

EXHIBIT NO. _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Power Company for Administration of the)	
Significantly Excessive Earnings Test for 2012)	Case No. 13-2251-EL-UNC
Under Section 4928.143(F), Revised Code,)	
and Rule 4901:1-35-10, Ohio Administrative)	
Code.)	

DIRECT TESTIMONY OF
GARY O. SPITZNOGLE
ON BEHALF OF
OHIO POWER COMPANY

Filed: November 22, 2013

INDEX TO DIRECT TESTIMONY OF
GARY O. SPITZNOGLE

	<u>Page No.</u>
1. Personal Data.....	1
2. Purpose of Testimony.....	2
3. Overview of the SEET.....	3
4. Witnesses in the Case and Sponsored Testimony.....	4
5. ROE of the Comparable Risk Group of Publicly Traded Companies.....	5
6. AEP Ohio's Earned ROE for 2012.....	6
7. Adjustments to the SEET.....	8
8. Capital Investments and Other Considerations.....	9

BEFORE
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GARY O. SPITZNOGLE
ON BEHALF OF
OHIO POWER COMPANY

1 **PERSONAL DATA**

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

3 A. My name is Gary O. Spitznogle and my business address is 850 Tech Center Drive,
4 Gahanna, Ohio 43230.

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

6 A. I am employed by the Ohio Power Company, dba AEP Ohio (the “Company”) a unit of
7 American Electric Power (AEP). My title is Vice President, Regulatory and Finance of
8 AEP Ohio. Until December 31, 2011, AEP Ohio was comprised of Columbus Southern
9 Power Company (CSP) and Ohio Power Company (OPCo). On that date AEP Ohio
10 executed a merger of CSP into OPCo as authorized by the Public Utilities Commission of
11 Ohio’s (Commission) December 14, 2011 Opinion and Order in Case Nos. 11-346-EL-
12 SSO and 11-348-EL-SSO.

13 **Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT, -**
14 **REGULATORY AND FINANCE OF AEP OHIO?**

15 A. I am primarily responsible for regulatory operations, regulated electric pricing, and financial
16 performance related to AEP Ohio, including planning and executing rate filings before this
17 Commission. I report directly to AEP Ohio’s President and Chief Operating Officer. I am
18 also responsible for managing the Company’s financial operating plans including various
19 capital and O&M operational budgets that interface with all other AEP organizations

1 affecting the Company's performance. As part of the financial strategy, I work with
2 various AEP Service Corporation (AEPSC) departments to ensure that adequate
3 resources such as debt, equity and cash are available to build, operate, and maintain AEP
4 Ohio's electric system assets providing service to our retail and wholesale customers.

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

6 A. I earned a bachelor of science degree in chemical engineering with an environmental option
7 in 1998 from The Ohio State University. I began my career with AEP Ohio in 1997 as an
8 environmental technician at the Conesville Generating Station. I served at the Conesville
9 Generating Station until 2001 when I accepted a position as a lead engineer in Engineering
10 Services at AEPSC. I then served in several other engineering positions before I was named
11 Manager of Air Emissions Optimization in 2002. I was promoted to Manager of New
12 Generation Development in 2006, and then Manager of Integrated Gasification Combined
13 Cycle and Carbon Sequestration and Storage Engineering in 2008. I then advanced to the
14 position of Director of New Technology Development and Policy Support in 2010. I
15 assumed my current role in 2013.

16 **PURPOSE OF TESTIMONY**

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

18 A. I am AEP Ohio's overall policy witness supporting AEP Ohio's position that AEP Ohio
19 passes the statutory Significantly Excessive Earnings Test (SEET) for 2012. My
20 testimony is supported by other witnesses testifying on behalf of AEP Ohio in these
21 proceedings and takes into account the Commission's Finding and Order in Case No. 09-
22 786-EL-UNC (09-786), Opinion and Order in the 2009 SEET, Case No. 10-1261-EL-
23 UNC (10-1261), and Opinion and Order in the 2010 SEET, Case Nos. 11-4571 and 11-

1 4572-EL-UNC (11-4571). Additionally, I am sponsoring the AEP 2012 Form 10K
2 annual report, and the Federal Energy Regulatory Commission (FERC) Form 1 (Form 1)
3 for OPCo¹.

