

PUCO EXHIBIT FILING

198

Date of Hearing: November 14, 2013

Case No. 13-1406-EL-RDR

PUCO Case Caption: In the matter of the Application
of Ohio Power Company to Update
Its Transmission Cost Recovery Rider

RECEIVED-DOCKETING DIV
2013 DEC -3 PM 2:18

PUCO

List of exhibits being filed:

AEP- Ex 1 Application filed June 17, 2013

AEP Ex 2 AEP Ohio Reply Comments

AEP Ex 3 Direct testimony of Andrew E. Moore

AEP Ex 4 Direct testimony of Eric J. Gleckler

AEP Ex 5 Testimony of Andrew E. Moore

IEU No. 1 Industrial Energy Users-Ohio's Comments

OCC No. 1 Comments of the Office of the Ohio Consumers
Counsel

OCC No. 2 Testimony of Beth E. Hixon

OCC No. 3 Direct Testimony of Sara Fink

Staff No. 1 Review and Recommendations

Staff No. 2 Testimony of Jeffrey Hecker

Reporter's Signature: Cathy Passmore

Date Submitted: _____

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business. Technician R Date Processed DEC 03 2013

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. :
:

- - -

PROCEEDINGS

Before Sarah J. Parrot, Attorney Examiner, held at the
offices of the Public Utilities Commission of Ohio, 180
East Broad Street, Hearing Room 11-D, Columbus, Ohio,
on Thursday, November 14, 2013, at 10:05 a.m.

- - -

ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

- - -

AEP OHIO EXHIBIT LIST FOR CASE NO. 13-1406-EL-RDR

AEP Ohio Ex. 1: Application filed on June 17, 2013

AEP Ohio Ex. 2: AEP Ohio's Reply Comments filed on August 13, 2013

AEP Ohio Ex. 3: Direct Testimony of Andrea E. Moore filed on October 8, 2013

AEP Ohio Ex. 4: Direct Testimony of Eric J. Gleckler filed on October 8, 2013

AEP Ohio Ex. 5: Testimony of Andrea E. Moore in Support of the Stipulation filed on November 12, 2013

Joint Ex. 1: Joint Stipulation and Recommendation filed on November 8, 2013

AEP1

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

APPLICATION

Ohio Power Company d/b/a AEP Ohio ("OPCo" or the "Company") submits this application to update its Transmission Cost Recovery Rider ("TCRR"). In support of its application, OPCo states the following:

1. OPCo is an electric utility as that term is defined in §4928.01(A)(11), Ohio Rev. Code.
2. OPCo is an electric utility operating company subsidiary of American Electric Power Company, Inc.
3. By Finding and Order issued May 26, 2006 in Case No. 06-273-EL-UNC, the Commission approved the Company's application in that docket to combine the transmission component of the Company's Standard Service Tariff with its TCRR.
4. As part of the Commission's approval of that application the Company is to file an annual update to its TCRR. The update would incorporate any over- or under- recovery deferral balance into the surcharge for the next calendar year. In addition to this true-up mechanism, the update also could adjust the ongoing level of the TCRR, if necessary, to minimize the anticipated level of over- or under- recoveries in the next calendar year.

5. Chapter 4901:1-36, Ohio Admin. Code, became effective April 2, 2009. As provided in that Chapter, electric utilities are authorized to recover all transmission and transmission-related costs, including ancillary and congestion costs, imposed on or charged to the utility, net of financial transmission rights and other transmission-related revenues credited to the utility, by the Federal Energy Regulatory Commission ("FERC") or a Regional Transmission Organization ("RTO"), Independent Transmission Operator, or similar organization approved by the FERC. The recovery of these costs is to be through a reconcilable rider, such as the Company's TCRR. (§4901:1-36-02 (A), Ohio Admin. Code).
6. The recovery of costs is to be pursuant to an application filed by the electric utility on an annual basis pursuant to a schedule set by Commission order. (§4901:1-36-03 (A) and (B), Ohio Admin. Code).
7. On April 15, 2009, the Commission issued an Entry in Case 08-777-EL-ORD directing the Company to submit by April 16th of each year the annual update to its TCRR rates. In its April 11, 2012 Entry in Case No. 12-1046-EL-RDR, the Commission approved the Company's request to file the annual update to its TCRR on June 15th of each year commencing with the Company's 2012 TCRR update, with rates to be effective with the first billing cycle in September.
8. The Company's most recent TCRR proceeding was in Case No. 12-1046-EL-RDR. In that case the Company's current TCRR rates became

effective at the beginning of the November 2012 billing month (October 26, 2012).

9. In accordance with the Commission's directive and Chapter 4901:1-36, Ohio Admin. Code, the following information is provided with this application:

Schedule A-1	Copy of proposed tariff schedules
Schedule A-2	Copy of redlined current tariff schedules
Schedule B-1	Summary of Total Projected Transmission Costs/Revenues
Schedule B-2	Summary of Current versus Proposed Transmission Revenues
Schedule B-3	Summary of Current and Proposed Rates
Schedule B-4	Graphs
Schedule B-5	Typical Bill Comparisons
Schedule C-1	Projected Transmission Cost Recovery Rider Cost/Revenues
Schedule C-2	Monthly Projected Cost for Each Rate Schedule
Schedule C-3	Projected Transmission Cost Recovery Rider Rate Calculations
Schedule D-1	Reconciliation Adjustment
Schedule D-2	Monthly Revenues Collected From Each Rate Schedule
Schedule D-3	Monthly Over and Under Recovery
Schedule D-3a	Carrying Cost Calculation
Schedule D-3b	Reconciliation of Throughput to Company Financial Records

Schedule D-3c Reconciliation of One Month's Bill from RTO to
Financial Records of the Company

10. As reflected in Schedules B-1 and B-2, the Company's proposed TCRR revenues for the 12-month period beginning with the September 2013 billing month are \$57,596,921 higher than what the TCRR revenues for that period would be under the current TCRR rates.¹ This represents an average increase in the TCRR of approximately 33.24%. The increase reflects \$47,261,363 of under-recovery, including carrying charges.
11. The carrying charges identified in the prior paragraph were calculated in a manner consistent with the carrying charge calculation ordered by the Commission in Case No. 08-1202-EL-UNC, Finding and Order, December 17, 2008, and approved in Case No. 10-477-EL-RDR.
12. The under-recovery is chiefly attributable to three components. First, a PJM tariff change in December 2012 caused the Company to incur approximately \$11 million in costs that were not forecasted for Black Start Service. Second, implementation of the new TCRR rates created regulatory lag of approximately \$7 million. Finally, approximately \$23 million of PJM Reactive Supply charges, plus carrying costs, had been inadvertently omitted from the TCRR charges, as explained below.
13. Reactive Supply charges are a true cost to the Company and included in the line items for recovery as shown on the Company's Schedule B-1.

Reactive Supply charges (and credits) are billed by PJM to the Company

¹ The slight difference between the forecast of Total Transmission Cost net of true-up on Schedule B-1 and the forecast for total TCRR revenues under the proposed TCRR on Schedule B-2 is attributable to rounding.

as line items 1330 (charge) and 2330 (credit) on the PJM bill. The charge line item relates to FERC account 5550074 and the credit line item relates to FERC account 5550075. During the review phase for this filing, the Company discovered that from July 2011 through March 2013, the net of the two line items has been a credit but the separate charge line item was not recorded in account 5550074 and thus was inadvertently not included in the TCRR rate calculations. The Company reclassified the charges to the correct account (5550074) for inclusion in the current TCRR calculations.

14. Schedule B-1 contains a new line, Forecast Carrying Costs. The charge on this line is a forecast of the carrying costs that the Company will incur due to the under-recovery balance. The costs are forecasted using the same calculation procedure currently used to account for the over/under recovery, an example of which is shown on Schedule D-3a. The Company will true-up the forecast to the actual carrying costs in its next TCRR filing. This methodology will allow the Company to better reflect the over/under recovery that will likely occur throughout the year.
15. In its October 24, 2012 Finding and Order in Case No. 12-1046-EL-RDR, the Commission directed the Company to adopt a kWh-based methodology for allocating Net Marginal Loss costs beginning with this 2013 filing. This methodology is reflected on Schedule C-3. In addition, the Commission authorized the Company to establish a separate rate, the Transmission Under-Recovery Rider, in order to collect the under-

recovery of approximately \$36 million, plus carrying charges, evenly over a three-year period. As of April 30, 2013, this rate has decreased the outstanding balance to \$31,365,069. The Transmission Under-Recovery Rider will terminate when the full amount of the under-recovery has been collected.

16. The Company forecasts significant reductions in certain costs included in the TCRR due to the termination of the AEP East Power Pool and the advent of the slice-of-system energy auctions authorized in Case No. 11-346-EL-SSO. The costs are Net Congestion, Operating Reserves, Net Ancillary Services, PJM Administration Fees, and Net Marginal Losses. These reductions are reflected on Schedule C-1 in the form of monthly cost forecasts that are equal to the average of the forecast costs from July 2013, the traditional start of the TCRR forecast period, through May 2015, the expiration of the Company's current Electric Service Plan.
17. In FERC Docket No. ER08-1329-000, American Electric Power Service Corporation, on behalf of the Company (and other AEP East operating companies) filed an application to increase the Company's Open Access Transmission Tariff (OATT). The Company's TCRR filing reflects that current OATT rate. The settlement agreement in that case was approved on October 1, 2010. The new FERC-approved rate has been applied and is reflected in the over/under recovery in this year's TCRR filing.
18. The Company's proposed TCRR, as reflected in Schedule A-1 and supported by Schedules B-1, B-2 and C-3 and their related work papers, is

reasonable and should be approved. As always, the Company is receptive to exploring alternative recovery options in an effort to promote rate stability and to mitigate rate impacts.

19. The Company requests that its proposed updated TCRR rates be made effective on a bills rendered basis beginning on August 28, 2013 - the first day of the September 2013 billing cycle. This "bills rendered" effective date is consistent with the Finding and Order in Case Nos. 06-273-EL-UNC and 07-1156-EL-UNC, 08-1202-EL-UNC and 10-477-EL-RDR.

Based on the reasons stated above and the exhibits and work papers submitted with this filing, the Commission should approve the Company's application.

Respectfully submitted,

/s/ Yazen Alami

Steven T. Nourse

Yazen Alami

American Electric Power Service Corporation

1 Riverside Plaza, 29th Floor

Columbus, Ohio 43215

Telephone: (614) 715-1608

Fax: (614) 716-2950

Email: stnourse@aep.com

yalami@aep.com

Counsel for Ohio Power Company

P.U.C.O. NO. 20

TRANSMISSION COST RECOVERY RIDER

Effective Cycle 1 September 2013, all customer bills subject to the provisions of this Rider, including any bills rendered under special contract, shall be adjusted by the Transmission Cost Recovery Rider per KW and/or KWH as follows:

Schedule	¢/KWH	\$/KW
RS,RR, RR-1, RS-ES, RS-TOD, RLM, RS-TOD2, CPP, RTP and RDMS	1.56698	
GS-1, GS-1-TOD	1.33710	
GS-2 Secondary	0.40487	2.32
GS-2 Recreational Lighting, GS-TOD, GS-2-TOD and GS-2-ES	1.36033	
GS-2 Primary	0.39082	2.24
GS-2 Subtransmission and Transmission	0.38304	2.19
GS-3 Secondary	0.40913	3.75
GS-3-ES	1.22816	
GS-3 Primary	0.39494	3.62
GS-3 Subtransmission and Transmission	0.38707	3.55
GS-4 Primary	0.41119	3.52
GS-4 Subtransmission and Transmission	0.40300	3.45
EHG	0.76122	
EHS	1.20404	
SS	1.20404	
OL, AL	0.40303	
SL	0.40303	

Schedule SBS	¢/KWH	\$/KW					
		5%	10%	15%	20%	25%	30%
Backup - Secondary	0.41841	0.05	0.09	0.14	0.18	0.23	0.28
- Primary	0.40390	0.04	0.09	0.13	0.18	0.22	0.27
- Subtrans/Trans	0.39585	0.04	0.09	0.13	0.17	0.22	0.26
Backup < 100 KW Secondary		0.19					
Maintenance - Secondary	0.44095						
- Primary	0.42483						
- Subtrans/Trans	0.41678						
GS-2 and GS-3 Breakdown Service		0.43					

Filed pursuant to Order dated _____ in Case No. 13-1406-EL-RDR

Issued: _____

Issued by
Pablo Vegas, President
AEP Ohio

Effective: Cycle 1 September 2013

OHIO POWER COMPANY

Schedule A-2

4th Revised Sheet No. 475-1
Cancels 3rd Revised Sheet No. 475-1

Formatted: Superscript

Formatted: Superscript

P.U.C.O. NO. 20

TRANSMISSION COST RECOVERY RIDER

Effective Cycle 1 ~~September~~ November 2013~~2~~, all customer bills subject to the provisions of this Rider, including any bills rendered under special contract, shall be adjusted by the Transmission Cost Recovery Rider per KW and/or KWH as follows:

Schedule	¢/KWH	\$/KW
RS,RR, RR-1, RS-ES, RS-TOD, RLM, RS-TOD2, CPP, RTP and RDMS	1.5669845798	
GS-1, GS-1-TOD	0.90076133710	
GS-2 Secondary	0.5432240487	4.642.32
GS-2 Recreational Lighting, GS-TOD, GS-2-TOD and GS-2-ES	1.4391536033	
GS-2 Primary	0.4044839082	4.492.24
GS-2 Subtransmission and Transmission	0.4824938304	4.462.19
GS-3 Secondary	0.4608440913	2.603.75
GS-3-ES	1.9442622816	
GS-3 Primary	0.4448739494	2.603.62
GS-3 Subtransmission and Transmission	0.4346338707	2.543.55
GS-4 Primary	0.2468641119	2.463.52
GS-4 Subtransmission and Transmission	0.2377940300	2.403.45
EHG	0.8221178122	
EHS	1.4446620404	
SS	1.4446620404	
OL, AL		
SL	0.3608740303	
	0.3608740303	

Schedule SBS	¢/KWH	\$/KW					
		5%	10%	15%	20%	25%	30%
Backup - Secondary	0.4020641841	0.0542	0.0926	0.1427	0.1860	0.2382	0.2876
- Primary	0.3890840390	0.0442	0.0924	0.1326	0.1848	0.2260	0.2732
- Subtrans/Trans	0.3891339585	0.0442	0.0924	0.1326	0.1747	0.2280	0.2874
Backup < 100 KW Secondary		0.19					
Maintenance - Secondary	0.4626344095						
- Primary	0.4479642483						
- Subtrans/Trans	0.4364041678						
GS-2 and GS-3 Breakdown Service		0.4943					

Filed pursuant to Order dated ~~October 24, 2012~~ in Case No. 132-14046-EL-RDRIssued: ~~October 26, 2012~~Effective: Cycle 1 ~~September~~ November 2013~~2~~

Issued by
Pablo Vegas, President
AEP Ohio

Summary of Total Projected Transmission Costs / Revenues

Ohio Power Company

	<u>(\$)</u>
NITS	\$ 119,804,962 D
Transmission Enhancement Charges	\$ 10,410,376 D
Scheduling	\$ 1,327,953 E
Point to Point Revenues	\$ (4,452,000) D
Regulation Service	\$ 6,131,460 E
Spinning Reserves	\$ 67,104 E
Supplemental Reserves - Charges	\$ 1,097,868 E
Net Congestion	\$ (2,631,228) E
Operating Reserves - Charges	\$ 5,539,560 E
Load Response Program Subsidies	\$ - E
Net Ancillary Services - Synchronous Condensing	\$ 4,452 E
- Reactive Supply - Charges	\$ 7,634,460 E
- Blackstart - Charges	\$ 13,942,104 E
PJM Administration Fees	\$ 9,120,732 E
Net RTO Formation Costs & Expansion Cost Recovery Charge	\$ 781,524 E
Phase - In Credit	\$ (366,667) O
Net Marginal Losses	<u>\$ 11,937,000 E</u>
Total Transmission Costs	\$ 180,349,661
(Over)/Under Collection	\$ 47,261,363 O
Forecast Carrying Costs	<u>\$ 3,331,644 O</u>
	<u><u>\$ 230,942,668</u></u>

D = Demand, E = Energy, O = Other

Summary of Current versus Proposed Transmission Revenues

Ohio Power Company

Forecast for September 2013 - August 2014

	Metered kWh	Current TCRR	Proposed TCRR	Difference	% Difference
RS	8,881,307,554	\$102,763,833	\$139,168,313	36,404,480	35.43%
GS1	266,329,344	\$2,396,298	\$3,561,090	1,164,791	48.61%
GS2 Sec	987,898,635	\$11,277,923	\$13,366,494	2,088,571	18.52%
GS2 RL - GS - TOD	38,883,822	\$442,945	\$528,948	86,003	19.42%
GS2 Pri	76,852,043	\$886,995	\$1,062,520	175,525	19.79%
GS2 Sub/Trans	47,830,525	\$529,547	\$634,015	104,467	19.73%
GS3 Sec	1,252,314,373	\$13,432,144	\$15,803,396	2,371,252	17.65%
GS3 - TOD	0	\$0	\$0	-	0.00%
GS3 Pri	696,446,446	\$6,791,132	\$7,892,130	1,100,998	16.21%
GS3 Sub/Trans	125,687,890	\$1,189,345	\$1,385,275	195,931	16.47%
GS4 Pri	14,905,185	\$109,333	\$155,939	46,606	42.63%
GS4/IRP Sub/Trans	4,807,558,645	\$32,840,280	\$46,654,357	13,814,078	42.06%
EHG	7,683,731	\$63,937	\$58,490	(5,447)	-8.52%
SS	5,877,597	\$65,515	\$70,769	5,253	8.02%
AL	56,672,920	\$209,616	\$228,409	18,793	8.97%
SL	77,261,032	\$285,765	\$311,385	25,620	8.97%
Total	17,343,509,741	\$173,284,609	\$230,881,529	57,596,921	33.24%

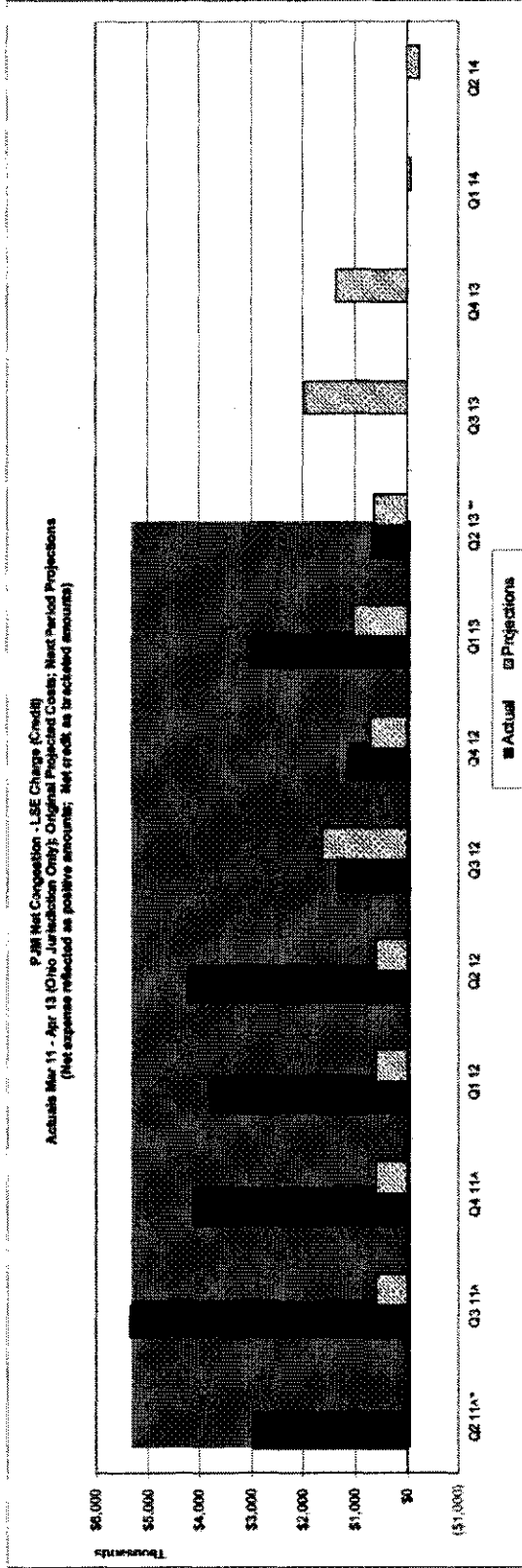
[illegible]

