included preparing cost-of-

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1 service studies for regulatory filings, preparing cost based formula rates for wholesale
2 customers, preparing rider filings and rate designs, maintaining tariff books as well as
3 other projects related to regulatory issues and proceedings, individual customer requests,
4 and general rate matters.

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN A REGULATORY**
6 **PROCEEDING?**

7 A. Yes. I have filed testimony before the Public Utilities Commission of Ohio in Case Nos.
8 11-346-EL-SSO, 11-351-EL-AIR, and 11-5569-EL-POR.

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

10 A. The purpose of my testimony is to support the Company's Application to collect the
11 under-recovery balance, including carrying costs, resulting from the reconciliation of all
12 transmission and transmission-related costs to the revenues billed under the TCRR.

13 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

14 A. Yes, I am sponsoring Exhibit AEM-1, the Company's Application in this case.

15 **A. HOW DOES THE COMPANY RECOVER TRANSMISSION COSTS UNDER**
16 **OHIO REVISED CODE 4928.05 AND OHIO ADMINISTRATIVE CODE 4901:1-**
17 **36-03?**

18 Q. The Company files, at the advice of counsel, an application each year to reflect the
19 charges and costs experienced by the Company in the review period. AEP Ohio's annual
20 update filing is intended to serve as part of the overall ongoing process to reconcile all
21 costs associated with the transmission service incurred by the Company for serving its

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1 retail customers in Ohio. Items discovered or reflected in the most recent period are
2 charges eligible for reconciliation.

3 **Q. HOW DOES THE COMPANY INCORPORATE OVER/UNDER COLLECTIONS**
4 **IN ITS ANNUAL TCRR FILING?**

5 A. Workpaper Schedule D-1 of the Application contains the cumulative over/under recovery
6 and the cumulative carrying charge balance as of April of the filing year. The sum of
7 these two lines is included in the (Over)/Under Collection line on Schedule B-1, where
8 the value is added to the forecast costs to determine the total revenue requirement.

9 **Q. WHY DOES THE COMPANY INCORPORATE OVER/UNDER COLLECTIONS**
10 **IN THIS WAY?**

11 A. I have been advised by counsel that the Company incorporates over/under collections in
12 the manner reflected in the Application because Section 4928.05(A)(2) of the Revised
13 Code provides for “recovery, through a reconcilable rider on an electric distribution
14 utility's distribution rates, of all transmission and transmission-related costs, including
15 ancillary and congestion costs, imposed on or charged to the utility by the federal energy
16 regulatory commission or a regional transmission organization, independent transmission
17 operator, or similar organization approved by the federal energy regulatory commission.”
18 Further, I have been advised by counsel that Rule 4901:1-36-03 of the Ohio
19 Administrative Code requires an electric utility to file a Schedule B-1 which includes a
20 reconciliation adjustment and a Schedule D-1, D-2, and D-3 to support the value of the
21 reconciliation adjustment by showing the incurred costs and rider collections.

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1 **Q. WHY DOES THE RECONCILIATION ADJUSTMENT IN THE APPLICATION**
2 **INCLUDE CHARGES INCURRED PRIOR TO MAY 2012?**

3 A. The charges are eligible for recovery because they are transmission and transmission-
4 related costs imposed on the Company. I have been advised by counsel that Chapter
5 4901:1-36 of the Ohio Administrative Code does not limit the recovery to costs incurred
6 within a specific time frame. The TCRR has been filed since 2006 with reactive supply
7 charges being approved for inclusion in the TCRR in order for the Company to collect
8 the costs of transmission service incurred for serving its retail customers in Ohio. The
9 Company discovered actual incurred costs related to reactive supply charges that were
10 inadvertently not included in the annual filing that reconciled costs from May 2011
11 through April 2012, and the Company included those charges in the current reconciliation
12 for that reason. The charges in question are prudent charges that the Company paid to
13 PJM through monthly invoices and are eligible for recovery. Disallowing recovery of
14 these charges would be inequitable for the Company. As explained below, however, if
15 the Commission disallows such an under-recovery, it should also make clear that any
16 inadvertent over-recoveries subsequently discovered would also be left un-reconciled.

17 **Q. WHY WERE THE REACTIVE SUPPLY CHARGES INCURRED FROM JULY**
18 **2011 THROUGH APRIL 2012 NOT INCLUDED IN THE COMPANY'S**
19 **PREVIOUS TCRR FILING?**

20 A. The accounting entries for these charges were correctly recorded. However, as discussed
21 by Company witness Gleckler, the Company was no longer a net receiver of reactive

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1 supply due to increased shopping. The clerical error occurred when the Company
2 included in its Application the balance in account 5550074, as had been done in the past,
3 but due to the change in the circumstances in Ohio, the Company did not capture the
4 reactive supply charges that were imbedded in account 4470098. This exclusion was not
5 based on the incorrect recording of charges, but rather a clerical error in compiling the
6 data for the TCRR filing.