4 **Q. ARE YOU SPONSORING ANY EXHIBITS AS A PART OF YOUR**
5 **TESTIMONY?**

6 A. Yes, I am sponsoring Exhibit GOS-1 which sets forth the actual capital investments for
7 2012. I have also included in Exhibit GOS-1 projected capital investments for 2013
8 through 2015.

9

10 **OVERVIEW OF THE SEET**

11 **Q. PLEASE BRIEFLY DESCRIBE THE SEET PROCESS.**

12 A. Senate Bill 221 (SB 221) required electric distribution utilities (EDUs), beginning
13 January 1, 2009, to provide consumers with a standard service offer (SSO) including a
14 firm supply of electric generation service, consisting of either an Electric Security Plan
15 (ESP) or a market rate offer (MRO). Section 4928.143(F), Ohio Revised Code, requires
16 EDUs operating under an ESP to demonstrate that their earned return on common equity
17 (ROE) is not significantly in excess of the ROE earned during the same period by
18 publicly traded companies that face comparable business and financial risk. I have been
19 advised by Counsel, that the SEET filing requirements, as detailed in Rule 4901:1-35-
20 03(C)(10)(a), O.A.C., state that the EDU with an established ESP shall provide testimony
21 and analysis which shall include: 1) the EDU's ROE earned during the annual review
22 period as compared to the ROE earned by comparable companies during the same period;

¹Both reports for 2012 can be found at the following site:
<http://www.aep.com/investors/FinancialFilingsAndReports/Filings/>

1 2) the FERC Form 1 in its entirety for the annual review period for the EDU; 3) the latest
2 SEC Form 10K for the EDU; and 4) the capital budget requirements for future committed
3 investments in Ohio for each annual period remaining in the ESP for the EDU.²

4 **Q. PLEASE BRIEFLY DESCRIBE THE HISTORY OF THE SEET WITH RESPECT**
5 **TO AEP OHIO.**

6 A. On March 18, 2009, the Commission issued an Opinion and Order in Case Nos. 08-917
7 and 08-918-EL-OSS modifying and approving the Companies' ESP for the years 2009
8 through 2011 (ESP I). In 2009, the Commission initiated Case No. 09-786 to provide
9 SEET guidance to Ohio EDUs. Through the 09-786 case, the Commission provided
10 guidance and interpretations regarding how it would apply the SEET. As a result, in
11 September 2010, AEP Ohio filed their 2009 SEET application in 10-1261, and on
12 January 11, 2011, the Commission issued its Opinion and Order. The Company filed its
13 2010 SEET application in 11-4571 on July 29, 2011, and on October 23, 2013 the
14 Commission issued its Opinion and Order. On August 8, 2012, the Commission issued
15 an Opinion and Order in Case Nos. 11-346 and 11-348-EL-SSO modifying and
16 approving AEP Ohio's proposed ESP for the period of September 2012 through May
17 2015 (ESP II).

18

19 **WITNESSES IN THE CASE AND SPONSORED TESTIMONY**

20 **Q. HOW IS THE SEET FILING ORGANIZED?**

21 A. AEP Ohio has three witnesses supporting various key issues for the 2012 SEET
22 calculation. The following table – Table 1: Witnesses in the 2012 SEET – summarizes

² Section 4901:1-35-03(C)(10)(a), O.A.C.

1 and serves to introduce the witnesses, the general subject area each is sponsoring, and a
2 brief description of the respective testimony.