[illegible]

[illegible]

Ohio Power Company
Summary of Current and Proposed Rates

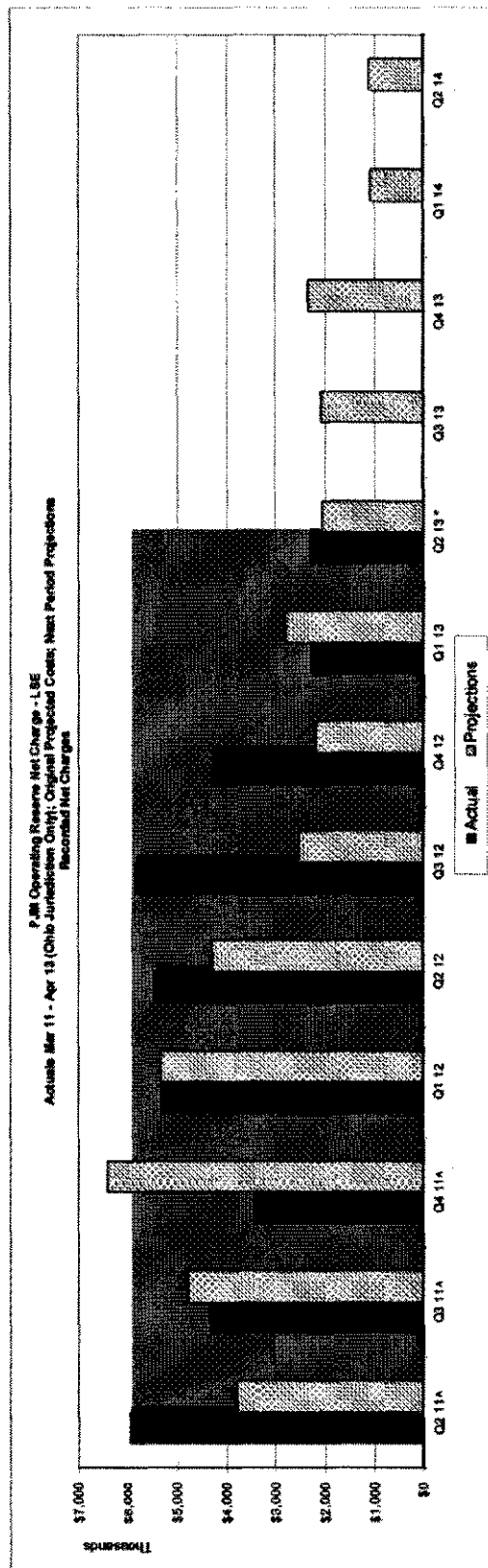
	Forecast for September 2013 - August 2014				Forecast for September 2013 - August 2014			
	Current TCRR Energy Rate	Proposed TCRR Energy Rate	Energy Difference	Energy % Difference	Current TCRR Demand Rate	Proposed TCRR Demand Rate	Demand Difference	Demand % Difference
Residential	\$0.0115708	\$0.0156698	\$0.0040990	35.43%				
GS-1 / GS-1-TOD	\$0.0089975	\$0.0133710	\$0.0043735	48.61%				
GS2-Sec	\$0.0051223	\$0.0040487	-\$0.0010736	-20.96%	\$1.54	\$2.32	\$0.78	50.65%
GS2 RL - GS - TOD / GS2-TOD/LM	\$0.0113915	\$0.0136033	\$0.0022118	19.42%				
GS2-Pri	\$0.0049448	\$0.0039082	-\$0.0010366	-20.96%	\$1.49	\$2.24	\$0.75	50.34%
GS2-Sub/Tran	\$0.0046310	\$0.0038304	-\$0.0010006	-20.71%	\$1.45	\$2.19	\$0.74	51.03%
GS3-Sec	\$0.0046084	\$0.0040913	-\$0.0005171	-11.22%	\$2.69	\$3.75	\$1.06	39.41%
GS3-TOD	\$0.0104135	\$0.0122816	\$0.0018681	17.94%				
GS3-Pri	\$0.0044487	\$0.0039494	-\$0.0004993	-11.22%	\$2.60	\$3.62	\$1.02	39.23%
GS3-Sub/Tran	\$0.0043463	\$0.0038707	-\$0.0004756	-10.94%	\$2.54	\$3.55	\$1.01	39.76%
GS4-Pri	\$0.0034566	\$0.0041119	\$0.0006553	18.96%	\$2.15	\$3.52	\$1.37	63.72%
GS4/IRP-Sub/Tran	\$0.0033770	\$0.0040300	\$0.0006530	19.34%	\$2.10	\$3.45	\$1.35	64.29%
EHG	\$0.0083211	\$0.0076122	-\$0.0007089	-8.52%				
SS	\$0.0111468	\$0.0120404	\$0.0008938	8.02%				
EHS	\$0.0111466	\$0.0120404	\$0.0008938	8.02%				
AL	\$0.0036987	\$0.0040303	\$0.0003316	8.97%				
SL	\$0.0036987	\$0.0040303	\$0.0003316	8.97%				
SBS-Sub/Tran-Backup - 5%	\$0.0038013	\$0.0039585	\$0.0001572	4.14%	\$0.12	\$0.04	-\$0.08	-66.67%



Actual - PJM Net Congestion - LSE Projections - PJM Net Congestion - LSE	ACTUAL					
	Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12
Actual - PJM Net Congestion - LSE	2,989,217	5,352,232	4,122,021	3,700,750	4,237,408	1,316,521
Projections - PJM Net Congestion - LSE		591,384	563,633	690,256	803,507	1,622,588
						632,826

Actual - PJM Net Congestion - LSE Projections - PJM Net Congestion - LSE	FORECAST					
	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Actual - PJM Net Congestion - LSE	252,527	211,226	211,226	211,226	211,226	211,226
Projections - PJM Net Congestion - LSE						

^ For comparability, OPco & CSP for March 2011 thru Q4 2011 have been combined. OPco & CSP merger was effective Q1 2012.
 * Projected PJM Net Congestion March 2011, and Q2 2011 is \$0
 --Q2 13 includes one month of actual and two months projection.



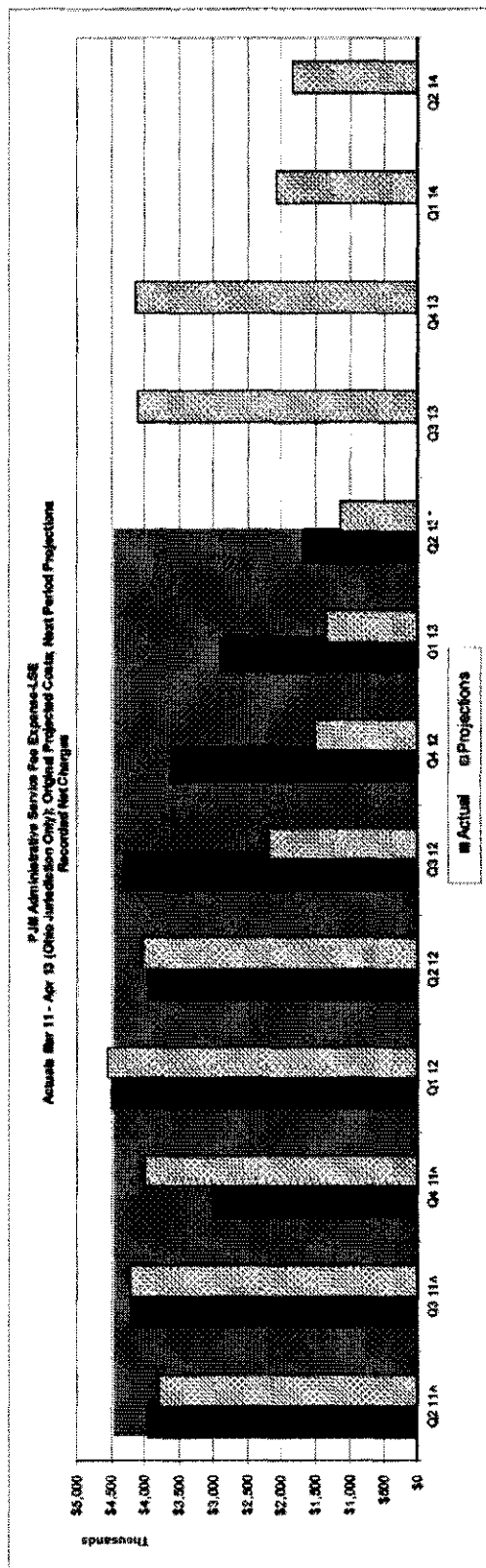
Actual - PJM Operating Reserve-LSE
Projections - PJM Operating Reserve-LSE

ACTUAL		FORECAST	
Mar 11*	Q2 11A	Q3 11A	Q4 11A
2,738,849	5,842,146	4,332,765	3,458,422
1,367,467	3,791,384	4,774,717	6,421,870
			5,315,146
			5,455,714
			4,284,000
			2,532,617
			2,192,054
			2,182,583

Actual - PJM Operating Reserve-LSE
Projections - PJM Operating Reserve-LSE

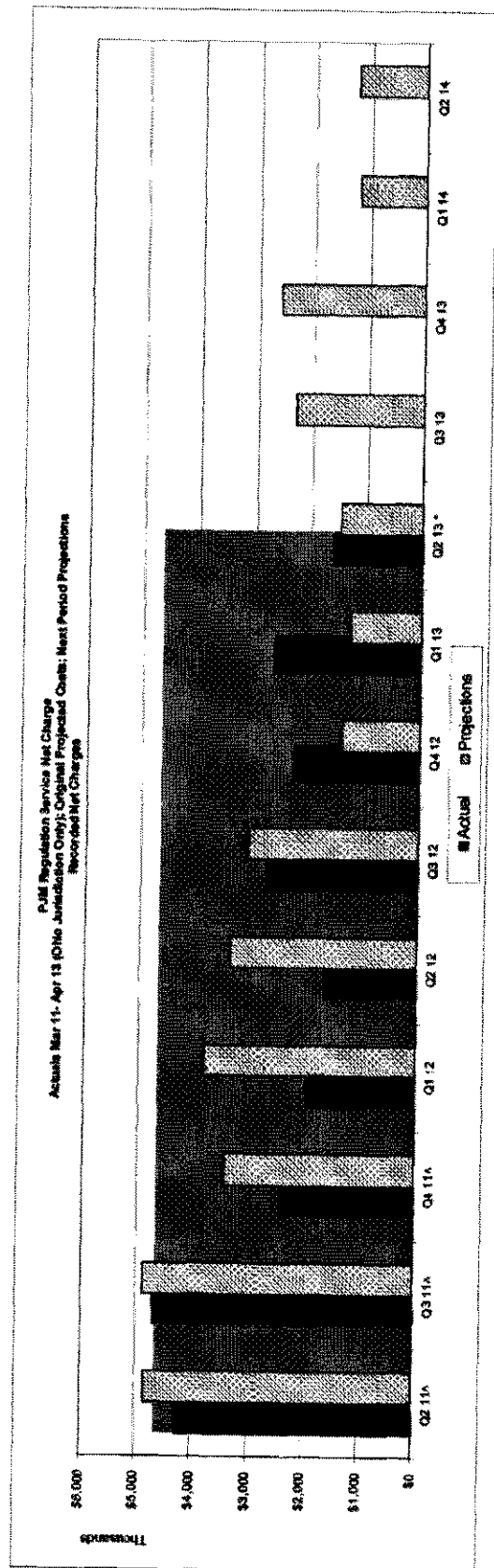
ACTUAL		FORECAST	
Mar 11*	Q2 11A	Q3 11A	Q4 11A
2,738,849	5,842,146	4,332,765	3,458,422
1,367,467	3,791,384	4,774,717	6,421,870
			5,315,146
			5,455,714
			4,284,000
			2,532,617
			2,192,054
			2,182,583

* For comparability, OPCs & CSP for March 2011 thru Q4 2011 have been combined. OPCs & CSP merger was effective Q1 2012.
* Q2 13 includes one month of actual and two months projection.



		ACTUAL					
		Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12
Actual - PJM Administrative Service Fee		3,945,905	4,193,831	3,932,571	4,496,087	4,325,613	4,036,434
Projections - PJM Administrative Service Fee		3,793,344	4,219,380	3,980,762	4,599,827	2,190,784	1,804,976
		1,284,448					
		FORECAST					
		Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Actual - PJM Administrative Service Fee		3,945,905	4,193,831	3,932,571	4,496,087	4,325,613	4,036,434
Projections - PJM Administrative Service Fee		3,793,344	4,219,380	3,980,762	4,599,827	2,190,784	1,804,976
		1,284,448					

^ For comparability, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP merge was effective Q1 2012.
 - Q2 13 includes one month of actual and two months projection.

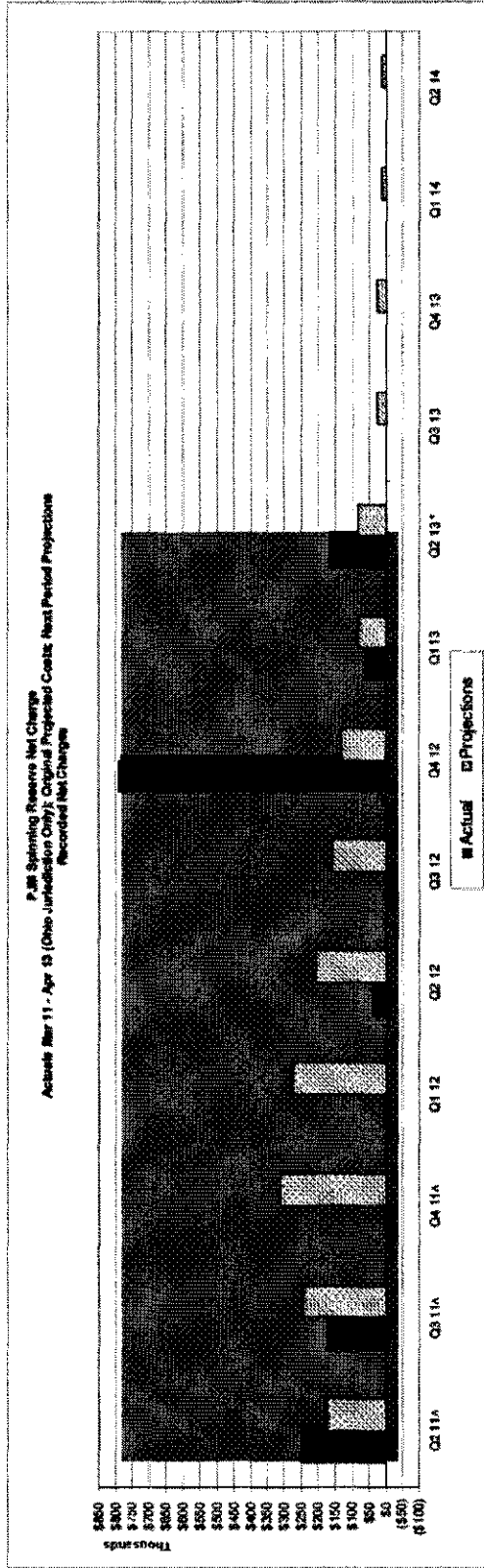
[illegible]

¹ For comparability, OPeCo & CSP for March 2011 thru Q4 2011 have been combined. OPeCo & CSP merger was effective Q1 2012. Q2 13 includes one month of actual and two months projection.

* For comparability, QoQ & QoP for March 2011 thru Q4 2011 in Q2 13 includes one month of actual and two months of projection.

Actual - P.M. Regulation Service
Projections - P.M. Regulation Service

Actual - P.M. Regulation Service
Projections - P.M. Regulation Service

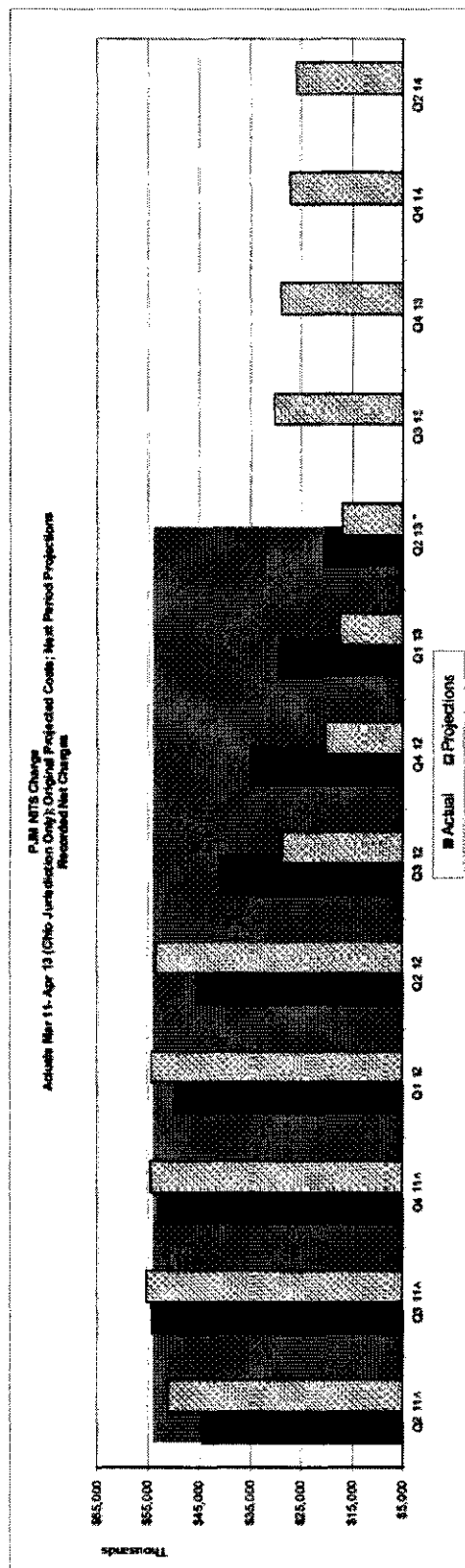


ACTUAL									
Mar 11 ^A	Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
113,801	248,947	173,889	1,385	8,086	35,663	27,186	786,348	82,034	82,034
52,377	174,049	241,354	310,223	274,196	238,580	158,930	131,401	80,428	80,428
FORECAST									
Apr 13 ^B	May 13 ^C	Jun 13 ^D	Q2 13 ^E	Q3 13	Q4 13	Q1 14	Q2 14		
110,207	27,923	27,923	164,883						
27,922	27,923	27,923	83,768	27,665	27,237	43,038	13,038		

^A For comparability, OPCOs & CSP for March 2011 thru Q4 2011 have been combined. OPCOs & CSP merge was effective Q1 2012.
^B Q2 13 includes one month of actual and two months projection.