7 **Q. PLEASE EXPLAIN THE CHANGES IN COMPANY LOAD DUE TO SHOPPING.**

8 A. During the period that the reactive supply charges were inadvertently excluded from the
9 TCRR, the Company experienced an increase in shopping. As discussed in more detail
10 in Case No. 12-1046-EL-RDR, the Company experienced shopping levels that went from
11 less than 10% to approximately 40%. This increase in shopping contributed in large part
12 to the Company becoming a net provider of reactive supply as discussed by Company
13 witness Gleckler. This change in the Company's business environment then caused a
14 shift in the netting of the charges and credits, thus leading to discovery of the error of
15 excluding the reactive supply charges when compiling the data to be included in the
16 TCRR.

17 **Q. WOULD THE COMPANY UPDATE THE OVER/UNDER RECOVERY**
18 **BALANCE IF AN ERROR FROM A PRIOR PERIOD LOWERED THE TCRR**
19 **REVENUE REQUIREMENT?**

20 A. Consistent with the way in which the Company treated the reactive supply charges, the
21 Company would propose to treat any credits in the same manner. More specifically, the

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1 Company expects just such a scenario to be reflected in the next TCRR reconciliation.
2 The Company discovered an error totaling approximately \$8 million that will result in a
3 credit to the over/under recovery balance that will be reflected in the next TCRR update
4 filing. This correction results in the over/under recovery balance being adjusted to
5 include the sum of the credits that should have been recorded. The Company plans to
6 calculate what the carrying charges would have been absent the mistake, and adjust the
7 carrying charge balance accordingly. If a different resolution is determined in this case
8 for charges, however, the Company would also propose to treat such credits in the same
9 manner (*i.e.*, leave them un-reconciled).

10 **Q. PLEASE EXPLAIN HOW THE CHANGE IN ALLOCATION OF BLACK START**
11 **SERVICE CHARGES AFFECTED THE OVER/UNDER RECOVERY BALANCE**
12 **AS DISCUSSED IN THE APPLICATION.**

13 A. In January 2013, the Federal Energy Regulatory Commission (FERC) approved a PJM
14 tariff change regarding the method in which Black Start Service charges are allocated.
15 This change in allocation increased the charges billed to AEP by PJM. This change
16 became effective retroactively in December 2012. Since this increase in costs to AEP
17 was due to a PJM tariff change, the Company did not anticipate the increased amounts
18 and, as such, these higher costs were not included in the forecasted charges. The
19 inclusion of Black Start Service charges is prudent for recovery in the TCRR. The
20 over/under recovery balance in the TCRR reflected approximately \$11 million dollars in
21 under-recovery for Black Start Service charges. These charges were included in the

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1 actual balance for true-up through the TCRR for five months. The annual true-up filing
2 of the TCRR was made in June 2013 and the current rates for the TCRR were not
3 implemented until November 2012. Due to the timing of the FERC order, the accounting
4 entries to reflect this change were made in February of 2013 for January business, only
5 two months prior to the inclusion of costs through April 2013. In order to minimize rate
6 fluctuation and have actual data to substantiate the change, the Company determined it
7 better to include these charges with the current Application.

8 **Q. HAS THE COMPANY TAKEN ANY ACTIONS TO REVIEW THE PROCESS**
9 **AND CHARGES INCLUDED IN THE TCRR GOING FORWARD?**

10 A. Yes. AEP Ohio has a plan in place to ensure the charges are included in the TCRR going
11 forward. As discussed by Company witness Gleckler, the Company has reviewed
12 additional PJM charges that are subject to gross to net accounting to assure that similar
13 errors have not occurred. For those charges that are subject to gross to net accounting,
14 AEP has implemented an additional step in the settlement process, as described by
15 witness Gleckler. Also, the Company has included an additional step for the TCRR
16 process which includes monthly analysis of actual versus forecasted costs to identify any
17 discrepancies or irregularities more quickly.

18 **Q. PLEASE EXPLAIN THE COMPANY'S REQUEST FOR CARRYING CHARGES**
19 **RELATED TO THE UNRECOVERED REACTIVE SUPPLY CHARGES.**

20 A. The Company failed to include the reactive supply charges incurred from July 2011
21 through March 2013 in the previous annual filing. However, the charges in question are

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1 prudent charges that the Company has paid to PJM through monthly invoices regardless
2 of when they were included in the rider for recovery. The Company has included the cost
3 for carrying charges due to the fact that the charges in question were prudent charges paid
4 to PJM through line 1330 as discussed by witness Gleckler. Based on the Company's
5 payment of these charges through the PJM invoice, there is an actual cost to the Company
6 for carrying the debt associated with the payment. Although the charges were
7 inadvertently excluded in the Company's previous TCRR application, the cost to the
8 Company is an actual cost, and the Company had an under recovery balance for the true-
9 up period which would have accrued carrying charges even if the balance was included.
10 The Company is requesting to recover its cost to carry debt which is an actual cost to the
11 Company regardless of the inadvertent error.

12 **Q. ARE ALL COSTS INCLUDED IN THE APPLICATION PRUDENT?**

13 A. Yes. As previously mentioned the costs included for recovery in the Company's
14 Application were previously determined recoverable and are prudent expenditures of the
15 Company to reflect its cost of providing transmission service.

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the below-named individuals via electronic mail, this 8th day of October, 2013.

/s/ Yazen Alami

Yazen Alami

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/8/2013 4:45:56 PM

in

Case No(s). 13-1406-EL-RDR

Summary: Testimony Direct Testimony of Andrea E. Moore electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company