3 **Table 1: Witnesses in the 2012 SEET**

Witness	General Subject Area	General Description of Testimony
Gary O. Spitznogle	General Policy Witness	<ul style="list-style-type: none">• Overview of 2012 SEET requirements and calculations• Update of future committed investments
Thomas E. Mitchell	Regulatory accounting for SEET calculation	<ul style="list-style-type: none">• Earned ROE for AEP Ohio• Regulatory accounting information for 2012 SEET
Dr. Anil K. Makhija	<ul style="list-style-type: none">• Quantification of Significantly Excessive• ROE of comparable risk group	<ul style="list-style-type: none">• ROE for 2012 comparable risk group• Significantly excessive earned ROE

4

5 **ROE OF THE COMPARABLE RISK GROUP OF PUBLICLY TRADED COMPANIES**

6 **Q. WHAT WAS THE MEAN ROE EARNED, ON AVERAGE, DURING 2012 BY**
7 **PUBLICLY TRADED COMPANIES WITH BUSINESS AND FINANCIAL RISKS**
8 **COMPARABLE TO AEP OHIO?**

9 A. AEP Ohio witness Dr. Makhija has determined that the mean earned ROE during 2012
10 for publicly traded companies that faced comparable business and financial risks as AEP
11 Ohio, was 12.47%. For more detail behind his analysis, please see Dr. Makhija's direct
12 testimony.

13 **Q. WHAT IS THE LEVEL FOR 2012, ABOVE THE AVERAGE EARNED ROE OF**
14 **THE COMPARABLE RISK GROUP OF COMPANIES, WHERE THE EARNED**
15 **ROE MAY BECOME SIGNIFICANTLY EXCESSIVE?**

16 A. Dr. Makhija has determined that the level at which AEP Ohio's earned ROE may become
17 significantly in excess of the average earned ROE of the comparable risk group of
18 publicly traded companies is 25.98%. For more detail behind his analysis, please see Dr.
19 Makhija's direct testimony.

1 **Q. WHAT IS THE LEVEL FOR 2012, ABOVE THE AVERAGE EARNED ROE OF**
2 **THE COMPARABLE RISK GROUP OF COMPANIES, WHERE THE EARNED**
3 **ROE MAY BECOME SIGNIFICANTLY EXCESSIVE, IF ONE USED THE**
4 **THRESHOLD METHODOLOGY AS DESCRIBED BY THE COMMISSION**
5 **OPINION AND ORDER IN 11-4571?**

6 A. As explained by Company witness Dr. Makhija in his direct testimony, the mean earned
7 ROE for 2012 of the “Utilities Select Sector SPDR (XLU)” comparable risk group that
8 the Commission used, calculated in the manner the Commission utilized in its order in
9 11-4571, is 10.74%. An adder to that baseline mean earned ROE based on a 95%
10 confidence level, which the Commission’s order indicated would be appropriate, would
11 equate to 1.96 standard deviations of the ROEs for the that XLU comparable risk group,
12 or 6.12%, according to Dr. Makhija. When added to that comparable risk group’s mean
13 earned ROE, the SEET would be 16.86%. Alternatively, if calculated using 1.64 standard
14 deviations, which the 11-4571 order actually used, the adder would be 5.17%, and the
15 SEET threshold would be 15.86%. Please see Dr. Makhija’s testimony for further details
16 on these calculations.

17
18 **AEP OHIO’S EARNED ROE FOR 2012**

19 **Q. WHAT IS AEP OHIO’S EARNED ROE FOR 2012 FOR THE SEET?**

20 A. Company witness Mitchell has determined that AEP Ohio’s earned ROE for 2012 is
21 9.76%. For details on the AEP Ohio ROE calculations, please see Company witness
22 Mitchell’s direct testimony.

1 **Q. HOW DOES AEP OHIO’S EARNED ROE FOR 2012 COMPARE TO THE**
2 **COMPARABLE RISK GROUP’S THRESHOLD ROE?**

3 A. AEP Ohio’s earned ROE for 2012 of 9.76% is below the comparable risk group’s SEET
4 ROE threshold of 25.98%, recommended by Dr. Makhija. Additionally, its earned ROE
5 for 2012 is below the 16.86% level that results from calculating the threshold in a manner
6 similar to how the Commission calculated it for 2010, using an adder based on 1.96
7 standard deviations (i.e., a 95% confidence level). It is also below the 15.86% level that
8 results from calculating the threshold using 1.64 standard deviations as the adder.