Actual - PAM Spinning Reserve
Projections - PAM Spinning Reserve

Actual - PAM Spinning Reserve
Projections - PAM Spinning Reserve



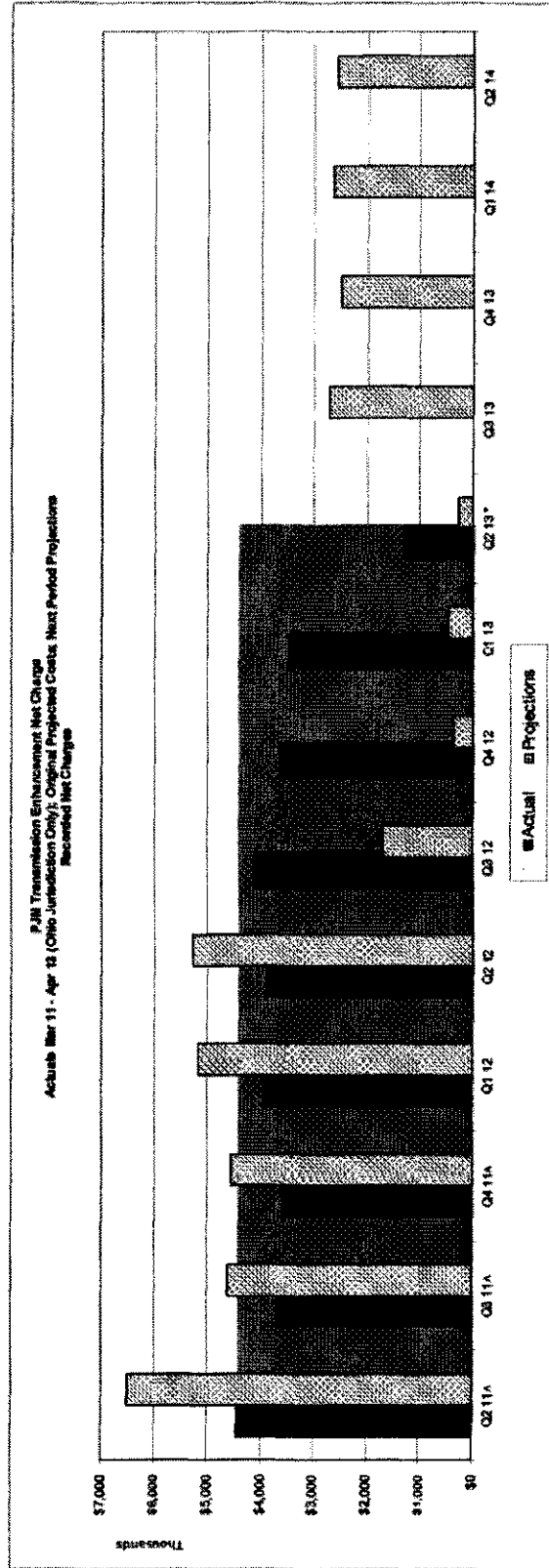
Actual - PJM NTS
Projections - PJM NTS

Quarter	Actual	Projection
Mar 11	17,480,943	17,480,943
Q3 11	44,433,978	44,433,978
Q4 11	50,464,744	50,464,744
Q1 12	52,128,594	52,128,594
Q2 12	54,379,504	54,379,504
Q3 12	48,733,826	48,733,826
Q4 12	54,142,606	54,142,606
Q1 13	43,338,233	43,338,233
Q2 13	40,828,482	40,828,482
Q3 13	26,689,736	26,689,736
Q4 13	20,223,225	20,223,225
Q1 14	17,481,803	17,481,803

Actual - PJM NTS
Projections - PJM NTS

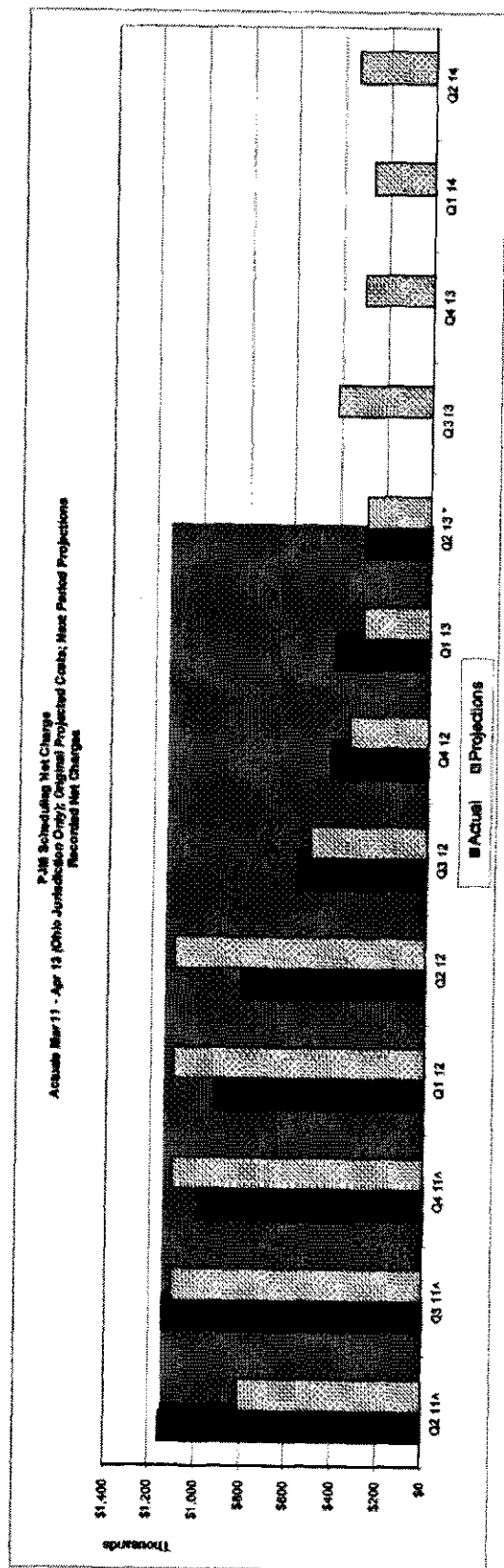
Quarter	Actual	Projection
Mar 11	9,103,144	9,103,144
Q3 11	2,057,853	2,057,853
Q4 11	5,657,653	5,657,653
Q1 12	5,657,653	5,657,653
Q2 12	18,372,939	18,372,939
Q3 12	30,038,303	30,038,303
Q4 12	28,816,655	28,816,655
Q1 13	27,077,583	27,077,583
Q2 13	25,849,412	25,849,412

^ For comparability, OFCo & CSP for March 2011 thru Q4 2011 have been combined. OFCo & CSP margin was effective Q1 2012.
Q2 13 includes one-month of actual and two months projection.



		ACTUAL					
		Mar-11A	Q2-11A	Q3-11A	Q4-11A	Q1-12	Q2-12
Actual - PJM Transmission Enhancement		1,504,568	4,447,081	3,682,714	3,394,493	3,930,862	3,900,219
Projections - PJM Transmission Enhancement		2,172,132	6,512,068	4,813,265	4,595,106	5,189,508	4,124,944
							3,684,214
							1,963,797
							354,688
							487,353
		FORECAST					
		Mar-13*	Apr-13*	Q2-13*	Q3-13	Q4-13	Q2-14
Actual - PJM Transmission Enhancement		1,184,750	80,758	80,758	274,274	2,714,914	2,492,843
Projections - PJM Transmission Enhancement		80,758	80,758	80,758	274,274	2,714,914	2,561,079

* For comparability, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP margin was effective Q1 2012.
** Q2 13 includes the margin of actual and two months projection

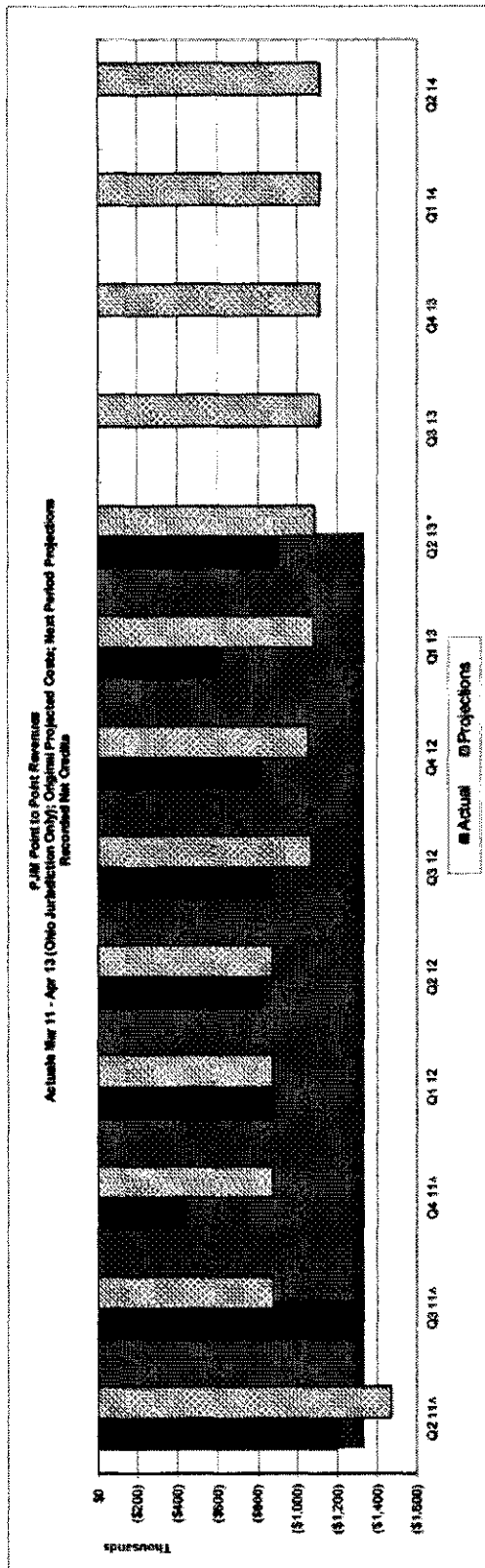


	ACTUAL							
	Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
Actual - P.M. Scheduling	494,373	1,153,837 [*]	1,146,408	880,740	881,820	810,819	872,010	410,507
Projections - P.M. Scheduling	271,438	813,353	1,102,716	1,102,716	1,102,716	1,102,716	513,156	347,905
								232,619

	FORECAST							
	Mar-13*	Apr-13*	May-13*	Q2 13*	Q3 13	Q4 13	Q1 14	Q2 14
Actual - P.M. Scheduling	RM 817	RM 823	RM 823	282,943	282,943	304,077	269,268	338,678
Projections - P.M. Scheduling	94,093	94,065	94,065	282,169	414,930			

A/E/z compressibility, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP merger was effective Q1 2012.

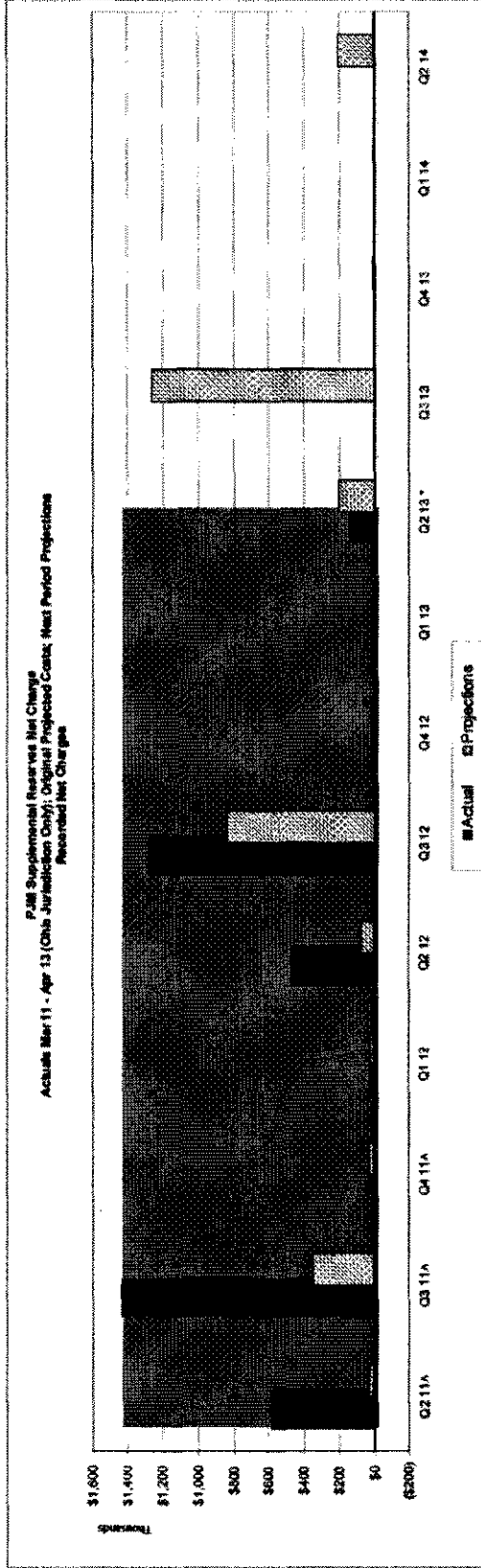
- * Q2 13 includes one month of actual and two months projection



		ACTUAL				FORECAST	
		Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12
Actual - PJM Point to Point Projections - PJM Point to Point	Mar-11*	(319,055)	(1,394,935)	(1,311,742)	(426,254)	(874,156)	(652,688)
	Apr-13	(476,328)	(1,473,983)	(880,785)	(880,785)	(880,785)	(1,071,224)
		Q2 13*	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Actual - PJM Point to Point Projections - PJM Point to Point	Mar-13*	(362,452)	(362,452)	(362,452)	(362,452)	(362,452)	(362,452)
	Apr-13	(362,452)	(362,452)	(362,452)	(362,452)	(362,452)	(362,452)

* For comparability, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP merger was effective Q1 2012.

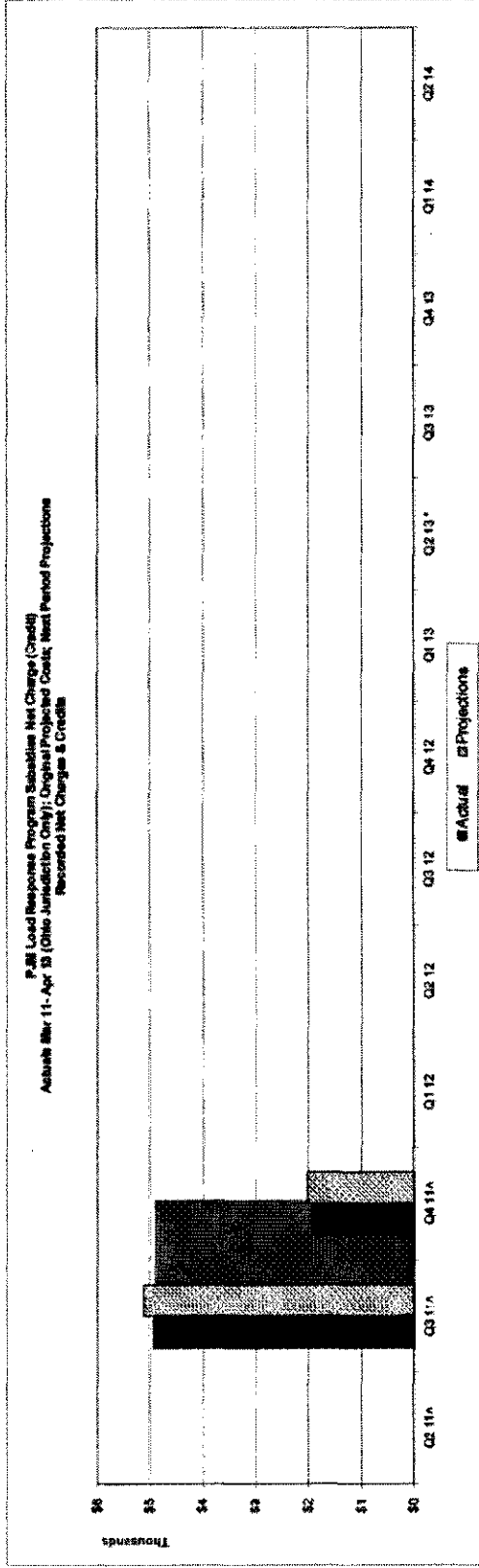
* Q2 13 includes one month of actual and two months projection.



		ACTUAL					
		Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12
Actual - PJM Supplemental Reserves		2,521	582,304	1,482,107	1,238	17,777	488,869
Projections - PJM Supplemental Reserves		0,075	50,840	347,307	50,370	23,060	79,090

		FORECAST					
		Mar-13*	Jun-13*	Q3 13	Q4 13	Q1 14	Q2 14
Actual - PJM Supplemental Reserves		413	67,304	135,021	1,262,894	10,281	203,039
Projections - PJM Supplemental Reserves		57,303	67,304	201,911	1,262,894	10,281	203,039

* For comparability, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP merger was effective Q1 2012.
* Q2 13 includes one month of actual and two months projection.



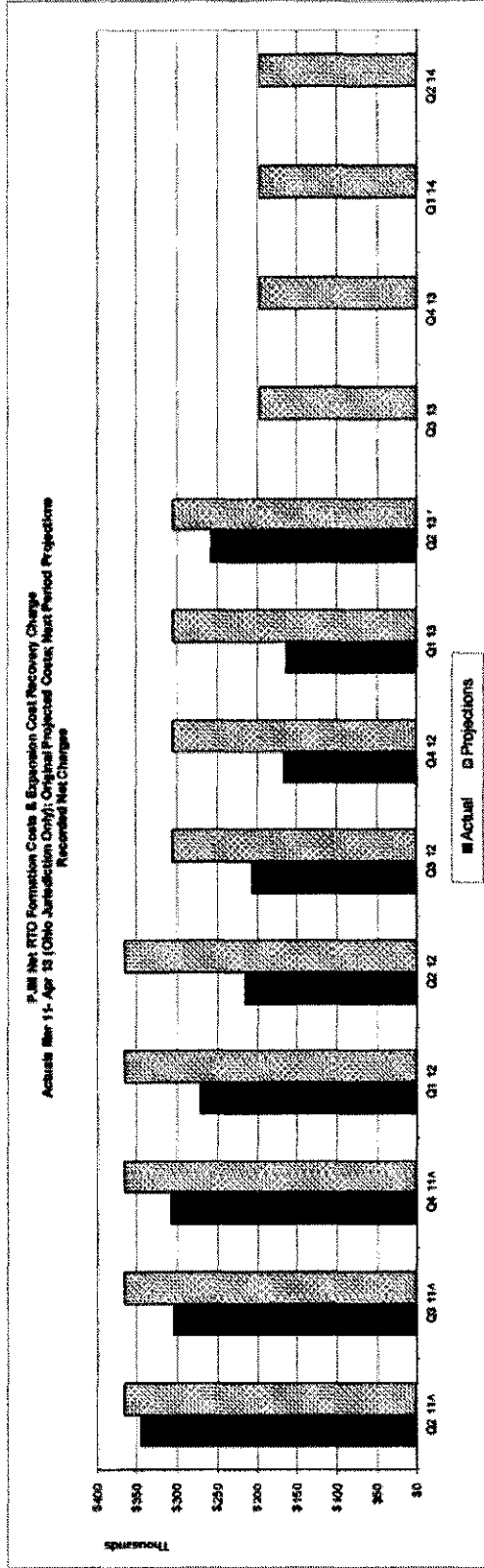
		ACTUAL			
		Q3 11A	Q4 11A	Q1 12	Q2 12
Actual - PJM Load Response Program Subsidies	Projections - PJM Load Response Program Subsidies	1,944	2,000	-	-

Actual - PJM Load Response Program Subsidies
Projections - PJM Load Response Program Subsidies

		FORECAST			
		Q3 13	Q4 13	Q1 14	Q2 14
Actual - PJM Load Response Program Subsidies	Projections - PJM Load Response Program Subsidies	-	-	-	-

Actual - PJM Load Response Program Subsidies
Projections - PJM Load Response Program Subsidies

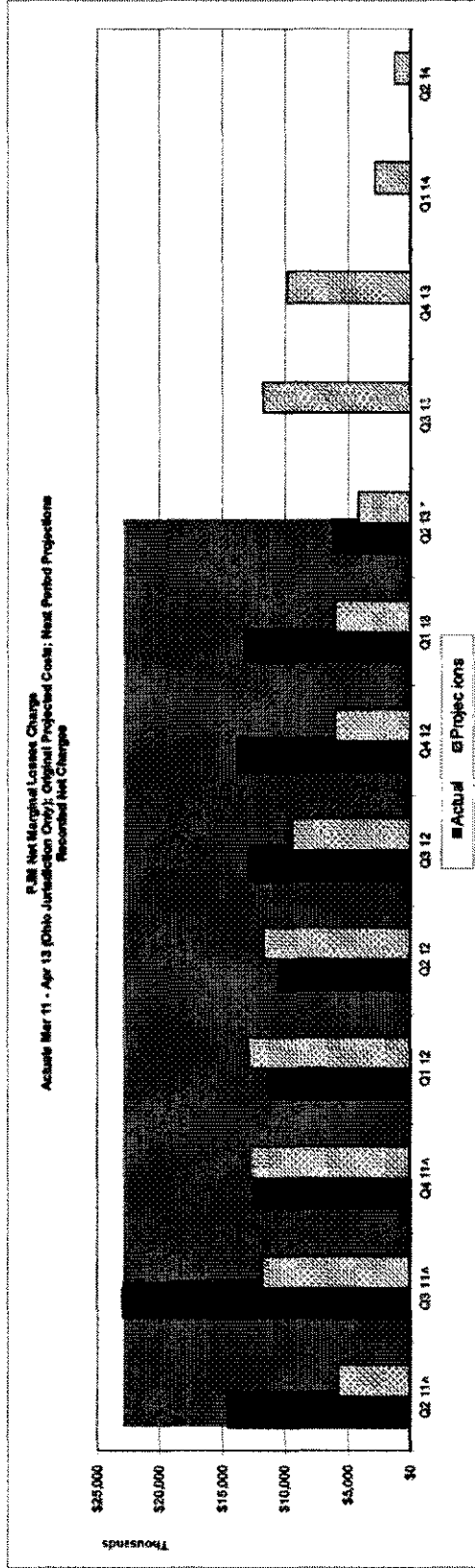
^ For comparability, OP&C & CSF for March 2011 thru Q4 2011 have been combined. OP&C & CSF entries were effective Q1 2012.
* Q2 13 includes one month of actual and two months projection



ACTUAL									
Mar-11 ^A	Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
118,240	343,618	303,323	206,467	270,831	216,134	206,008	165,922	162,555	162,555
122,124	365,676	365,676	365,676	365,676	365,676	304,836	304,836	304,836	304,836
FORECAST									
Apr-12 ^B	Mar-13 ^C	Apr-13 ^D	Q2 13 ^E	Q3 13	Q4 13	Q1 14	Q2 14		
53,547	101,612	101,612	253,171	195,381	195,381	195,381	195,381		
101,612	101,612	101,612	304,836	195,381	195,381	195,381	195,381		

^A For comparability, OPCo & CSP for March 2011 thru Q4 2011 have been combined. OPCo & CSP merger was effective Q1 2012.