9 **Q. DID THE COMMISSION ESTABLISH OTHER THRESHOLD GUIDANCE IN**
10 **THE 09-786 CASE REGARDING ROE CALCULATIONS FOR EDUs?**

11 A. Yes. The Commission also concluded that for SEET purposes, any Ohio electric utilities
12 earnings found to be less than 200 basis points above the mean ROE of the comparable
13 risk group of companies would not be significantly excessive.³ This 200 basis point
14 threshold is what is referred to as a “safe harbor.”

15 **Q. DOES THE 200 BASIS POINT “SAFE HARBOR” APPLY TO AEP OHIO FOR**
16 **2012?**

17 A. Yes. AEP Ohio’s ROE did not exceed 14.47%, which is 200 basis points above the
18 12.47% mean earned ROE of the comparable risk group recommended by Dr. Makhija.
19 In addition, AEP Ohio’s earned ROE is below 12.74%, which is 200 basis points above
20 the 10.74% mean earned ROE of the Utilities Select Sector SPDR (XLU) group. Thus,
21 AEP Ohio’s 2012 earned ROE of 9.76% is within the “safe harbor” established by the
22 Commission and would not be subject to further SEET analysis. The AEP Ohio ROE

³ 09-786, Order at 29 (June 30, 2010) and 11-4571, Order at 27-28 (October 23, 2013)

1 calculations that are compared to the safe harbor test for AEP Ohio are provided by
2 Company witness Mitchell in Exhibit TEM-1.

3 **Table 2: Summary of 2012 ROE Comparisons**

Comparison For 2012	Makhija SEET Threshold ROE Test	Makhija Safe Harbor ROE Test	SPDR (XLU) Safe Harbor ROE Test
ROE Threshold	25.98%	14.47%	12.74%
OPCo Earned ROE	9.76%	9.76%	9.76%
Test Results	OPCo Passes	OPCo Passes	OPCo Passes

4

5 **ADJUSTMENTS TO THE SEET**

6 **Q. HOW ARE OFF-SYSTEM SALES NET MARGINS TREATED IN THE 2012**
7 **SEET?**

8 A. Consistent with the Commission's orders, AEP Ohio excluded off-system sales (OSS) net
9 margins, after federal and state income tax, from the calculation of the 2012 ROE. This
10 adjustment aligns to the Commission's interpretation and guidance under Section
11 4928.143(F), Revised Code, that OSS net margins and the related equity in generation
12 and transmission facilities should be excluded from the SEET calculation⁴ since OSS net
13 margins are not a result of rate adjustments included in AEP Ohio's ESP.

14 **Q. DID THE COMPANY HAVE OTHER ADJUSTMENTS TO THE 2012 SEET?**

15 A. Yes. As detailed by Company witness Mitchell, adjustments were made to the
16 Company's 2012 earned ROE calculations for special accounting items, related to the

⁴11-4571, Order at 14-15 (October 23,2013)

1 impairment of certain OPCo generating assets and certain restructuring charges. Please
2 see witness Mitchell's testimony for additional details on these adjustments.

3 **Q. WHY ARE THESE OTHER ADJUSTMENTS REMOVED FROM THE EARNED**
4 **ROE FOR THE 2012 SEET?**

5 A. In accordance with Commission guidance, these adjustments to AEP Ohio's 2012 SEET
6 ROE are considered special accounting items and thus, removing them from the earned
7 ROE maintains comparability with the earned ROEs of the comparable risk group of
8 companies.