^B Q2 13 includes one month of actual and two months projection.



Actuals									
Mar-11*	Q2 11A	Q3 11A	Q4 11A	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
3,745,517	14,880,293	23,008,104	12,511,543	11,277,820	10,205,251	12,493,340	13,827,477	13,294,978	13,294,978
2,728,502	5,786,197	11,762,386	12,777,830	12,906,830	11,639,611	9,416,001	8,037,829	6,036,876	6,036,876
Forecast									
Apr-13*	Mar-13*	Apr-13*	Q3 13*	Q4 13	Q1 14	Q2 14			
3,418,287	1,401,607	1,401,607	8,222,201	9,852,241	2,911,888	1,234,582			
1,401,608	1,401,607	1,401,607	4,214,822	11,720,187	2,911,888	1,234,582			

* For comparability, OPCs & CSP for March 2011 thru Q4 2011 have been combined. OPCs & CSP margin was effective Q1 2012.
* Q2 13 includes one month of actual and two months projection

Ohio Power Company
2013 Typical Bill Comparison
Ohio Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>\$</u> <u>Difference</u>	<u>Difference</u>
Residential	100		\$17.97	\$18.38	\$0.41	2.3%
	250		\$37.03	\$38.06	\$1.03	2.8%
	500		\$68.87	\$70.91	\$2.04	3.0%
	750		\$100.67	\$103.74	\$3.07	3.1%
	1,000		\$129.78	\$133.88	\$4.10	3.2%
	1,500		\$186.69	\$192.83	\$6.14	3.3%
	2,000		\$243.59	\$251.79	\$8.20	3.4%
GS-1 Secondary	375	3	\$57.39	\$59.03	\$1.64	2.9%
	1,000	3	\$122.04	\$126.41	\$4.37	3.6%
	750	6	\$96.19	\$99.47	\$3.28	3.4%
	2,000	6	\$225.50	\$234.24	\$8.74	3.9%
GS-2 Secondary	1,500	12	\$257.53	\$265.28	\$7.75	3.0%
	4,000	12	\$486.43	\$491.49	\$5.06	1.0%
	6,000	30	\$800.99	\$817.95	\$16.96	2.1%
	10,000	30	\$1,166.89	\$1,179.56	\$12.67	1.1%
	10,000	40	\$1,240.02	\$1,260.49	\$20.47	1.7%
	14,000	40	\$1,605.90	\$1,622.07	\$16.17	1.0%
	12,500	50	\$1,541.83	\$1,567.41	\$25.58	1.7%
	18,000	50	\$2,043.22	\$2,062.90	\$19.68	1.0%
	15,000	75	\$1,953.31	\$1,995.71	\$42.40	2.2%
	30,000	100	\$3,499.78	\$3,545.57	\$45.79	1.3%
	36,000	100	\$4,045.27	\$4,084.62	\$39.35	1.0%
	30,000	150	\$3,865.39	\$3,950.18	\$84.79	2.2%
	60,000	300	\$7,689.60	\$7,859.18	\$169.58	2.2%
	90,000	300	\$10,416.97	\$10,554.34	\$137.37	1.3%
	100,000	500	\$12,788.52	\$13,071.16	\$282.64	2.2%
	150,000	500	\$17,334.17	\$17,563.13	\$228.96	1.3%
	180,000	500	\$20,061.52	\$20,258.28	\$196.76	1.0%

Ohio Power Company
2013 Typical Bill Comparison
Ohio Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>\$</u> <u>Difference</u>	<u>Difference</u>
GS-3 Secondary	18,000	50	\$2,021.91	\$2,065.60	\$43.69	2.2%
	30,000	75	\$3,189.30	\$3,253.29	\$63.99	2.0%
	50,000	75	\$4,369.44	\$4,423.09	\$53.65	1.2%
	36,000	100	\$4,002.63	\$4,090.02	\$87.39	2.2%
	30,000	150	\$4,567.20	\$4,710.69	\$143.49	3.1%
	60,000	150	\$6,337.39	\$6,465.37	\$127.98	2.0%
	100,000	150	\$8,697.63	\$8,804.92	\$107.29	1.2%
	120,000	300	\$12,633.58	\$12,889.53	\$255.95	2.0%
	150,000	300	\$14,403.77	\$14,644.21	\$240.44	1.7%
	200,000	300	\$17,354.06	\$17,568.64	\$214.58	1.2%
	180,000	500	\$19,848.37	\$20,285.29	\$436.92	2.2%
	200,000	500	\$21,028.49	\$21,455.07	\$426.58	2.0%
	325,000	500	\$28,404.26	\$28,766.20	\$361.94	1.3%
GS-2 Primary	200,000	1,000	\$24,646.55	\$25,189.23	\$542.68	2.2%
	300,000	1,000	\$33,544.06	\$33,983.08	\$439.02	1.3%
GS-3 Primary	360,000	1,000	\$38,480.75	\$39,321.00	\$840.25	2.2%
	400,000	1,000	\$40,807.33	\$41,627.61	\$820.28	2.0%
	650,000	1,000	\$55,348.48	\$56,043.93	\$695.45	1.3%
GS-2 Subtransmission	1,500,000	5,000	\$136,208.19	\$138,407.29	\$2,199.10	1.6%
GS-3 Subtransmission	2,500,000	5,000	\$195,184.04	\$199,045.04	\$3,861.00	2.0%
	3,250,000	5,000	\$234,328.73	\$237,833.03	\$3,504.30	1.5%
GS-4 Subtransmission	3,000,000	10,000	\$269,834.29	\$285,293.29	\$15,459.00	5.7%
	5,000,000	10,000	\$363,989.29	\$380,754.29	\$16,765.00	4.6%
	6,500,000	10,000	\$434,605.54	\$452,350.04	\$17,744.50	4.1%
	10,000,000	20,000	\$722,676.79	\$756,206.79	\$33,530.00	4.6%
	13,000,000	20,000	\$863,909.29	\$899,398.29	\$35,489.00	4.1%
GS-4 Transmission	25,000,000	50,000	\$1,788,641.79	\$1,872,466.79	\$83,825.00	4.7%
	32,500,000	50,000	\$2,141,393.79	\$2,230,116.29	\$88,722.50	4.1%

* Typical bills assume 100% Power Factor

Ohio Power Company
2013 Typical Bill Comparison
Columbus Southern Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>\$</u> <u>Difference</u>	<u>Difference</u>
<u>Residential</u>						
RR1 Annual	100		\$19.09	\$19.50	\$0.41	2.2%
	250		\$38.40	\$39.43	\$1.03	2.7%
	500		\$70.66	\$72.70	\$2.04	2.9%
RR Annual	750		\$110.75	\$113.82	\$3.07	2.8%
	1,000		\$137.29	\$141.39	\$4.10	3.0%
	1,500		\$186.27	\$192.41	\$6.14	3.3%
	2,000		\$235.23	\$243.43	\$8.20	3.5%
GS-1						
	375	3	\$64.28	\$65.92	\$1.64	2.6%
	1,000	3	\$155.84	\$160.21	\$4.37	2.8%
	750	6	\$119.23	\$122.51	\$3.28	2.8%
	2,000	6	\$268.49	\$277.23	\$8.74	3.3%
GS-2						
Secondary						
	1,500	12	\$262.20	\$269.95	\$7.75	3.0%
	4,000	12	\$534.02	\$539.08	\$5.06	1.0%
	6,000	30	\$879.76	\$896.71	\$16.95	1.9%
	10,000	30	\$1,314.31	\$1,326.97	\$12.66	1.0%
	10,000	40	\$1,385.69	\$1,406.15	\$20.46	1.5%
	14,000	40	\$1,820.26	\$1,836.41	\$16.15	0.9%
	12,500	50	\$1,728.67	\$1,754.24	\$25.57	1.5%
	18,000	50	\$2,324.50	\$2,344.16	\$19.66	0.9%
	15,000	75	\$2,178.70	\$2,221.08	\$42.38	2.0%
	30,000	150	\$4,335.14	\$4,419.90	\$84.76	2.0%
	60,000	300	\$8,648.10	\$8,817.62	\$169.52	2.0%
	100,000	500	\$14,398.66	\$14,681.20	\$282.54	2.0%
GS-2						
Primary						
	20,000	100	\$2,872.91	\$2,927.17	\$54.26	1.9%
GS-3						
Secondary						
	30,000	75	\$3,243.62	\$3,307.61	\$63.99	2.0%
	50,000	75	\$4,432.54	\$4,486.19	\$53.65	1.2%
	30,000	100	\$3,722.95	\$3,813.44	\$90.49	2.4%
	36,000	100	\$4,079.62	\$4,167.01	\$87.39	2.1%

Ohio Power Company
2013 Typical Bill Comparison
Columbus Southern Power Rate Zone

<u>Tariff</u>	<u>kWh</u>	<u>KW</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Difference</u>
	60,000	150	\$6,465.00	\$6,592.98	\$127.98	2.0%
	100,000	150	\$8,842.81	\$8,950.10	\$107.29	1.2%
	90,000	300	\$11,124.45	\$11,395.91	\$271.46	2.4%
	120,000	300	\$12,907.81	\$13,163.76	\$255.95	2.0%
	150,000	300	\$14,691.16	\$14,931.60	\$240.44	1.6%
	200,000	300	\$17,663.41	\$17,877.99	\$214.58	1.2%
	150,000	500	\$18,525.93	\$18,978.37	\$452.44	2.4%
	180,000	500	\$20,309.27	\$20,746.19	\$436.92	2.2%
	200,000	500	\$21,498.18	\$21,924.76	\$426.58	2.0%
	325,000	500	\$28,928.83	\$29,290.77	\$361.94	1.3%
GS-3 Primary	300,000	1,000	\$35,107.24	\$35,977.45	\$870.21	2.5%
	360,000	1,000	\$38,584.00	\$39,424.25	\$840.25	2.2%
	400,000	1,000	\$40,901.84	\$41,722.12	\$820.28	2.0%
	650,000	1,000	\$55,388.35	\$56,083.80	\$695.45	1.3%
GS-4	1,500,000	5,000	\$137,643.91	\$145,373.41	\$7,729.50	5.6%
	2,500,000	5,000	\$190,795.21	\$199,177.71	\$8,382.50	4.4%
	3,250,000	5,000	\$230,658.70	\$239,530.95	\$8,872.25	3.9%
	3,000,000	10,000	\$251,155.86	\$266,614.86	\$15,459.00	6.2%
	5,000,000	10,000	\$357,458.46	\$374,223.46	\$16,765.00	4.7%
	6,500,000	10,000	\$437,185.41	\$454,929.91	\$17,744.50	4.1%
	6,000,000	20,000	\$478,179.76	\$509,097.76	\$30,918.00	6.5%
	10,000,000	20,000	\$690,784.96	\$724,314.96	\$33,530.00	4.9%
	13,000,000	20,000	\$850,238.86	\$885,727.86	\$35,489.00	4.2%
	15,000,000	50,000	\$1,159,251.46	\$1,236,546.46	\$77,295.00	6.7%
	25,000,000	50,000	\$1,690,764.46	\$1,774,589.46	\$83,825.00	5.0%
	32,500,000	50,000	\$2,089,399.21	\$2,178,121.71	\$88,722.50	4.3%

* Typical bills assume 100% Power Factor

[illegible]

Left-handed Allocation

© 2004 NISSEN SEIWA CO., LTD.

(1) **FORFEITURE OF RIGHTS.** If a licensee fails to comply with the provisions of this chapter, the licensee shall forfeit all rights to the license.

[illegible]

(10) Pursued to Subsection 13 of the P.M. OATT, the Company will begin to incur charges for Sustained Potential Transmission Encumbrances.

(b) The amount of compensation is not more than \$600,000.

[illegible]

[illegible]

2013 - 2014 Forecasted Load (kWh) excluding Shopping Customers

ALL PRICES ARE NET OF 9.5% GST
ALL PRICES ARE QUOTED EXCEPT PERCENTAGES

82

WPCo Share of CIPCo Peak Used in MFLPR

(b) NOTHING HEREIN AND THIS FORM

(b) Personal injury, death, or damage to property.

of power to the extent that the Bureau intended to (b)

(d) Payment to Schedule 12 of the 1997

(1) Beginning November 2010, the C

Ohio Power Company
Monthly Projected Cost for Each Rate Schedule

	Forecast Sep-13	Forecast Oct-13	Forecast Nov-13	Forecast Dec-13	Forecast Jan-14	Forecast Feb-14	Forecast Mar-14	Forecast Apr-14	Forecast May-14	Forecast Jun-14	Forecast Jul-14	Forecast Aug-14	Forecast 2013 / 2014 Forecast 2014 Total
NET TO BE PAID \$/MWh:													
RS	\$0.174,216	\$03,749,825	\$07,512,087	\$15,923,128	\$72,030,875	\$08,282,973	\$26,490,348	\$02,982,780	\$10,278,183	\$09,900,891	\$78,341,814	\$02,789,748	\$08,207,554
G51	19,648,522	19,449,893	21,443,939	24,763,428	28,517,799	27,441,431	28,887,520	28,294,432	14,933,383	17,878,394	20,294,789	20,156,789	286,232,344
G52 Sec	86,904,116	81,011,529	78,820,967	78,387,036	85,857,741	84,338,172	81,190,322	78,853,810	83,187,752	80,397,064	93,347,166	93,961,726	987,894,635
G52 RL - GS - TCO	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	3,084,766	30,847,666
G52 RL	6,200,219	6,407,821	6,465,767	6,361,036	6,070,137	6,089,212	4,521,498	4,341,590	4,293,438	2,916,191	6,775,270	3,427,864	30,847,666
G52 SubTrans	4,500,777	3,057,979	3,653,009	3,232,261	1,824,261	1,343,713	1,858,439	3,893,579	3,893,579	4,180,168	7,738,134	3,918,464	70,892,043
G53 Sec	11,874,282	107,848,122	101,462,226	101,462,226	101,462,226	101,462,226	94,338,348	93,817,983	93,817,983	100,131,982	113,334,837	118,080,881	1,252,314,373
G53 - TCO	70,679,730	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295	67,292,295
G53 SubTrans	13,277,219	9,807,319	12,417,800	9,335,000	13,191,252	8,229,129	9,425,463	5,745,745	7,729,179	10,227,480	14,905,342	16,317,452	126,087,890
G54 PH	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884	4,021,281,884
CHG	480,416	480,416	480,416	480,416	480,416	480,416	480,416	480,416	480,416	480,416	480,416	480,416	4,804,160
SS	482,011	482,011	482,011	482,011	482,011	482,011	482,011	482,011	482,011	482,011	482,011	482,011	4,820,110
DL	4,250,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	5,393,742	53,937,420
SL	8,045,806	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	7,288,872	72,888,720
Total	1,370,628,816	1,328,286,740	1,265,896,355	1,406,190,134	1,438,284,396	1,537,122,612	1,400,734,625	1,286,596,261	1,163,961,872	1,246,297,853	1,892,488,385	1,897,360,133	17,340,871,141
DEMAND:													
RS	-	-	-	-	-	-	-	-	-	-	-	-	-
G51	-	-	-	-	-	-	-	-	-	-	-	-	-
G52 Sec	340,094	360,719	360,719	340,095	316,219	338,922	316,940	325,630	282,397	325,787	378,300	344,542	4,037,409
G52 RL - GS - TCO	-	-	-	-	-	-	-	-	-	-	-	-	-
G52 PH	38,544	28,538	40,837	25,967	23,621	28,546	18,816	18,831	18,462	24,369	30,087	33,098	340,253
G52 SubTrans	18,832	16,575	18,281	14,587	30,141	20,362	11,814	11,814	11,089	13,653	27,900	27,900	265,847
G53 Sec	255,220	258,360	256,325	218,864	228,853	233,660	208,891	223,263	213,465	234,029	238,207	238,636	2,807,947
G53 - TCO	-	-	-	-	-	-	-	-	-	-	-	-	-
G53 PH	133,701	140,827	145,024	107,795	103,231	100,170	72,408	74,240	97,120	119,389	150,282	156,075	1,420,327
G53 SubTrans	23,894	20,514	25,850	12,994	24,318	18,298	12,849	11,277	14,902	22,149	30,375	30,164	253,176
G54 PH	8,390	8,390	8,390	8,390	8,390	8,390	8,390	8,390	8,390	8,390	8,390	8,390	83,900
G54 SubTrans	660,076	878,887	591,096	625,796	543,447	600,200	699,947	653,384	647,961	908,421	778,381	728,139	7,807,216
CHG	-	-	-	-	-	-	-	-	-	-	-	-	-
SS	-	-	-	-	-	-	-	-	-	-	-	-	-
DL	-	-	-	-	-	-	-	-	-	-	-	-	-
SL	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,542,900	1,320,545	1,440,857	1,312,469	1,316,828	1,380,968	1,306,008	1,328,594	1,288,230	1,348,796	1,850,753	1,906,038	17,009,995
REVENUES:													
RS	\$ 12,861,349	\$ 9,536,898	\$ 8,619,805	\$ 12,795,362	\$ 15,231,539	\$ 13,804,821	\$ 11,571,524	\$ 9,854,308	\$ 7,493,987	\$ 8,894,636	\$ 12,732,101	\$ 14,146,221	\$ 130,186,313
G51	280,720	280,720	280,720	280,720	280,720	280,720	280,720	280,720	280,720	280,720	280,720	280,720	2,807,200
G52 Sec	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	1,183,451	11,834,510
G52 RL - GS - TCO	41,963	41,963	41,963	41,963	41,963	41,963	41,963	41,963	41,963	41,963	41,963	41,963	419,630
G52 PH	113,037	91,384	129,328	82,871	80,379	80,379	81,618	80,701	80,308	90,889	90,889	90,889	908,889
G52 SubTrans	38,857	48,013	54,172	44,329	26,961	68,775	26,961	32,961	38,119	48,389	58,083	58,083	580,830
G53 Sec	1,427,069	1,413,022	1,409,959	1,228,311	1,310,262	1,281,423	1,173,093	1,220,389	1,148,798	1,298,538	1,431,981	1,448,891	15,835,386
G53 - TCO	-	-	-	-	-	-	-	-	-	-	-	-	-
G53 PH	777,028	777,028	777,028	777,028	777,028	777,028	777,028	777,028	777,028	777,028	777,028	777,028	7,770,280
G53 SubTrans	188,390	188,390	188,390	188,390	188,390	188,390	188,390	188,390	188,390	188,390	188,390	188,390	1,883,900
G54 PH	4,123,806	3,794,431	3,464,771	3,793,029	3,474,366	3,781,321	3,854,890	3,642,999	3,903,005	5,632,291	4,386,500	4,289,092	46,834,357
G54 SubTrans	4,046	4,046	4,046	4,046	4,046	4,046	4,046	4,046	4,046	4,046	4,046	4,046	40,460
CHG	17,100	21,577	22,866	23,121	23,846	22,794	21,896	21,896	21,896	21,896	21,896	21,896	218,960
SS	23,622	27,442	29,180	20,078	27,419	27,397	27,419	24,860	22,928	21,762	21,821	14,902	239,409
DL	-	-	-	-	-	-	-	-	-	-	-	-	-
SL	20,873,714	17,324,788	17,082,972	20,013,966	18,713,694	21,070,831	18,713,694	16,724,079	14,967,041	18,141,083	22,503,907	14,902	311,385
Total	\$ 20,873,714	\$ 17,324,788	\$ 17,082,972	\$ 20,013,966	\$ 18,713,694	\$ 21,070,831	\$ 18,713,694	\$ 16,724,079	\$ 14,967,041	\$ 18,141,083	\$ 22,503,907	\$ 22,712,866	\$ 230,891,529

Ohio Power Company
Projected Transmission Cost Recovery Rider Rate Calculations
July 2011 - June 2012

Forecast	SSO Demand	Demand Cost		KWH Energy Adjusted	Energy Cost	Net Marginal Loss 100% KWH	Total Cost
RS	2,386.7	\$	80,727,450	8,881,307,554	\$ 21,839,971	\$ 6,112,729	\$ 108,680,150
GS1	57.4		1,942,723	266,329,344	654,929	183,306	\$ 2,780,958
GS2	252.9		8,552,452	1,151,485,024	2,831,561	792,518	\$ 12,176,531
GS3	366.4		13,070,349	2,074,448,709	5,101,265	1,427,779	\$ 19,598,382
GS4/IRP	633.1		21,412,104	4,822,463,830	11,858,892	3,319,152	\$ 36,590,149
EHG	0.6		21,493	7,683,731	18,895	5,288	\$ 45,676
SS/EHS	1.1		36,766	5,877,597	14,464	4,045	\$ 55,265
OL/SL	0.0		-	133,833,952	328,356	92,183	\$ 421,539
SBS*	0.0		-	-	-	-	\$ -
Total	3,718.2	\$	125,763,338	17,343,509,741	\$ 42,649,323	\$ 11,937,000	\$ 180,349,661

Reconciliation							
RS	\$	22,646,255	8,881,307,554	\$	8,126,709	\$	1,714,787
GS1	\$	544,987	266,329,344		183,725		51,422
GS2	\$	2,388,187	1,151,485,024		794,330		222,323
GS3	\$	3,686,590	2,074,448,709		1,431,044		400,531
GS4/IRP	\$	6,006,690	4,822,463,830		3,326,743		831,113
EHG	\$	8,029	7,683,731		5,301		1,484
SS/EHS	\$	10,314	5,877,597		4,055		1,135
OL/SL	\$	-	133,833,952		92,393		25,860
SBS	\$	-	-		-		-
Total	\$	35,280,052	17,343,509,741	\$	11,964,300	\$	3,348,655
							\$ 50,593,007

Total							
RS	\$	103,373,705		\$	27,966,580	\$	7,827,516
GS1	\$	2,487,710		\$	838,654	\$	234,729
GS2	\$	10,951,649		\$	3,625,891	\$	1,014,841
GS3	\$	16,736,939		\$	6,532,309	\$	1,828,310
GS4/IRP	\$	27,418,785		\$	15,185,636	\$	4,250,265
EHG	\$	27,522		\$	24,196	\$	6,772
SS/EHS	\$	47,080		\$	18,508	\$	5,180
OL/SL	\$	-		\$	421,760	\$	118,042
SBS	\$	-		\$	-	\$	-
Total	\$	161,043,390		\$	54,613,623	\$	15,285,655
							\$ 230,942,668

*Demand imputed based upon contractual forced outage rates

[illegible]

Ohio Power Company SBS Tariff Rate Design

		AEP Ohio			
		Demand		Energy	
GS-2		\$	10,951,649	\$	4,640,732
GS-3		\$	16,736,939	\$	8,360,618
GS-4/IRP		\$	27,418,785	\$	19,435,901
Total		\$	55,107,373	\$	32,437,251
Demand @ Secondary		59,601,622			
Energy @ Secondary		7,752,446,660			
		Loss			
Forced Outage Rate	15%	Factors			
Secondary		1.0000	\$	0.14	\$ 0.0041841
Primary		0.9653	\$	0.13	\$ 0.0040390
Subtrans/Transmission		0.9461	\$	0.13	\$ 0.0039585
Forced Outage Rate		5%			
Secondary			\$	0.05	\$ 0.0041841
Primary			\$	0.04	\$ 0.0040390
Subtrans/Transmission			\$	0.04	\$ 0.0039585
Forced Outage Rate		10%			
Secondary			\$	0.09	\$ 0.0041841
Primary			\$	0.09	\$ 0.0040390
Subtrans/Transmission			\$	0.09	\$ 0.0039585
Forced Outage Rate		20%			
Secondary			\$	0.18	\$ 0.0041841
Primary			\$	0.18	\$ 0.0040390
Subtrans/Transmission			\$	0.17	\$ 0.0039585
Forced Outage Rate		25%			
Secondary			\$	0.23	\$ 0.0041841
Primary			\$	0.22	\$ 0.0040390
Subtrans/Transmission			\$	0.22	\$ 0.0039585
Forced Outage Rate		30%			
Secondary			\$	0.28	\$ 0.0041841
Primary			\$	0.27	\$ 0.0040390
Subtrans/Transmission			\$	0.26	\$ 0.0039585
Maintenance Energy					
at 15% Forced Outage Rate					
Secondary			\$	0.14	
Primary			\$	0.13	
Subtrans/Transmission			\$	0.13	
Hours at 85% Load Factor		621			
Demand Components per KWH		Total			
Secondary		\$	0.0002254	\$	0.0041841 \$0.0044095
Primary		\$	0.0002093	\$	0.0040390 \$0.0042483
Subtrans/Transmission		\$	0.0002093	\$	0.0039585 \$0.0041678
Less than 100 KW*					
Residential & GS-1		\$	105,861,415.401		
GS-2		\$	10,951,649		
Forced Outage Adjustment	15%	\$	17,521,960		
Demand		\$	40,335,389		
		\$	0.43		

* Also Breakdown Service Charge for CSP

Ohio Power Company

	Metered		Loss Factor	Units @ Secondary	
	Energy	Demand		Energy	Demand
RS	8,881,307,554	-	1.0000	8,881,307,554	-
GS1	266,329,344	-	1.0000	266,329,344	-
GS2 Sec	987,898,635	4,037,409	1.0000	987,898,635	4,037,409
GS2 RL - GS - TOD*	38,883,822	158,913	1.0000	38,883,822	158,913
GS2 Pri	76,852,043	340,253	0.9653	74,185,984	328,449
GS2 Sub/Trans	47,830,525	205,847	0.9461	45,251,428	194,747
GS3 Sec	1,252,314,373	2,847,947	1.0000	1,252,314,373	2,847,947
GS3-TOD	-	-	1.0000	-	-
GS3 Pri	696,446,446	1,420,327	0.9653	672,286,162	1,371,055
GS3 Sub/Trans	125,687,890	253,176	0.9461	118,910,602	239,524
GS4 Pri	14,905,185	26,889	0.9653	14,388,112	25,957
GS4/IRP Sub/Trans	4,807,558,645	7,907,216	0.9461	4,548,327,542	7,480,847
EHG	7,683,731	-	1.0000	7,683,731	-
SS	5,877,597	-	1.0000	5,877,597	-
AL	56,672,920	-	1.0000	56,672,920	-
SL	77,261,032	-	1.0000	77,261,032	-
	17,343,509,741	17,197,978		17,047,578,837	16,684,848

6/29/12 14:00 EST

Ohio Power Company Class Contribution To PJM Peak					
Class	Metered Avg / Cust KW	Number Of Customers	Metered Class MW	Peak Loss Factor	At Generation Class MW
Residential	2.76	1,263,365	3,482.63	1.0932	3,807.21
GS1	1.21	116,939	140.94	1.0932	154.07
GS2	19.40	54,165	1,050.74	1.0874	1,142.60
GS3	200.33	11,670	2,337.83	1.0747	2,512.55
GS4	11,730.18	76	891.49	1.0351	922.75
IIP	99,433.71	3	298.30	1.0341	308.47
EHG	9.35	431	4.03	1.0932	4.40
SCH	37.99	150	5.70	1.0932	6.23
Joint Service Territory	497,690.37	1	497.69	1.0341	514.66
TOTAL					
Internal Load (less WPCo) (At Generation)					9,372.95
Total			8,709.35		9,372.95
Total GS-4					1,745.89

Ohio Power Company
Amount exclude Wheeling Power Company activity
Recorded Transmission Rider Revenues & Transmission Costs
Jan 13 - Apr 13
<Revenue>/Expense in \$

Schedule D1 and D3

	Dec-12	Jan-13	Feb-13	Mar-13	1st Qtr 2013	Apr-13	May-13	Jun-13	2nd Qtr 2013
Total Transm. TCRR/TCRR Revenue-OPCO		120,338,799	(19,491,966)	(19,461,363)	(88,989,131)	(17,280,965)			(17,280,965)
Transmission Costs									
Net Congestion									
PJM Implicit Congestion									
PJM FTR Revenue		5,235,425	3,514,718	1,975,482	10,725,838	769,034			769,034
Auction Revenue Rights		(3,112,340)	(2,446,865)	(2,130,916)	(7,689,912)	(516,507)			(516,507)
Net Congestion Subtotal		2,123,085	1,067,853	(155,434)	3,035,744	252,527			252,527
PJM Operating Reserve		1,090,515	633,174	535,839	2,259,527	921,862			921,862
PJM Ancillary Services									
PJM Synchronous Condensing		82	0	(35)	47	(1)			(1)
PJM Reactive Supply		3,842	3,707	3,718	11,087	24,016,281			24,016,281
PJM Blackstart		2,420,759	4,277,911	1,983,090	8,391,730	2,861,802			2,861,802
PJM Regulation Charges		958,915	808,984	884,390	2,652,289	606,305			606,305
PJM Spinning Reserve Charges		2,993	4,969	54,041	82,094	110,207			110,207
PJM 30 minute Supplemental Market		2,465	968	4,012	7,475	413			413
PJM Ancillary Services Subtotal		3,388,856	5,098,611	2,629,185	11,114,863	27,588,007			27,588,007
PJM Administration Service Fees		1,516,440	1,428,468	(43,024)	2,399,916	911,742			911,742
Net Expansion Cost Recovery Charge		(59,264)	(81,431)	(68,163)	(198,859)	(82,460)			(82,460)
Amortization of PJM Integration Cost		155,502	155,502	155,502	466,507	155,502			155,502
PJM RTO Formation Cost Recovery		(35,410)	(34,705)	(46,979)	(117,094)	(39,096)			(39,096)
Net RTO Formation Costs		120,092	120,798	108,523	349,413	116,407			116,407
PJM Transmission Enhancement Charges									
WTS/TO Charges - LSE		1,111,073	529,010	1,818,884	3,466,767	1,134,790			1,134,790
PJM Marginal Losses		10,739,406	9,176,403	9,703,712	29,619,321	9,204,965			9,204,965
Net Marginal Losses and Fuel Credit		4,752,778	3,891,290	4,950,908	13,294,975	3,418,987			3,418,987
PJM Marginal Losses		4,752,778	3,891,290	4,950,908	13,294,975	3,418,987			3,418,987
PJM-PJ Transm. Revenues		(223,360)	(208,969)	(159,508)	(891,848)	(180,379)			(180,379)
PJM Emergency Energy Purchases		(366,667)	(366,667)	(366,667)	(1,100,000)	(366,667)			(366,667)
OPCO Phase-In Credits (ER09-1279-000)									
Total Net RTO Costs - OPCO		24,193,055	21,304,749	18,854,067	64,161,361	42,988,739			42,988,739
Monthly OPCO - Net <Over>/Under Recovery		3,855,345	1,813,693	(507,293)	5,162,730	25,688,774			25,688,774
OPCO - Cumul. Net <Over>/Under Recovery - Bypassable Rates Only		17,312,419	19,128,102	18,618,804		44,307,578			44,307,578
	13,459,874								

**Reconciliation of Cumulative (Over)/Under Recovery on Schedule D1
to (Over)/Under Recovery on Schedule B-1**

	Ohio Power Company
Cumulative (Over)/Under Recovery on Schedule D-1	<u>44,307,578</u>
Cumulative Carrying Charges	1,773,880
(Over)/Under Recovery on Schedule B-1	<u><u>46,081,458</u></u>

Monthly Revenues Collected From Each Rate Schedule
March - April 2013

Ohio Power Company

	<u>March 2013</u>	<u>April 2013</u>
Billed:		
RS	12,118,556.23	10,455,874.72
GS1	360,721.15	325,966.65
GS2 Sec	1,423,740.46	1,372,710.14
GS2 RL - GS - TOD	54,399.41	49,205.93
GS2 Pri	90,595.38	78,325.76
GS2 Sub/Trans	48,787.77	42,517.62
GS3 Sec	1,562,624.53	1,533,275.36
GS3-TOD	-	-
GS3 Pri	566,081.72	540,137.10
GS3 Sub/Trans	107,224.70	86,881.94
GS4 Pri	-	-
GS4/IRP Sub/Trans	3,728,823.37	3,407,081.60
EHG	11,980.42	9,083.93
EHS	-	-
SS	10,998.56	9,437.08
SL	19,331.26	17,005.87
AL	30,492.03	28,431.67
SBS-Sub/Tran-Backup	-	-
	<u>20,134,356.99</u>	<u>17,955,935.37</u>
Estimated and Unbilled	(973,001.79)	(674,970.26)
Total:	19,161,355.20	17,280,965.11

Ohio Power Company

Schedule D-3a

2013

Example of Carrying Cost Calculation

<u>Line</u> <u>No.</u>	Description Monthly Activity for	<u>Mar-13</u>	<u>Apr-13</u>
1	Monthly (Over)/Under Recovery	(507,299)	25,688,774
2	Cumulative (Over)/Under Rec.	(507,299)	25,181,475
	Recorded In	<u>Apr-13</u>	<u>May-13</u>
	<u>Accrual of Carrying Charges</u>		
3	Current TCRR Expenditures	(507,299)	25,181,475
4	Accumulated Carrying Charges	-	(2,257)
5	Total	(507,299)	25,179,218
6	Debt Rate	5.340%	5.340%
	Current Month Carrying Cost		
7	Debt Portion (4210041) (4310001)	(2,257)	112,048
	Accumulated		
8	Accumulated Debt	(2,257)	109,790
	Account 1823154		109,790
	Account 4210041		(109,790)
	Account 2540104	(2,257)	2,257
	Account 4310001	2,257	(2,257)

**Merged Ohio Companies
Expanded Transmission Cost Recovery Rider Revenues
March 2013**

<u>Total Transmission Revenues</u>	Current Month	Prior Month Reversal (4)	<u>Net</u>
(1) Billed "T" Revenue (incl Republic adjust)	20,134,356.99	n/a	20,134,356.99
(2) Estimated "T" Revenue	125,087.25	(336,585.94)	(211,498.69)
(3) Estimated Unbilled "T" Revenue	7,733,275.39	(8,494,778.49)	<u>(761,503.10)</u>
Total Amount of Transmission Revenues			19,161,355.20

Source of Data:

- (1) Billed Transmission revenues 9 - 1T
- (2) Estimated Billed Transmission Revenue - MACSS Report MCSRESTB
- (3) **Estimated** Unbilled Transmission Revenues - Calculated from KWH provided by Economic Forecasting.



State : OH Line of Business: TRANSMISSION March 2013 9-17

FERC ACCT / NO	OPERATING REVENUE ACCOUNTS	OPERATING REVENUES		KILOWATT - HOUR SALES		CUSTOMERS		CENTS PER KWH	
		THIS YR	LAST YR	%CHNG	THIS YR	LAST YR	%CHNG	THIS YR	LAST YR
4400 002 4400 001	SALES OF ELECTRICITY								
	RESIDENTIAL								
	WITHOUT SPACE HEATING	7,508,656.32	6,879,868.70	9.14	649,954,163	699,458,883	7.08	766,366	927,184
	WITH SPACE HEATING	4,617,046.37	3,668,336.74	26.21	399,296,601	373,792,321	6.82	214,284	252,374
	TOTAL RESIDENTIAL	12,125,702.69	10,538,204.44	15.06	1,049,248,764	1,073,252,204	2.24	980,680	1,179,558
				0.00				0.00	0.00
4420 001 4420 008 4420 007	COMMERCIAL								
	OTHER THAN PUBLIC AUTHORITIES	3,130,219.52	4,880,130.57	35.86	301,031,976	534,492,691	43.68	101,771	139,214
	PUBLIC AUTHS - SCHOOLS	131,283.42	958,713.41	86.31	12,593,215	144,844,444	91.30	779	1,122
	PUBLIC AUTHS-OTHER THAN SCHOOL	190,043.33	304,181.42	49.50	19,151,308	48,940,782	60.56	3,024	6,326
	TOTAL COMMERCIAL	3,450,546.27	6,233,025.40	44.48	332,768,499	727,677,917	54.27	105,474	146,662
				0.00				0.00	0.00
4420 002 4420 004 4420 005	INDUSTRIAL								
	EXCLUDING MINE POWER	4,443,443.90	6,454,181.54	31.15	591,730,566	994,050,921	40.47	5,830	8,436
	MINE POWER	15,897.69	91,823.22	82.65	1,603,209	13,592,443	88.21	39	51
	ASSOCIATED COMPANIES	53,112.82	41,447.63	28.14	2,970,420	2,686,267	10.17	18	37
	TOTAL INDUSTRIAL	4,512,454.51	6,587,252.39	31.50	596,304,195	1,010,339,631	40.98	5,887	8,524
	COMMERCIAL AND INDUSTRIAL	7,973,000.78	12,820,277.79	37.81	928,070,804	1,738,017,548	46.54	112,361	155,186
4440 000	PUBLIC STREET & HIGHWAY LIGHT								
	PUBLIC STREET & HIGHWAY LIGHT	28,107.91	40,195.80	30.07	6,157,293	9,315,514	33.90	1,599	2,375
	TOTAL PUBLIC STREET & HIGHWAY LIGHT	28,107.91	40,195.80	30.07	6,157,293	9,315,514	33.90	1,599	2,375
				0.00				0.00	0.00
4450 001 4450 002	OTHER SALES TO PUBLIC AUTHS								
	PUBLIC SCHOOLS	0.00	0.00	100.00	0	0	100.00	0	0
	OTHER THAN PUBLIC SCHOOLS	563.47	705.28	20.11	49,465	75,819	34.76	26	26
	TOTAL OTHER SALES TO PUBLIC AUTHS	563.47	705.28	20.11	49,465	75,819	34.76	26	26
4470 XXX	ULTIMATE CUSTOMERS	20,127,374.85	23,399,383.11	13.98	1,984,527,216	2,820,681,085	29.64	1,094,866	1,337,145
	SALES FOR RESALE								
	OTHER ELEC UTILS	6,982.14	4,764.77	46.54	742,860	691,863	7.37	3	3
	TOTAL SALES FOR RESALE	6,982.14	4,764.77	46.54	742,860	691,863	7.37	3	3
				0.00				0.00	0.00
4491	TOTAL SALES OF ELECTRICITY	20,134,356.99	23,404,147.88	13.97	1,985,270,076	2,821,352,945	29.63	1,094,869	1,337,148
	PROVISION FOR REFUND								
	PROVISION FOR REVENUE REFUND	0.00	0.00	100.00	0	0	100.00	0	0
	TOTAL PROVISION FOR REFUND	0.00	0.00	100.00	0	0	100.00	0	0
				0.00				0.00	0.00
4500 4510 4530 4540 4560	TOTAL PROVISION FOR REFUND	0.00	0.00	100.00	0	0	100.00	0	0
	OTHER OPERATING REVENUES								
	OPERATING REVENUE								
	FORFEITED DISCOUNTS	0.00	0.00	100.00	0	0	100.00	0	0
	MISCELLANEOUS SERVICE REVENUES	0.00	0.00	100.00	0	0	100.00	0	0
	SALES OF WATER AND WATER POWER	0.00	0.00	100.00	0	0	100.00	0	0
	RENT FROM ELE PROP-NON ASSOC	0.00	0.00	100.00	0	0	100.00	0	0
	OTHER ELECTRIC REVENUES	0.00	0.00	100.00	0	0	100.00	0	0
	TOTAL OPERATING REVENUE	0.00	0.00	100.00	0	0	100.00	0	0
				0.00				0.00	0.00
	TOTAL OTHER OPERATING REVENUES	0.00	0.00	100.00	0	0	100.00	0	0
	TOTAL OPERATING REVENUES	20,134,356.99	23,404,147.88	13.97	1,985,270,076	2,821,352,945	29.63	1,094,869	1,337,148
								1.01	0.83