9

10 **CAPITAL INVESTMENTS AND OTHER CONSIDERATIONS**

11 **Q. WHAT ARE SOME ADDITIONAL FACTORS, BESIDES THE EARNED ROE**
12 **CALCULATIONS DISCUSSED ABOVE, THAT THE COMMISSION**
13 **INDICATED IN ITS 09-786 ORDER THAT IT WOULD CONSIDER IN**
14 **EVALUATING WHAT IS SIGNIFICANTLY EXCESSIVE?**

15 A. The Commission indicated that factors, such as: 1) the EDU's most recently authorized
16 return on equity; 2) the EDU's risk, including whether the EDU owns generation,
17 whether the ESP includes a fuel and purchased power adjustment, the rate design and
18 mechanisms established, and whether the EDU is subject to weather and economic risk;
19 3) capital commitments and future capital requirements; 4) management performance and
20 benchmark indicators; 5) innovation and industry leadership, including investments in
21 advanced technology and practices; and 6) the extent which the EDU has advanced state
22 of Ohio energy policy.

23 **Q. HOW DOES AEP MAINTAIN ENERGY INDUSTRY LEADERSHIP?**

1 A. Throughout its century-plus history, AEP has led the industry through enhancements and
2 technological advances to the generation, transmission, and distribution components of
3 the electric industry. Some examples of these advancements are the first supercritical and
4 ultra-supercritical coal-fired generating plants, development and construction of 765-kV
5 transmission lines, and deployment of sodium-sulfur (NAS) batteries. AEP has also
6 created new and innovative ways to provide power for today while preparing for the
7 needs of tomorrow, such as developing and operating a product validation facility for
8 carbon capture and storage and then partnering with the Department of Energy (DOE) on
9 an engineering study to scale the technology commercially. Our commitment to
10 environmental compliance is evidenced by our focus on finding reasonable, achievable,
11 and affordable solutions that meet increasingly stringent state and federal energy
12 regulations that properly address environmental issues in a realistic, cost effective
13 manner. For example, deployment of alternative control technology to meet the Mercury
14 and Air Toxics Standards (MATS) Rule at an AEP Ohio affiliate's twin 1300-MW
15 generating units, which saved approximately \$1 billion.

16 In implementing the Commission's Alternative Energy Portfolio Standard rules,
17 AEP Ohio led a demand side management (DSM) collaborative to develop energy
18 efficiency and peak demand response programs (EE/PDR) and gridSMART® initiatives.
19 Through implementing these programs, AEP Ohio customers have the potential to save
20 through reduced electricity bills over the life of the programs and help reduce power plant
21 emissions. As our Portfolio Status Report indicates, AEP Ohio's energy efficiency and
22 peak demand response programs have been very successful, meeting or exceeding the
23 benchmark requirements for both areas. Additionally, AEP Ohio has been undertaking

1 infrastructure and technology enhancements for the gridSMART® Phase 1 project. This
2 project demonstrates AEP Ohio's leadership in the industry and includes the installation
3 of smart meters, distribution automation equipment, real-time pricing, demand dispatch
4 and integrated volt-var control circuits to enhance the electricity infrastructure.
5 Additionally, meeting certain project requirements, obligations, and data collection
6 criteria allowed the gridSMART® project to obtain 50 percent funding through the
7 Department of Energy and thus limit Ohio customer impact while enhancing their ability
8 to save energy.

9 In response to SB 221, AEP Ohio has demonstrated its leadership in the industry
10 by embracing and harnessing new generation resources such as wind, biomass and solar
11 to comply with Ohio's renewable portfolio standard. In 2010, AEP Ohio initiated a
12 process that would help develop and grow the alternative energy supply chain in the state.
13 The goal was to increase alternative energy jobs in the state of Ohio and across the entire
14 electricity supply chain. For example, AEP facilitated development of an 80-acre solar
15 project located in Wyandot County, as Ohio's first utility-scale solar power facility in
16 which all the output is purchased through contract by AEP Ohio. Thus, AEP Ohio is
17 promoting diversity of electricity supplies and suppliers while maximizing Ohio
18 economic development value within the state.