Rev#	CI	LOB	Cust	Mtrd KWH	Demand	Fuel Clause	Revenue
211	G	OH	8	1,199,829	40.0	0.00	6,922.78
211	D	OH	8	1,199,829	40.0	0.00	27,578.22
Total : 211							34,501.00
212	G	OH	2	161,552	10.0	2,073.00	4,160.54
212	T	OH	1	63,529	5.0	0.00	179.89
212	D	OH	2	161,552	10.0	0.00	3,139.57
Total : 212							7,480.00
213	G	OH	4	339,226	20.0	0.00	2,178.67
213	D	OH	4	339,226	20.0	0.00	11,992.33
Total : 213							14,171.00
216	G	OH	1	14,679	5.0	479.00	825.26
216	T	OH	1	14,679	5.0	0.00	36.27
216	D	OH	1	14,679	5.0	0.00	190.47
Total : 216							1,052.00
221	G	OH	38	186,560,907	190.0	1,987,363.00	3,849,865.73
221	T	OH	8	66,261,406	40.0	0.00	109,869.09
221	D	OH	38	186,560,907	190.0	0.00	787,194.18
Total : 221							4,746,729.00
Rev#	CI	LOB	Cust	Mtrd KWH	Demand	Fuel Clause	Revenue
211	G	OH	28	13,266,841	140.0	71,674.00	121,139.57
211	T	OH	6	1,790,740	30.0	0.00	1,616.67
211	D	OH	28	13,266,841	140.0	0.00	286,904.76
Total : 211							419,661.00
212	G	OH	2	537,601	10.0	0.00	2,100.34
212	D	OH	2	537,601	10.0	0.00	20,172.66
Total : 212							22,273.00
213	G	OH	2	23,989,872	10.0	0.00	26,271.90

Rev'n Cl	LOB	Cust	Mtrd KWH	Demand	Fuel Clause	Revenue
213 D	OH	2	23,989,872	10.0	0.00	31,623.10
Total : 213		2	23,989,872	10.0	0.00	57,895.00
216 G	OH	7	2,753,377	35.0	30,195.00	44,194.76
216 T	OH	2	744,155	10.0	0.00	968.99
216 D	OH	7	2,753,377	35.0	0.00	36,978.25
Total : 216		7	2,753,377	35.0	30,195.00	82,142.00
221 G	OH	4	10,684,394	20.0	201,674.00	335,848.59
221 T	OH	1	5,453,000	5.0	0.00	12,416.34
221 D	OH	4	10,684,394	20.0	0.00	21,465.07
Total : 221		4	10,684,394	20.0	201,674.00	369,730.00
Total G:		96	239,508,278	480.0	2,293,458.00	4,393,308.14
Total T:		19	74,327,509	95.0	0.00	125,087.25
Total D:		96	239,508,278	480.0	0.00	1,237,238.61
Grand Total :		96	239,508,278	480.0	2,293,458.00	5,755,634.00

**Merged Ohio Companies
Expanded Transmission Cost Recovery Rider Revenues
April 2013**

<u>Total Transmission Revenues</u>	Current Month	Prior Month Reversal (4)	<u>Net</u>
(1) Billed "T" Revenue (incl Republic adjust)	17,955,935.37	n/a	17,955,935.37
(2) Estimated "T" Revenue	23,476.86	(125,087.25)	(101,610.39)
(3) Estimated Unbilled "T" Revenue	7,159,915.52	(7,733,275.39)	<u>(573,359.87)</u>
Total Amount of Transmission Revenues			17,280,965.11

Source of Data:

- (1) Billed Transmission revenues 9 - 1T
- (2) Estimated Billed Transmission Revenue - MACSS Report MCSRESTB
- (3) **Estimated** Unbilled Transmission Revenues - Calculated from KWH provided by Economic Forecasting.



State : OH		Line of Business: TRANSMISSION		April 2013		9-1T						
FERC ACCT NO	OPERATING REVENUE ACCOUNTS	OPERATING REVENUES			KILOWATT - HOUR SALES			CUSTOMERS			CENTS PER KWH	
		THIS YR	LAST YR	%CHNG	THIS YR	LAST YR	%CHNG	THIS YR	LAST YR	THIS YR	2013	2012
4400 002 4400 001	RESIDENTIAL	SALES OF ELECTRICITY										
		WITHOUT SPACE HEATING										
		WITH SPACE HEATING										
TOTAL RESIDENTIAL		10,462,406.33	8,449,210.88	23.83	905,406,150	860,409,489	5.23	979,275	1,184,091		1.16	0.98
4420 001 4420 006 4420 007	COMMERCIAL	OTHER THAN PUBLIC AUTHORITIES										
		PUBLIC AUTHS - SCHOOLS										
		PUBLIC AUTHS-OTHER THAN SCHOOL										
TOTAL COMMERCIAL		3,334,115.66	5,142,620.25	35.17-	310,408,067	549,154,285	43.48-	105,832	145,435		1.07	0.94
4420 002 4420 004 4420 006	INDUSTRIAL	EXCLUDING MINE POWER										
		MINE POWER										
		ASSOCIATED COMPANIES										
TOTAL INDUSTRIAL		4,126,188.97	7,551,488.35	45.36-	550,799,040	1,252,881,074	56.04-	5,779	8,396		0.75	0.60
4440 000	PUBLIC STREET & HIGHWAY LIGHT	COMMERCIAL AND INDUSTRIAL										
		PUBLIC STREET & HIGHWAY LIGHT										
		TOTAL PUBLIC STREET & HIGHWAY LIGHT										
TOTAL PUBLIC STREET & HIGHWAY LIGHT		25,701.79	35,593.95	27.79-	5,515,583	7,858,345	29.81-	1,590	2,348		0.47	0.40
4450 001 4450 002	OTHER SALES TO PUBLIC AUTHS	PUBLIC SCHOOLS										
		OTHER THAN PUBLIC SCHOOLS										
		TOTAL OTHER SALES TO PUBLIC AUTHS										
TOTAL OTHER SALES TO PUBLIC AUTHS		692.37	476.05	45.44	60,779	51,669	17.63	26	26		1.14	0.92
4470 XXX	ULTIMATE CUSTOMERS	SALES FOR RESALE										
		OTHER ELEC UTILS										
		TOTAL SALES FOR RESALE										
TOTAL SALES FOR RESALE		17,949,106.12	21,179,389.48	15.25-	1,772,189,619	2,670,354,862	33.63-	1,082,502	1,320,361		1.01	0.79
4481	TOTAL SALES OF ELECTRICITY	PROVISION FOR REFUND										
		PROVISION FOR REFUND										
		TOTAL PROVISION FOR REFUND										
TOTAL PROVISION FOR REFUND		0.00	0.00	100.00	0	0	100.00	0	0		0.00	0.00
4481	TOTAL PROVISION FOR REFUND	OTHER OPERATING REVENUES										
		OPERATING REVENUE										
		TOTAL PROVISION FOR REFUND										
TOTAL PROVISION FOR REFUND		0.00	0.00	100.00	0	0	100.00	0	0		0.00	0.00
4500	OPERATING REVENUE	FORFEITED DISCOUNTS										
		MISCELLANEOUS SERVICE REVENUES										
		SALES OF WATER AND WATER POWER										
TOTAL OPERATING REVENUE		0.00	0.00	100.00	0	0	100.00	0	0		0.00	0.00
4500	TOTAL OPERATING REVENUE	OTHER ELECTRIC REVENUES										
		TOTAL OPERATING REVENUE										
		TOTAL OPERATING REVENUE										
TOTAL OPERATING REVENUE		0.00	0.00	100.00	0	0	100.00	0	0		0.00	0.00
4500	TOTAL OTHER OPERATING REVENUES	TOTAL OTHER OPERATING REVENUES										
		TOTAL OTHER OPERATING REVENUES										
		TOTAL OTHER OPERATING REVENUES										
TOTAL OTHER OPERATING REVENUES		17,985,935.37	21,183,215.19	15.24-	1,772,921,379	2,670,902,662	33.62-	1,082,505	1,320,343		1.01	0.79

Rev'n Cl	LOB	Cust	Mtrd KWH	Demand	Fuel Clause	Revenue
211 G	OH	6	522,639	30.0	3,036.00	8,333.13
211 T	OH	2	79,800	10.0	0.00	311.64
211 D	OH	6	522,639	30.0	0.00	11,449.23
Total : 211						
		6	522,639	30.0	3,036.00	20,094.00
221 G	OH	17	89,197,322	85.0	151,210.00	789,320.90
221 T	OH	5	4,175,571	25.0	0.00	18,750.70
221 D	OH	17	89,197,322	85.0	0.00	358,683.40
Total : 221						
		17	89,197,322	85.0	151,210.00	1,166,755.00
Rev'n Cl	LOB	Cust	Mtrd KWH	Demand	Fuel Clause	Revenue
211 G	OH	20	10,483,171	100.0	39,840.00	103,275.11
211 T	OH	3	886,818	15.0	0.00	3,596.23
211 D	OH	20	10,483,171	100.0	0.00	234,717.66
Total : 211						
		20	10,483,171	100.0	39,840.00	341,589.00
212 G	OH	5	952,679	25.0	9,065.00	20,356.80
212 T	OH	2	201,787	10.0	0.00	818.29
212 D	OH	5	952,679	25.0	0.00	30,156.91
Total : 212						
		5	952,679	25.0	9,065.00	51,332.00
213 G	OH	2	31,081,152	10.0	0.00	63,542.76
213 D	OH	2	31,081,152	10.0	0.00	77,101.24
Total : 213						
		2	31,081,152	10.0	0.00	140,644.00
216 G	OH	4	1,898,860	20.0	0.00	3,743.12
216 D	OH	4	1,898,860	20.0	0.00	31,152.88
Total : 216						
		4	1,898,860	20.0	0.00	34,896.00
221 G	OH	4	23,130,855	20.0	0.00	56,712.57
221 D	OH	4	23,130,855	20.0	0.00	69,430.43
Total : 221						
		4	23,130,855	20.0	0.00	126,143.00
Total G:						
		58	157,266,678	290.0	203,151.00	1,045,284.39



April 2013

Total T:	12	5,343,976	60.0	0.00	23,476.86
Total D:	58	157,266,678	290.0	0.00	812,891.75
Grand Total :	58	157,266,678	290.0	203,151.00	1,881,453.00

Schedule D-3c**Narrative****Reconciliation of One Month's Invoice from RTO to Financial Records of the Company
(March 2013 PJM Invoice)****Description of the Reconciliation Process**

AEP is represented in the PJM market as a single account. This account, under the name Appalachian Power Company, is comprised of the main account, AEP Generation (AEPSCG), and seven sub-accounts associated with serving AEP's native load (Load Serving Entity, or LSE) and off-system sales (OSS). The accounts are listed below.

- AEP Generation (AEPSCG),
- City of Auburn (AEPAUB)
- Buckeye (AEPBCK)
- APCo Dedicated (AEPAPD) (Appalachian Power Company dedicated wind purchases)
- CSP Dedicated (AEPSCSD) (Columbus Southern Power dedicated wind purchases)
- IM Dedicated (AEPIMD) (Indiana Michigan Power dedicated wind purchases)
- OPCo Dedicated (AEPOPD) (Ohio Power Company dedicated wind purchases)
- Beech Ridge Energy LLC (BRELLC) (Beech Ridge Wind Farm)

PJM charges and credits associated with serving AEP's LSE and OSS loads are invoiced ("financially settled" or "settled") under these accounts. (Note: PJM does not designate charges/credits for AEP's LSE and OSS responsibilities; this process is completed by AEP). The AEP Generation (AEPSCG) account contains the charge and credit settlement on most of AEP's resources as well as load. AEP has elected to establish additional accounts in order to provide details for market settlement purposes for specific resources and/or entities. These accounts either contain AEP's wind resources, or they contain charge and credit settlement for the load related to the specific entity identified in the account.

In addition to the accounts listed above, another account is invoiced by PJM for credits associated with AEP Transmission (AEPST). The charges and credits associated with this account are handled by a separate group from those above because AEP is both a transmission provider and market participant in the PJM energy markets. These are further discussed under a separate heading later in this description.

The PJM invoice is received after AEP's month-end closing process and therefore an estimate is booked for the current month. The following month, the estimate entry is reversed out of the general ledger and a new entry is made reflecting the actual invoice amount. Therefore, the detail provided in Schedule D-3c shows the March 2013 general ledger amounts booked for the March 1, 2013 through March 31, 2013 billing period, as shown on the PJM Billing Statements.

The assignment methodology for PJM costs and credits is detailed in **Schedule D-3c, Summary of March 2013 PJM Invoice Reconciliation, Page 9, PJM Invoice Explanations**. As background, AEP uses the hourly MWh information from PJM to reconstruct the resources (both generation and purchased energy) used to serve the native load requirements and fulfill OSS obligations. The reconstruction of the hourly data is completed by AEP's Power Tracker Application¹. AEP is able to use the output from Power Tracker to assign certain charges/credits, while other charges/credits are either directly assigned or assigned based on the Load Ratio Share (LRS).

The charges and credits in the accounts AEP elected to establish (those other than the main AEP Generation (AEPSCG) account) are assigned based on the nature of the agreement with the respective participants.

Once the PJM charges and credits have been assigned to either the LSE or OSS, some are then allocated to the AEP East operating companies² based upon each company's Member Load Ratio (MLR) percentage. The Member Load Ratio (MLR) is an allocation to the AEP East operating companies based on each member's maximum peak demand in relation to the sum of the maximum peak demands of all five companies during the preceding twelve months. Beginning in November 2010, some charges are now allocated to the East operating companies based up a 12 coincident peak methodology³.

Schedule D-3C, Summary of March 2013 PJM Invoice Reconciliation, Pages 5-8, and demonstrates the settlement of the credits and charges (line items in the March 2013 PJM Invoice) for the PJM accounts listed above and the allocation of each to the OPCo general ledger. **Schedule D-3C, Summary of March 2013 PJM Invoice Reconciliation to General Ledger (GL) Transmission Accounts, Pages 10-12** shows the reconciliation for the TCRR accounts for AEP Transmission (AEPST). As noted earlier, the AEP Transmission accounts (AEPST), are settled in a separate process from the PJM accounts listed above.

Description of the PJM Invoice Reconciliation Details

Page 5, "**Summary of March 2013 PJM Invoice to General Ledger (GL) Accounts**", shows a list of the PJM charges that represents Ohio Power Company's (OPCo) TCRR activity for the month, and their FERC-based general ledger account number. The three columns show the total amount allocated from the PJM invoice for each account, the corresponding general

¹ Power Tracker is an internal AEP application used for assigning and reporting the costs and revenues associated with OSS for pool settlements of the Eastern AEP operating companies. Power Tracker calculates costs, demand and energy charges and provides reporting on these results. Using an economic dispatch model, ECR determines the costs associated with OSS on an hourly basis. The Power Tracker process assigns generation and market purchases with the highest price to these sales. Once all OSS activity has been covered by the higher cost generation and market purchases, the remaining lower priced resources are used to source AEP's native load customers.

² The AEP East operating companies with generation are: Ohio Power Company, plus Appalachian Power Company (APCo), Kentucky Power (KPCo) and Indiana Michigan Power Company (I&M)

³ For the 12 CP allocation methodology, all of the East operating companies are utilized. This includes the four generation owning companies mentioned in footnote 2 and the two load only companies, Wheeling Power and Kingsport Power.

ledger total for each account and the variance (if any) for each. This summary illustrates that the March invoice is reconciled for OPCo with a zero variance.

Page 6, **"March 2013 PJM Reconciled Invoice Allocation"** shows the AEP allocation for each of the OPCo activities from Page 5, and that the OPCo portions of each activity, together with the remainder of the AEP East Operating Companies, reconcile with the total from the PJM bills for each activity. The Internal Allocation Column shows the breakdown of the AEP allocations for the LSEs, plus allocations for OSS activities from all of the East Operating Companies if needed to reconcile the TCRR accounts back to the PJM invoice amounts. For each activity/account number, the sum of the LSE Allocation plus the OSS amount is equal to the total from all of the applicable PJM bills for March 2013.

Pages 7 and 8, the **PJM Invoice Detail**, lists, for each of the PJM Invoices, the detail for each Billing Line Item (BLI), consisting of a description of the individual entry, and the total invoice amount included under each account. The sum of each individual BLI entry is equal to the total amount for each account as shown on the Reconciled Invoice Allocations for each of the PJM Invoices.

Page 9, the **PJM Invoice Explanations**, is a list of each activity and the specific PJM Invoice Billing Line Item (BLI) for each activity, described in the "Notes" column. The last column lists the assignment methodology for allocation of each AEPSCG item. The assignment methodology describes for each activity how each billing line item is assigned to determine the amounts reflected in the general ledger.

Description of the AEP Transmission PJM Invoice Reconciliation

Page 10, **"Summary of March 2013 PJM Invoice Reconciliation to General Ledger (GL) Transmission Accounts"** shows a list of the AEP Transmission PJM charges that represent Ohio Power Company (OPCo) TCRR activity for the month, and their FERC-based general ledger account numbers. The three columns for OPCo show the total amount allocated from the PJM invoice by Transmission Settlements for the Network Integration Transmission Service (NITS), Transmission Owner and Dispatch Service, PJM Transmission Enhancements, PJM RTO Formation Cost Recovery, Expansion Cost Recovery, the corresponding general ledger total for each account, and the variance (if any) for each. This summary illustrates that the March invoice for OPCo is reconciled to the general ledger.

Page 11, **March 2013 PJM Transmission Reconciled Invoice Allocation**, illustrates the Internal Allocation to OPCo for activities from Page 10, and that the OPCo portion of each activity, together with the remainder of the AEP East Operating Companies, reconcile with the amounts from the following bills: AEP Transmission (AEPST), AEP Generation (AEPSCG), and AEP City of Auburn (AEPAUB). (AEP does not have transmission responsibilities for the other PJM accounts). The Internal Allocation Column shows the breakdown of the Internal Allocation for the Load Serving Entities (LSEs) and Non-Affiliate Wholesale allocation, the Non-Affiliate PJM, and the OSS activities from all of the East Operating Companies. For each activity, the sum of the LSE Allocations and Non-Affiliate Wholesale Allocation, the Non-

Affiliate PJM and OSS for each activity/account number is equal to the total from the AEPSC, AEPSCG, and AEPUB PJM invoices for March 2013.

Page 12, **PJM Transmission Invoice Explanations**, is a list of each activity and the specific PJM Invoice Billing Line Item (BLI) for each activity and the assignment methodology for allocation of each item. The assignment methodology described for each activity shows how each billing line item is translated to the total allocated amounts in the general ledger.

*Please note that the reconciliation dollars have not been jurisdictionalized in order to tie to the invoice amount.

Summary of April 2013 PJM Invoice to General Ledger (GL) Accounts

TCRR Activity March 2013

Charge	LSE GL Account	Allocated by Settlements	GL Amount (Feb Actual Booked in March 2012)	Variance
PJM Implicit Congestion	4470093	OPCO	OPCO	OPCO
PJM FTR & ARR Revenue	4470101	\$2,254,066.27	\$2,254,066.27	\$ -
		(\$2,052,461.10)	(\$2,052,461.10)	\$ -
PJM Transmission Implicit Loss Charges	4470207	\$6,386,360.84	\$6,386,360.84	\$ -
PJM Transmission Implicit Loss Credit	4470208	(\$1,469,757.62)	(\$1,469,757.62)	\$ -
PJM Operating Reserve	4470203	\$1,060,985.84	\$1,060,985.84	\$ -
PJM Ancillary Services				
PJM Synchronous Condensing	5550041	(\$1.20)	(\$1.20)	\$ -
PJM Reactive Supply	5550074	\$3,847.21	\$3,847.21	\$ -
PJM Blackstart	5550076	\$1,969,088.78	\$1,969,088.78	\$ -
PJM Regulation Charges	5550078	\$896,477.98	\$896,477.98	\$ -
PJM Spinning Reserve Charges	5550083	\$1,584.67	\$1,584.67	\$ -
PJM 30 minute Supplemental Reserve Market (DASR)	5550090	\$4,176.79	\$4,176.79	\$ -
PJM Administration Service Fees	5614001	\$513,767.02	\$513,767.02	\$ -
	5618001	\$102,244.80	\$102,244.80	\$ -
	5757001	\$645,579.26	\$645,579.26	\$ -
Expansion Cost Recovery Charge	4561003	\$36,239.77	\$36,239.77	\$ -
PJM RTO Formation Cost Recovery	4561002	\$61,150.08	\$61,150.08	\$ -
Real-time Economic Load Response Charge	5550038	\$0.00	\$0.00	\$ -
Pt-to-Pt Transm. Revenues	4561005	(\$256,211.08)	(\$256,211.08)	\$ -

Reconciled Invoice Allocation

LSE GL Account		LSE Allocation		OSS Total	Total
		OPCO	Operating Cos	All Operating COs	Total
¹ MLR Charges					
PJM Implicit Congestion	4470093	\$2,254,066.27	\$3,024,283.00	\$1,799,880.49	\$7,068,229.76
PJM FTR & ARR Revenue	4470101	(\$2,052,461.10)	(\$2,753,789.00)	\$130,015.94	(\$4,676,234.14)
PJM Transmission Implicit Loss Charges	4470207	\$6,386,360.84	\$8,568,587.08	\$2,949,301.72	\$17,904,249.70
PJM Transmission Implicit Loss Credit	4470208	(\$1,489,757.62)	(\$1,971,975.38)	(\$611,425.16)	(\$4,053,158.16)
Net Transmission Implicit Losses					\$13,851,091.54
PJM Operating Reserve (a)	4470203	\$1,080,985.84	\$790,775.71	\$545,537.71	\$2,397,299.26
PJM Ancillary Services (a)					
PJM Synchronous Condensing	5550041	(\$1.20)	(\$1.24)	\$0.00	(\$2.44)
PJM Reactive Supply	5550074	\$3,847.21	\$5,162.12	\$0.00	\$9,009.33
PJM Blackstart	5550076	\$1,969,068.78	\$2,841,928.34	\$0.00	\$4,611,017.12
PJM Regulation Charges	5550078	\$895,477.98	\$1,202,805.40	\$0.00	\$2,098,283.38
PJM Spinning Reserve Charges	5550083	\$1,584.67	\$1,180.91	\$0.00	\$2,765.58
PJM 30 minute Supplemental Reserve Market (DASR)	5550089	\$4,176.79	\$5,603.67	\$0.00	\$9,780.32
PJM Administration Service Fees (b)					
	5614001	\$513,767.02	\$689,322.52	\$357,880.99	\$1,560,970.53
	5618001	\$102,244.80	\$137,181.76	\$75,080.68	\$314,507.24
	5757001	\$845,579.26	\$481,184.77	\$354,098.00	\$1,480,840.03
PJM Administration Service Fees Sub Total					\$3,356,317.80
¹² CP Charges					
Expansion Cost Recovery Charge	4561003	\$36,239.77	\$47,905.83	\$0.00	\$84,145.60
PJM RTO Formation Cost Recovery	4561002	\$61,150.08	\$80,834.91		\$141,984.99
Real-time Economic Load Response Charge	5550036	\$0.00	\$0.00	\$ -	\$ -
Pt-to-Pt Transm. Revenues	4561005	(\$258,211.08)	(\$338,687.92)	\$ -	(\$594,899.00)
Total					

¹ Charges in this section are allocated based upon MLR.
¹² Charges in this section are allocated based upon 12CP

[illegible]

*****Negative amounts in the charge section of the P.M.I. invoice square to credits.
Negative amounts in the credit section of the P.M.I. invoice square to charges.
Prior period adjustments will have an "A" next to the billing line item number.

Information:

Due to additional information from P&ID, AEP is able to allocate Implicit Conception and Implicit Loans on a more granular basis. The charges are broken down by their activity type (Internal Load, Generation, Purchases, etc.). Charges related to Internal Load are classified as LSE while all other obligations are considered O&G. The charges associated with resource generation (fuel and purchases) are allocated based on the obligations they served as determined during cost reconstructions. (i.e., a generation asset is assigned to the Internal Load during cost reconstruction. On the implicit conception and implicit loans associated with the generation asset and the Internal Load would be assigned to LSE.)

Summary of March 2013 PJM Invoice to General Ledger (GL) Transmission Accounts

TCRR Activity March 2013

Transmission Account Activity

TCRR Activity March 2013						
Transmission Account Activity						
Charge/Credits	LSE GL Account	Allocated by Settlements		GL Amount (Actual Booked in April 2013)		Variance
		Ohio	Ohio	Ohio	Ohio	
PJM NITS Charges	4561035, 5650016	\$	9,573,730.28	\$	9,573,730.28	\$ -
Transmission Owner Scheduling, System Control & Dispatch	4561036, 5650015	\$	129,431.21	\$	129,431.21	\$ -
	4561060, 5650019,					
PJM Transmission Enhancement	5650012	\$	1,152,528.82	\$	1,152,528.82	\$ -
PJM RTO Formation Cost Recovery	4561002	\$	(82,877.87)	\$	(82,877.87)	\$ -
Expansion Cost Recovery	4561003	\$	(92,381.84)	\$	(92,381.84)	\$ -

TCRR Activity March 2013

[illegible]

PJM Transmission Invoice Explanations

Charge/Credit	PJM Invoice BLI #	Notes	Assignment Methodology
PJM NTS Charges	1100	Take this line item plus any prior period adjustments of the invoice (AESP/CO, AEP/NUB) to get the PJM Total.	Allocated to the operating companies based on each companies T2ap or direct assigned.
PJM Transmission Enhancement Charges	1108	Take this line item plus any prior period adjustments of the invoice (AESP/CO, AEP/NUB) to get the PJM Total.	Allocated to the operating companies based on each companies T2ap or direct assigned.
Transmission Owner Scheduling, System Control & Dispatch	1200	Take this line item plus any prior period adjustments of the invoice (AESP/CO, AEP/NUB) to get the PJM Total.	Allocated to the operating companies based on each companies T2ap or direct assigned.
PJM RTD Remote Cost Recovery	2750	This line item is directly from the PJM invoice.	Credits are allocated to the operating companies based on each companies share of the total revenue requirement and charges are allocated by T2ap.
Expansion Cost Recovery	2750	This line item is directly from the PJM invoice.	Credits are allocated to the operating companies based on each companies share of the total revenue requirement and charges are allocated by T2ap.

Footnotes

Negative amounts in the charge section of the PJM invoice equals to credits. Negative amounts in the credit section of the PJM invoice equals to charges.
BLI items Line Item
Charges on the PJM BLI are represented with a Billing Line Item that starts with a "1", and credits start with a "2".

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/17/2013 4:46:11 PM

In

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

Summary: Application of Ohio Power Company to Update its Transmission Cost Recovery Rider Rates electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

REPLY COMMENTS OF OHIO POWER COMPANY

I. INTRODUCTION

On June 17, 2013, Ohio Power Company ("AEP Ohio" or the "Company") filed its annual application to update its Transmission Cost Recovery Rider ("TCRR") pursuant to Rule 4901:1-36-03(B), Ohio Administrative Code ("Application"). On July 29, 2013, Industrial Energy Users-Ohio ("IEU") and The Office of the Ohio Consumers' Counsel ("OCC") filed comments on the Company's Application. AEP Ohio hereby responds to the comments filed by IEU and OCC.

II. AEP OHIO'S RESPONSE TO IEU'S AND OCC'S COMMENTS

Reactive supply charges are transmission-related costs incurred by the Company that are appropriate for recovery through the TCRR. Both Ohio law and the Public Utilities Commission of Ohio's ("Commission") rules authorize AEP Ohio to recover all transmission-related costs incurred by the Company. Revised Code section 4928.05(A)(2) provides:

"[C]ommission authority under this chapter shall include the authority to provide for the recovery, through a reconcilable rider on an electric distribution utility's distribution rates, of all transmission and transmission-related costs, including ancillary and congestion costs, imposed on or charged to the utility by the federal energy regulatory commission or a regional transmission organization, independent transmission operator, or similar

organization approved by the federal energy regulatory commission.”

(Emphasis added). Similarly, Rule 4901:1-36-02(A), Ohio Admin. Code, states:

“This chapter authorizes an electric utility to recover, through a reconcilable rider on the electric utility's distribution rates, **all transmission and transmission-related costs, including ancillary and congestion costs, imposed on or charged to the utility, net of financial transmission rights and other transmission-related revenues credited to the electric utility, by the federal energy regulatory commission or a regional transmission organization, independent transmission operator, or similar organization approved by the federal energy regulatory commission.**”

(Emphasis added). Reactive supply charges are charged to the Company by PJM Interconnection L.L.C. (“PJM”), a FERC-approved regional transmission organization. Neither IEU nor OCC dispute that the reactive supply charges actually incurred by the Company are true transmission-related costs appropriate for recovery through the TCRR.

A. IEU's Comments

For its comments, IEU asserts that AEP Ohio is precluded from recovering the \$23 million in reactive supply charges based on the doctrines of *res judicata* and collateral estoppel. (IEU comments at 3). Alternatively, IEU states that if recovery is to be permitted, the Commission, following its precedent, should not authorize the Company to recover the full amount of the charges. (IEU comments at 4-6). IEU next argues that the AEP Ohio should not be permitted to recover carrying charges on the reactive supply charges and Black Start Service charges incurred by the Company. (IEU comments at 6-8). Finally, IEU recommends a proposal to mitigate rate impacts that would deny the Company recovery of the transmission-related costs it incurred in providing service to customers. IEU's comments represent an incomplete analysis of

precedent, a disregard for the Commission's rules, and an unreasonable proposal that would unfairly prejudice the Company. They should be rejected.

- 1. The doctrines of *res judicata* and collateral estoppel do not apply here because the issue of the \$23 million reactive supply charges was never actually litigated and decided by the Commission.**

The doctrines of *res judicata* and collateral estoppel operate to preclude the re-litigation of a fact or law that was at issue in a former action between the same parties and upon which the court issued a final ruling. Moreover, for consideration of the issue or claim to be precluded, it must have been "actually and necessarily litigated and determined in a prior action," and such determination must have been "essential to the judgment" in the prior action.¹ IEU argues that the Company is now precluded from recovering the \$23 million in reactive supply charges because the Company did not request recovery of the charges in its previous TCRR rates approved by the Commission. (IEU comments at 3).

IEU's own statements are fatal to its preclusion argument; because recovery of the \$23 million reactive supply charges was not requested in prior applications, the Commission never ruled on the issue. As discussed in the Application at paragraph 13, beginning in July 2011 the reactive supply charges billed to the Company by PJM were inadvertently not recorded in an account associated with the TCRR due to a clerical error. Thus, the Company's prior TCRR applications did not seek recovery of these charges. The instant Application is the Commission's first opportunity to consider the \$23 million reactive supply charges. Therefore, the doctrines of *res judicata* and collateral estoppel do not preclude consideration of the Company's claim because the issue was never

¹ *In the Matter of the Complaint of Warren J. Yerian v. Buckeye Rural Elec. Coop., Inc.*, Case No. 05-886-EL-CSS, Entry at 3 (Aug. 24, 2005).

“actually litigated and determined” in a prior case. IEU’s preclusion argument must be rejected.

2. The inadvertent omission of the reactive supply charges was a simple clerical error that may be corrected in this proceeding.

The Commission has previously permitted subsequent recovery of costs that were previously unrecovered as a result of clerical or reporting errors. In *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of Columbus Southern Power Company and Related Matters*,² the utility company discovered that an error had been made during the preceding audit period. The error resulted from a verbal miscommunication which caused an under-recovery of costs that were properly recoverable. The Commission concluded that the problem arose because of a simple clerical error and allowed the utility to correct the error in the subsequent case.³

A clerical error is defined as a “mistake made in a letter, paper, or document that changes its meaning, such as a typographical error or the unintentional addition or omissions of a word, phrase, or figure.”⁴ Contrary to IEU’s assertion (IEU comments at 5), the inadvertent omission of the \$23 million reactive supply charges here fits squarely

² *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of Columbus Southern Power Company and Related Matters*, Case No. 87-102-EL-EFC, Opinion and Order (November 10, 1987) and Entry on Rehearing (December 29, 1987) (“*Columbus Southern*”); See also, *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of the Cleveland Elec. Illuminating Co. & Related Matters*, 83-38-EL-EFC, Opinion and Order (February 28, 1984) 1984 WL 991295 *14 (WL Feb. 28, 1984)(“[T]his Commission normally limits the scope of an EFC proceeding to those matters occurring during the base period with the exception of...clerical or reporting errors and those matters reserved or deferred by the Commission.”).

³ *Id.*

⁴ West’s Encyclopedia of American Law, 2d Edition.

within the definition of a clerical error that may be corrected in this proceeding. PJM reactive supply charges and credits are billed to the Company as separate line items, line item 1330 for the charge and line item 2330 for the credit. Reactive supply charges are ancillary transmission-related costs properly recovered from customers through the TCRR. Historically, the net of the two PJM line items was a charge, with the charge line item recorded in FERC account 5550074 and the credit line item recorded in FERC account 5550075. Beginning in July 2011, the net of the two PJM line items was a credit, leading to the total amount being recorded in FERC account 4470098; inadvertently, the separate charge line item was not recorded in FERC account 5550074 and the separate credit line item was not recorded in account 5550075. This simple clerical omission resulted in an under-recovery of the actual reactive supply charges incurred by the Company.

AEP Ohio has taken steps to help ensure proper recording of reactive supply charges and credits going forward. The Company now manually reclassifies the PJM line items on a monthly basis to ensure that the charges are recorded in the appropriate account. Moreover, with AEP Ohio becoming essentially a wires-only utility in the future, reactive supply credits, which are associated with owned generation, will be eliminated. The Commission can and should correct the error in this proceeding by authorizing full recovery of the un-recovered reactive supply charges.

3. The Company should be permitted to recover carrying charges on both the under-recovered reactive supply charges and the costs associated with the Black Start Service tariff change.

By arguing that the Commission should deny AEP Ohio's request for carrying charges associated with the reactive supply charges and Black Start Service tariff change,

IEU disregards the unequivocal language in the Commission's rules allowing for carrying charges on under-recovered TCRR costs. (IEU comments at 6-8). Rule 4901:1-36-04(A), Ohio Admin. Code, provides that the TCRR is to be reconciled on an annual basis, "with carrying charges to be applied to both over- and under-recovery of costs." The Commission should refuse to disregard its own rules as IEU has and should instead authorize the Company to recover carrying charges on its under-recovered costs. The Company should not be penalized for its inadvertent clerical error, as IEU suggests. (IEU comments at 7). If the Company's clerical error resulted in an over-recovery of costs, IEU would likely be arguing for carrying charges on the over-recovery as provided for in the rule.

The clerical error was discovered while the Company prepared its Application in April of this year, less than two months before the June filing date. If the Company were to have filed an interim application pursuant to Rule 4901:1-36-03(E), Ohio Admin. Code, as IEU suggests, there would likely have been two TCRR applications pending before the Commission at the same time, potentially leading to incompatible orders and rate fluctuations within a short period of time. Surely such an outcome was not intended by the Commission in promulgating the rule.

With respect to the Black Start Service tariff change, IEU also seeks to penalize the Company for not filing an interim application pursuant to Rule 4901:1-36-03(E), Ohio Admin. Code. But, at the time of the tariff change in December 2012, the Company's current TCRR rates had been in place barely a month. It was possible that even with the increased costs associated with the Black Start Service tariff change the Company's costs would not be substantially different than the amounts recently

authorized. IEU's suggestion that the Company should have immediately filed an interim application is myopic and merely a pretext for denying the Company carrying charges on the under-recovered costs. The Company should be permitted to recover carrying charges on the under-recovered reactive supply charges and the costs associated with the Black Start Service tariff change, as authorized by Rule 4901:1-36-04(A), Ohio Admin. Code.

Finally, for the reasons discussed above, IEU's proposal to minimize rate impacts by completely denying AEP Ohio cost recovery should be rejected. Such a proposal is unreasonable, contrary to law and the Commission's rules, and unfairly prejudices the Company. While AEP Ohio is open to working collaboratively with stakeholders to determine alternative recovery options and to mitigate rate impacts, one-sided proposals that leave no room for compromise and fail to recognize the impact on the Company cannot be the starting point for discussions.

B. OCC's Comments

Despite recognizing that the TCRR provides reconciliation "for differences between forecasted transmission costs included in the TCRR and the actual amount of costs incurred," OCC asserts in its comments that AEP Ohio should be denied recovery of the \$23 million reactive supply charges because "they were not previously claimed to be costs for the TCRR," and because the "audit period relating to these costs have passed." (OCC comments at 1). OCC further asserts that the Company's Application is deficient (OCC comments at 3-4), and argues that carrying costs on the reactive supply charges should be denied (OCC comments at 5-6). OCC improperly seeks to penalize AEP Ohio for an isolated clerical error and place limitations on the TCRR reconciliation

mechanism that do not exist under the statute or in the Commission's rules. OCC's comments should be rejected accordingly.

1. Reactive supply charges are actual transmission-related costs incurred by the Company that are appropriate for recovery through the TCRR in this proceeding.

Forecasts are rarely perfect. A forecast may underestimate (or overestimate) actual costs, leading to an under-recovery (or over-recovery) of costs which are, pursuant to the reconciliation mechanism of the TCRR, carried forward and recovered during future periods to ensure customers pay no less (and no more) than the actual costs incurred by the Company. The possibility that costs incurred during prior periods are recovered during future recovery periods is inherent in the TCRR's reconciliation mechanism. Thus, OCC's argument that the \$23 million under-recovered reactive supply charges are "out-of-period costs" that should not now be recovered must fail. (OCC comments at 2). OCC's argument overlooks the *sine qua non* of the TCRR – reconciliation – and, more importantly, places limits on the Company's recovery of transmission-related costs that are unsupported by Ohio law and the Commission's rules.

Further, OCC's suggestion that AEP Ohio should only be permitted to recover charges that it "claimed in the first place would be incurred" (OCC comments at 5) suggests a standard of forecasting perfection that is not contemplated in the law or Commission rules and which is, as a practical matter, unachievable. As discussed above, both Ohio law and the Commission's rules permit AEP Ohio to recover **all** transmission-related costs charged to the Company by PJM. Both provide for reconciliation during future periods of under-recovered costs and neither imposes a standard of forecasting perfection as suggested by OCC.

Like IEU, OCC simply seeks to penalize the Company because the under-recovery of reactive supply charges occurred as a result of a clerical error. A forecast that underestimates actual costs because of a clerical error should not be treated any differently than a forecast that underestimates actual costs for reasons beyond the Company's control, as the Commission's precedent recognizes. As discussed in section (A)(2) above, in *Columbus Southern*, the Commission allowed a correction for a clerical error that occurred during a prior period, directly addressing and distinguishing the case law cited by OCC in its comments. (OCC comments at fn. 7). Here, the inadvertent omission of the \$23 million reactive supply charges from the Company's prior forecast fits squarely within the definition of a clerical error that can and should be corrected by the Commission in this proceeding. Full reconciliation of the under-recovered reactive supply charges is necessary to ensure AEP Ohio recovers no less than all transmission-related costs incurred by the Company.

2. The Company's Application is not deficient.

OCC incorrectly asserts that the Company's Application is "deficient in a number of respects." (OCC comments at 3). Notwithstanding OCC's assertion, all information required to be included in a TCRR update application pursuant to Rule 4901:1-36-03(B), Ohio Admin. Code, and the appendix to the rule was included with the Company's Application in this case. In addition to the information contained in the Application, additional information has been provided to the parties in discovery. Notably, OCC's comments were filed before receiving the Company's responses to their discovery requests. Finally, some information related to the Application is confidential. This confidential information has been shared with the Staff of the Commission and those

parties who have executed a confidentiality agreement. The information provided in the Application and through discovery fully supports the Company's request in this case.

With respect to OCC's assertion that the Company fails to explain the relative reduction in future reactive supply charges (OCC comments at 4), the Company explained in the Application (at paragraph 16) how it is currently forecasting significant reductions in certain costs – including ancillary services costs such as reactive supply charges – due to the termination of the AEP East Power Pool and the advent of the slice-of-system energy auctions authorized in Case No. 11-346-EL-SSO. Further, with respect to OCC's assertion that “no information in the filing indicated where the inadvertently omitted charges were recorded” (OCC comments at 4), the net of the reactive supply charges and credits were recorded in FERC account 4470098, an account un-affiliated with the TCRR. The \$23 million under-recovered reactive supply charges were not included for recovery in any other schedule or rider or otherwise previously recovered from customers. OCC's characterization of the Application as deficient is misleading, considering that much of the information OCC claims is lacking has been provided either in the Application itself, its schedules, or through discovery.

3. The Company should be permitted to recover both past and future carrying charges on the under-recovered reactive supply charges.