19 **Q. WHAT ARE THE BUSINESS AND FINANCIAL RISKS FACED BY AEP OHIO**
20 **DURING THE ESP II TERM?**

21 A. The most prevalent risks faced by AEP Ohio include: 1) customer expectations of low
22 electricity bills coupled with increasing performance expectations; 2) customer migration
23 within the state; 3) ongoing regulatory litigation; and 4) a stagnant national and state

1 economy. Due to rapid changes within the electric utility industry, AEP Ohio is not only
2 challenged to invest in new technologies to advance state standards, but to also accelerate
3 investment for replacing aging infrastructure. Regulatory lag in recovery of capital
4 investment further compounds the risk that sufficient funding will be available for needed
5 capital investment. This lag becomes more financially burdensome as the cost of
6 infrastructure investment escalates, coupled with the public's pressure on regulators to
7 limit rate increases. Finally, the Commission adopted a modified 2012-2015 ESP II as a
8 package and AEP Ohio undertook to operate under this ESP beginning in 2012.
9 Focusing on one-year increments through the SEET process does not capture the full
10 extent of these risks faced by AEP Ohio throughout the almost three-year term of ESP II.
11 Thus, while AEP Ohio effectively manages our business and operations, AEP Ohio is
12 nonetheless at risk and subject to SEET risk on an annual basis.

13 **Q. PLEASE EXPLAIN THE REGULATORY RISK IMPACTS ON CUSTOMERS.**

14 A. Balancing customer expectations for better EDU performance while continuing to be a
15 low cost utility within the state of Ohio is an ever increasing risk for AEP Ohio. As the
16 economy lags, the increased pressure on regulators to maintain existing utility electric
17 rates can create regulatory lag issues for EDUs. One way regulators can alleviate
18 pressure to control rates is to defer previously spent utility costs to the balance sheet.
19 And, while deferrals delay the immediate collection of rates in the near term, deferrals
20 can increase regulatory lag and eventually impact customers when the time comes to pay
21 for those deferrals. This rate volatility impacts the timing of cash flow which can also
22 potentially impact an EDU's credit ratings. Rate volatility, combined with our desire to
23 fulfill increased customer expectations regarding reliability, increasing infrastructure

1 mandates and investment requirements, put electric utilities and regulators under very
2 different demands. In Ohio, a combination of outstanding deferred assets, SB 221
3 requirements, environmental mandates, and ESP timing, has forced AEP Ohio into an
4 elevated level of risk.

5 **Q. PLEASE EXPLAIN CUSTOMER SERVICE RELIABILITY RISKS.**

6 A. Managing customer service reliability is of utmost concern for AEP Ohio. The
7 information shown in the following chart – Chart 1: AEP Ohio Reliability Indices –
8 below reflects both the System Average Interruption Frequency Index (SAIFI) and the
9 Customer Average Interruption Duration Index (CAIDI) indices used to gauge service
10 reliability for AEP Ohio. As reflected in these indices from 2009-2012, the SAIFI index
11 for frequency of interruption is significantly lower in 2012 as compared to recent years
12 for AEP Ohio. The CAIDI index held steady in 2012, and is comparable to previous
13 years as well. While these reliability indices indicate steady to improving performance
14 over recent years, AEP Ohio will need to make substantial and continuing investments in
15 infrastructure to maintain or improve its reliability performance.

16 **Chart 1: AEP Ohio Reliability Indices**

17 **(Per O.A.C. Rule 1-10-10(B))**

12 Months Ending	SAIFI	CAIDI
Dec-09	1.117	126.9
Dec-10	1.094	138.2
Dec-11	1.230	145.6
Dec-12	0.980	145.0

18

1 **Q. PLEASE EXPLAIN CUSTOMER MIGRATION RISKS.**

2 A. The state of Ohio is unique compared to fully-regulated jurisdictions in that significant
3 customer switching has occurred during recent years. Additionally, there is a potential
4 that high customer switching levels will continue into the future due to increases in
5 governmental aggregation. At December 31, 2012, 49% of AEP Ohio's load has
6 switched to Competitive Electric Retail Service (CRES) providers. This migration
7 continues to increase and reached nearly 58% at the end of October 2013, illustrating the
8 risk AEP Ohio faces. Additionally, migrating customers can return at any point to their
9 jurisdictional EDU based on the decision of their CRES provider and/or the market price
10 fluctuations. As defined by SB 221, these customer shopping risks are unique to the state
11 of Ohio.

12 **Q. HOW SHOULD THE COMMISSION CONSIDER FUTURE COMMITTED**
13 **INVESTMENTS OF AEP OHIO DURING THE 2012-2015 ESP TERM IN**
14 **REGARD TO THE RISKS DESCRIBED ABOVE?**

15 A. The Commission has the flexibility to consider an EDU's upcoming capital investments
16 when determining whether or not significantly excessive earnings for the EDU exists or
17 not. Specifically, consistent with the Commission's order in the 10-1261 case, Section
18 4928.143(F) provides the Commission with the latitude to consider the capital spending
19 commitments that an EDU must meet in the near future in determining whether the
20 EDU's earnings should be considered significantly excessive.

21 **Q. WHAT INFORMATION HAS AEP OHIO PROVIDED TO IDENTIFY THE**
22 **CAPITAL REQUIREMENTS OF FUTURE COMMITTED INVESTMENTS?**

1 A. AEP Ohio's actual annual capital expenditures for 2012 and those projected for 2013-
2 2015 are contained in Exhibit GOS-1 attached to my testimony. Exhibit GOS-1 shows
3 that AEP Ohio invested approximately \$525 million during 2012, with an additional \$1.4
4 billion forecast in 2013-2015 – a tremendous amount of capital to invest in a relatively
5 uncertain regulatory environment. These factors should be taken into consideration by
6 the Commission when determining the 2012 SEET decision.

7 **Q. IS THIS CAPITAL BUDGET INFORMATION RELIABLE AND ACCURATE?**

8 A. Yes. The data provides a consistent picture of AEP Ohio's present and future capital
9 investments in Ohio during the ESP term. This information reflects actual data
10 associated with the total construction expenditures during 2009-2012 and also shows
11 future projected capital expenditures during 2013-2015.

12 **Q. HAS AEP OHIO ADVANCED STATE POLICY?**

13 A. Yes. AEP Ohio and its employees are active members of the communities we serve. Not
14 only is AEP Ohio investing capital assets and facilities within the state of Ohio, but
15 during 2012, AEP Ohio also paid more than \$613 million in Ohio payroll and
16 approximately \$367 million in property, state, and local taxes. These amounts do not
17 include expenditures for philanthropic contributions and purchases of Ohio goods and
18 services. Additionally, as explained above, AEP Ohio is currently advancing SB 221 and
19 other state policies in Ohio. AEP Ohio led the implementation of EE/PDR programs that
20 resulted in AEP Ohio achieving 174 percent of its energy and 213 percent of its demand
21 benchmark requirements, respectively, at the end of 2012. AEP Ohio's gridSMART®
22 project is advancing electric infrastructure development by testing and implementing
23 advanced smart grid technologies. Contributions to the emerging solar power industry

1 through AEP Ohio's commitment to purchase and invest in Ohio renewable solar power
2 on a commercial basis beginning in 2010 and beyond demonstrates AEP Ohio's
3 advancement of Ohio renewable goals. Finally, AEP Ohio has made contributions to the
4 Partnership with Ohio Fund during the 2012 to be used across the AEP Ohio territory for
5 food banks, United Way programs, and other public-private partnerships in the state and
6 local economic development arenas.

7 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes.

AEP Ohio Construction Expenditures
\$ in thousands (excluding AFUDC)

	<i>Actual</i>	<i>Forecast</i>		
	2012	2013	2014	2015
Generation/Environmental	\$211,895	\$234,588		
Transmission	\$86,596	\$135,811	\$94,748	\$54,085
Distribution	\$202,742	\$209,720	\$301,002	\$283,758
Corporate/Other	\$23,207	\$34,710	\$22,052	\$15,919
Total	\$524,440	\$614,829	\$417,802	\$353,762

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Summary: Testimony Direct Testimony of Gary O. Spitznogle on behalf of Ohio Power Company electronically filed by Mr. Daniel R. Conway on behalf of Ohio Power Company and Nourse, Steven T. Mr.