Finally, like IEU, OCC disregards the unequivocal language in the Commission's rules allowing for carrying charges on under-recovered TCRR costs. Rule 4901:1-36-04(A), Ohio Admin. Code, provides that the TCRR is to be reconciled on an annual basis, “with carrying charges to be applied to both over- and under-recovery of costs.” While OCC cites Commission precedent (as well as precedent from other jurisdictions that is not controlling here) for the proposition that any carrying charges on *over*-recovered

amounts should be returned to customers (OCC comments at 5-6), OCC fails to recognize that the Commission's rules also provide for the utility to recover carrying charges on costs under-collected. As discussed above, the Company's clerical error was an isolated omission; it does not rise to the level of "repeated accounting errors over five years" like in the *Northern Utilities* case cited by OCC. (OCC comments at fn. 10). If the Company's clerical error resulted in an over-recovery of costs, OCC surely would be arguing for any carrying charges to be returned to customers as provided for in the rule. OCC should not be able to pick and choose the circumstances under which the Commission's rules should apply. AEP Ohio should be permitted to recover carrying charges on the under-recovered reactive supply charges as provided for in the rule.

III. CONCLUSION

For the reasons set out in the Application and in the comments above, AEP Ohio's Application should be approved.

Respectfully submitted,

/s/ Yazen Alami

Steven T. Nourse

Yazen Alami

American Electric Power Service Corporation

1 Riverside Plaza, 29th Floor

Columbus, Ohio 43215-2373

Telephone: (614) 716-1608

Facsimile: (614) 716-2950

stnourse@aep.com

yalami@aep.com

Counsel for Ohio Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served upon the below-named counsel via electronic mail, this 13th day of August, 2013.

/s/ Yazen Alami
Yazen Alami

William L. Wright
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
William.wright@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

8/13/2013 2:21:55 PM

in

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

**Summary: Comments Reply Comments of AEP Ohio electronically filed by Mr. Yazen Alami
on behalf of Ohio Power Company**

COMPANY EX NO. 3

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of
Ohio Power Company to update its
Transmission Cost Recovery Rider

)
)
)

Case No. 13-1406-EL-RDR

**DIRECT TESTIMONY OF
ANDREA E. MOORE**

Filed October 8, 2013

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
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-**

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE

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

William L. Wright
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
William.wright@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

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

COMPANY EX NO. 4

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of
Ohio Power Company to update its
Transmission Cost Recovery Rider

)
)
)

Case No. 13-1406-EL-RDR

**DIRECT TESTIMONY OF
ERIC J. GLECKLER**

Filed October 8, 2013

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Eric J. Gleckler and my business address is 155 West Nationwide
3 Boulevard, Columbus, Ohio 43215.

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

5 A. I am employed by the American Electric Power Service Corporation ("AEPSC") as
6 Manager – Regulated RTO Market Settlements. AEPSC is a subsidiary of the American
7 Electric Power Company, Inc. ("AEP") and provides technical and other services to
8 Ohio Power Company ("AEP Ohio" or the "Company") and other operating units within
9 the AEP System.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
11 **PROFESSIONAL EXPERIENCE.**

12 A. I graduated from Ohio University in 1997 with a Bachelor of Arts degree in Psychology.
13 In 2006, I was hired by AEPSC as a Settlements Analyst, where I was responsible for
14 settling various market-related transactions both among AEP's eastern operating
15 companies and with regional transmission organizations ("RTO"). In 2011, I was
16 promoted to my current position. As Manager – Regulated RTO Market Settlements, I
17 am responsible for a team of analysts that perform AEP Commercial Operations
18 settlement activity with RTOs, including PJM Interconnection, LLC ("PJM"). The
19 team's tasks include RTO charge/credit validation, invoice reconciliation, market
20 working group participation and general ledger reporting.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. The purpose of my testimony is to discuss how AEP settles charges and credits from
3 PJM for Reactive Supply and Voltage Control ("Reactive Supply"), discuss the
4 change in Reactive Supply charges and credits to AEP beginning in July 2011, and
5 describe an additional step in the current settlement process to ensure that the
6 Reactive Supply charges are properly captured for recovery in AEP Ohio's TCRR.

7 **Q. WHAT ARE REACTIVE SUPPLY CHARGES AND CREDITS?**

8 A. Reactive Supply is an ancillary service procured and provided by PJM to ensure that
9 acceptable transmission voltages are maintained for system stability. PJM assigns
10 Reactive Supply credits to generators that supply Reactive Supply based on FERC
11 ("Federal Energy Regulatory Commission")-approved reactive revenue requirements.
12 PJM assesses Reactive Supply charges to Load Serving Entities ("LSE") and other
13 transmission users based on their contribution to PJM's peak load. Because AEP's
14 operating companies have FERC-approved reactive revenue requirements and are
15 LSEs that use reactive services, AEP receives both credits and charges from PJM for
16 Reactive Supply.

17 **Q. PLEASE DESCRIBE HOW AEP SETTLES THE REACTIVE SUPPLY**
18 **CHARGES AND CREDITS.**

19 A. Each month, AEP receives an invoice from PJM including several line items for
20 various charges and credits. Reactive Supply charges and credits are line items 1330
21 and 2330, respectively on the monthly PJM invoice. AEP has a settlement system in

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 place, nMarket, which automates the accounting process for PJM charges and credits.
2 This process includes assigning each charge and credit from the PJM invoice to its
3 appropriate FERC account and allocating the charges and credits to the four AEP
4 operating companies that are members of the AEP East Interconnection Agreement
5 ("East Pool"). The FERC account assignments and allocation methodologies for
6 each charge and credit were determined by AEP's commercial operation and
7 accounting business units and are described in Schedule D-3c of the Application¹. In
8 the case of Reactive Supply charges and credits, the ultimate account to which they
9 are booked is dependent on the net position of these two billing line items from the
10 invoice. If the net of the two line items is a charge, the Reactive Supply charge from
11 the invoice is recorded in account 5550074 (PJM Reactive – Charge) and the
12 Reactive Supply credit from the invoice is recorded in account 5550075 (PJM
13 Reactive – Credit). If the net of the two line items is a credit, the net of the Reactive
14 Supply charge and credit is recorded in account 4470098 (PJM Operating Reserve
15 Revenue – Off-System Sales). Once the Reactive Supply charges and credits are
16 assigned to the applicable accounts, they are then allocated to the East Pool
17 companies based on their peak load.

18 **Q. WHAT IS THE METHODOLOGY USED TO ASSIGN THE CHARGES AND**
19 **CREDITS TO FERC ACCOUNTS?**

20 **A.** As discussed above Reactive Supply is a service provided by PJM to maintain
21 acceptable voltages for loads. Because AEP is an LSE within PJM, it is charged for

¹ The allocation and assignment methodologies are described on pages 2 and 9 of Schedule D-3c, respectively.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 Reactive Supply based on its load. AEP also provides Reactive Supply and is
2 compensated by PJM. When the charges that AEP receives for Reactive Supply due
3 to its load exceeds the credits it receives as a Reactive Supply provider, AEP is
4 effectively a net buyer of Reactive Supply and the associated billings from PJM are
5 booked as expenses. In order to differentiate the credits and charges within the
6 expense accounts, the credits and charges are booked to separate accounts.
7 Conversely, when the credits that AEP receives exceed its charges, AEP, as a net
8 seller of Reactive Supply, books the net credit as revenue. When AEP initially
9 determined the FERC account assignments for PJM charges and credits, the charges
10 and credits within the revenue account were not differentiated between the separate
11 charge and credit amounts as the need to do so was unforeseen at the time.

12 **Q. WHAT HAPPENED DURING THE PERIOD JULY 2011 THROUGH MARCH**
13 **2013 THAT LED TO APPROXIMATELY \$23 MILLION IN PJM REACTIVE**
14 **SUPPLY CHARGES BEING INADVERTENTLY OMITTED FROM THE**
15 **COMPANY'S TCRR CHARGES AS INDICATED IN THE APPLICATION?**

16 **A.** Beginning in July 2011, AEP's credits exceeded its charges for Reactive Supply.
17 Accordingly, the net of those credits and charges was booked to revenue account
18 4470098, with no differentiation between the separate charge amount and credit
19 amount. As described in more detail in the testimony of witness Moore, because the
20 Reactive Service Charges were embedded in revenue account 4470098, they were not
21 included in the TCRR.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 **Q. DID THE METHODOLOGY USED TO ASSIGN THE PJM REACTIVE**
2 **CHARGES AND CREDITS CHANGE DURING THE PERIOD FROM JULY**
3 **2011 THROUGH MARCH 2013?**

4 **A. No it did not. As I described above, the Reactive Supply has continued to be a**
5 **service provided by PJM to maintain acceptable voltage levels for loads. AEP, as a**
6 **generation owner, continues to receive Reactive Supply credits on its PJM bill. And**
7 **as an LSE, AEP continues to receive Reactive Supply charges. These monthly credits**
8 **and charges continue to be netted as previously described.**

9 **Q. WHAT CAUSED AEP'S NET REACTIVE SUPPLY POSITION TO**
10 **CHANGE?**

11 **A. AEP's load has decreased, in large part due to customer switching in Ohio as**
12 **discussed by Company witness Moore. Because Reactive Supply charges are**
13 **assigned to AEP by PJM based on load, AEP Ohio's decrease in load contributed to**
14 **reduced Reactive Supply charges assessed to AEP. Beginning in July 2011, the**
15 **Reactive Supply charges were reduced to an amount that caused AEP to become a net**
16 **seller of Reactive Supply. As discussed above, this caused AEP to receive a net**
17 **credit for Reactive Supply which was booked to a single revenue account which**
18 **caused the PJM Reactive Supply charge to not be included in the TCRR, as discussed**
19 **by Company witness Moore.**

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 **Q. PRIOR TO JULY 2011, WHAT WAS AEP'S NET POSITION FOR**
2 **REACTIVE SUPPLY?**

3 **A.**Prior to July 2011 PJM's charges to AEP for Reactive Supply were greater than the
4 credits AEP was receiving as a Reactive Supply provider. Accordingly, the Reactive
5 Supply charges were booked to account 5550074 (PJM Reactive – Charge) and
6 Reactive Supply credits were booked to account 5550075 (PJM Reactive – Credit).

7 **Q. DID AEP EXAMINE IF THIS ALLOCATION AND ASSIGNMENT**
8 **METHODOLOGY IS USED FOR OTHER PJM CHARGES AND CREDITS?**

9 **A.**Yes. While investigating the treatment of Reactive Supply charges and credits, AEP
10 also examined its accounting treatment for other line items on the PJM bill. Through
11 this process it was determined that similar accounting treatment was used for two
12 other PJM ancillary services: Regulation and Synchronous Reserve. Similar to
13 Reactive Supply, AEP's net Synchronous Reserve position flipped to a credit and the
14 charges were no longer recorded in the expense accounts. While AEP identified the
15 same issue with its treatment of Regulation charges and credits, the net of the
16 Regulation amounts has always been a charge to AEP, and thus recorded in expense
17 accounts.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 **Q. PLEASE DISCUSS THE ROLE OF THE SETTLEMENT PROCESS IN AEP**
2 **OHIO'S PLAN TO PREVENT REACTIVE SUPPLY CHARGES FROM**
3 **BEING INADVERTENTLY OMITTED FROM THE COMPANY'S TCRR**
4 **CHARGES IN THE FUTURE.**

5 A. As discussed by Company witness Moore, AEP Ohio's plan includes an additional
6 step in the settlement process to increase the granularity in its books and records for
7 its portion of Reactive Supply, Regulation, and Synchronous Reserve expenses.
8 When the net of any of these billing line items (Reactive Supply, Regulation, and
9 Synchronous Reserve) is a credit, AEP makes a manual accounting entry to reclassify
10 the gross expense and an offsetting credit to the applicable FERC 555 expense
11 accounts. For example, for Reactive Supply charges, the gross expense is recorded to
12 account 5550074 and an offsetting credit is recorded to account 5550075. The net
13 credit remains in 4470098.

14 **Q. PLEASE DESCRIBE WHY A RECLASSIFICATION ENTRY IS**
15 **APPROPRIATE.**

16 A. Ohio Power is undergoing a corporate separation process in which it will separate its
17 load from its generating assets, thus eliminating the netting of the charges and credits
18 for Ohio Power's accounting and financial reporting purposes. In January 2014, once
19 this separation process is complete, all charges associated with the load will be
20 assigned directly to the load. Likewise, all credits for generators will be directly
21 assigned to the generators.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ERIC J. GLECKLER

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 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

William L. Wright
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
William.wright@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/8/2013 4:47:56 PM

in

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

Summary: Testimony Direct Testimony of Eric J. Gleckler electronically filed by Mr. Yazen Alami on behalf of Ohio Power Company

HEP E_y5

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

TESTIMONY OF ANDREA E. MOORE

**ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

Filed November 12, 2013

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 PERSONAL DATA

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Andrea E. Moore 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 Ohio Power Company ("AEP Ohio" or the "Company") as Manager –
7 Regulated Pricing and Analysis.

8 BUSINESS EXPERIENCE

9 Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
10 BUSINESS EXPERIENCE.

11 A. I received my Bachelor of Science degree in Accounting from the University of Rio
12 Grande. I completed the Basic Concepts of Rate Making class through New Mexico
13 State University. I earned a Master of Business Administration degree from Franklin
14 University. I joined AEPSC in 2001 as an Accountant and joined the Regulatory Tariffs
15 department as a Regulatory Analyst III in 2004. I progressed through various positions
16 before being promoted to my current position of Manager – Regulated Pricing and
17 Analysis. My duties within the regulatory department have included preparing cost-of-
18 service studies for regulatory filings, preparing cost based formula rates for wholesale
19 customers, preparing rider filings and rate designs, maintaining tariff books as well as
20 other projects related to regulatory issues and proceedings, individual customer requests,
21 and general rate matters.

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER – REGULATED**
2 **PRICING AND ANALYSIS?**

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

8 **Q. HAVE YOU EVER SUBMITTED TESTIMONY AS A WITNESS BEFORE A**
9 **REGULATORY COMMISSION?**

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

12 **PURPOSE OF TESTIMONY**

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

14 **A.** The purpose of my testimony is to describe and support the Stipulation and
15 Recommendation (“Stipulation”) (incorporated by reference into this testimony) entered
16 into by AEP Ohio and several parties and filed on November 8, 2013, to resolve the
17 issues in this case. The Signatory Parties recommend that the Commission approve the
18 Stipulation and issue its Opinion and Order in accordance with the recommendations
19 made in the Stipulation. This testimony demonstrates that:

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 (1) the Stipulation is a product of serious bargaining among capable, knowledgeable
2 parties representing diverse interests; (2) the Stipulation does not violate any important
3 regulatory principle or practice; and (3) the Stipulation, as a whole, will benefit
4 customers and the public interest.

5 **Q. WHAT ARE YOUR QUALIFICATIONS TO ADDRESS THE ISSUES THAT ARE**
6 **BEING RESOLVED BY THE STIPULATION?**

7 A. I submitted direct testimony in this case and sponsor the Company's application. I also
8 participated on behalf of the Companies in connection with the negotiations and analysis
9 of the issues being resolved by the Stipulation. In short, I understand the financial
10 implications of the issues being resolved in the Stipulation and am familiar with the
11 regulatory issues presently faced by AEP Ohio with respect to this proceeding.

12 **Q. WHAT ARE THE MAJOR PROVISIONS OF THE STIPULATION?**

13 A. The major provisions of the Stipulation address the revenue requirement for AEP Ohio's
14 Transmission Cost Recovery Rider ("TCRR") during the period September 2013 through
15 August 2014.

16 **Q. WHAT ARE THE MAIN PROVISIONS IN SECTION IV OF THE**
17 **STIPULATION REGARDING THE TCRR REVENUE REQUIREMENT?**

18 A. Section IV of the Stipulation lists the adjustments to the TCRR revenue requirement AEP
19 Ohio agrees to make as part of the Stipulation. The starting point for the adjustments is
20 the \$230,942,688 revenue requirement sought in the Company's Application.

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 First, AEP Ohio agrees to reduce the TCRR revenue requirement by \$8,549,801,
2 reflecting the exclusion of 75% of the uncollected out-of-period reactive supply charges.

3 Second, AEP Ohio agrees to reduce the TCRR revenue requirement by \$884,929,
4 reflecting the exclusion of 75% of the carrying charges associated with the uncollected
5 out-of-period reactive supply charges.

6 Third, AEP Ohio agrees to reduce the TCRR revenue requirement by \$555,686,
7 reflecting the exclusion of 75% of the future carrying charges associated with the
8 excluded reactive supply charges described above.

9 Fourth, AEP Ohio agrees to reduce the TCRR revenue requirement by \$2,758,
10 reflecting the exclusion of out-of-period spinning reserve charges plus carrying charges.

11 Fifth, AEP Ohio agrees to reduce the TCRR revenue requirement by \$7,930,072,
12 reflecting the out-of-period/in-period over-collection due to the allocation error discussed
13 in my pre-filed direct testimony on pages 6-7.

14 Finally, AEP Ohio agrees to reduce the TCRR revenue requirement by \$524,805,
15 reflecting the carrying charges associated with the out-of-period/in-period over-collection
16 due to the allocation error discussed in my pre-filed direct testimony on pages 6-7.

17 **Q. HOW DO THESE REDUCTIONS TO THE TCRR REVENUE REQUIREMENT**
18 **BENEFIT CUSTOMERS?**

19 **A.** The reduced TCRR revenue requirement provides a direct benefit to customers in the
20 form of a reduced TCRR charge. As part of the Stipulation, AEP Ohio has agreed to
21 reduce the revenue requirement sought in the Company's Application by \$18,451,051.
22 While reflected in the reduction of the revenue requirement, the reduction of \$555,686

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 for future carrying costs will be recognized in the deferred receivable balance in the form
2 of lower carrying charges to be accrued on the decreased balance. This amount
3 represented carrying charges that were to be recorded in future months, hence it is
4 inappropriate to reduce the current receivable balance.

5 **Q. PLEASE ADDRESS HOW THE COMPANY PROPOSES TO TREAT THE TCRR**
6 **RATES AS A RESULT OF THE STIPULATION.**

7 **A. As included as a term of the Stipulation, the Company plans to update the current interim**
8 **rate to reflect the lower revenue requirement as a result of the Stipulation within fifteen**
9 **days of Commission approval of the Stipulation.**

10 **SIGNATORY PARTIES**

11 **Q. PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE STIPULATION.**

12 **A. The Signatory Parties to the Stipulation, in addition to the Company, include the**
13 **following: the Staff, the Office of the Ohio Consumers' Counsel, and Ohio Energy**
14 **Group. The Staff's participation in the settlement promoted important regulatory and**
15 **consumer interests, including low-income customer interests. The other Signatory Parties**
16 **also represent varied and diverse interests of residential and industrial customer interests.**
17 **Industrial Energy Users-Ohio participated in the settlement discussions and conferences**
18 **and it is my understanding that it will take a non-opposing position with respect to the**
19 **Stipulation. In any case, the Stipulation conveys value to the interests of non-Signatory**
20 **Parties through substantial provisions that benefit all of AEP Ohio's residential,**
21 **commercial and industrial customers.**

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 SATISFACTION OF CRITERIA USED TO REVIEW AND APPROVE STIPULATIONS

2 Q. WHAT CRITERIA HAS THE COMMISSION USED IN REVIEWING AND
3 APPROVING STIPULATIONS AMONG SIGNATORY PARTIES TO A
4 PROCEEDING?

5 A. My understanding is that a stipulation traditionally must satisfy three criteria: (1) the
6 stipulation must be a product of serious bargaining among capable, knowledgeable
7 parties representing diverse interests; (2) the stipulation must not violate any important
8 regulatory principle or practice; and (3) the stipulation must, as a whole, benefit
9 customers and the public interest.

10 Q. DOES THE STIPULATION REPRESENT A PRODUCT OF SERIOUS
11 BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?

12 A. Yes, it does. All Parties to the Stipulation were represented by experienced, competent
13 counsel. Also, the Parties to the Stipulation regularly participate in rate proceedings
14 before the Commission and are knowledgeable in regulatory matters. All parties
15 (including the non-signing parties) were invited to participate in settlement discussions
16 regarding the Stipulation. All parties participated in multiple meetings to discuss
17 resolution of the subject case, were provided term sheets for discussion, the draft
18 Stipulation and given the opportunity to further engage in settlement discussions with the
19 Company. Many of the issues in the case were discussed in detail over the course of
20 numerous meetings. Therefore, the Stipulation represents a product of serious bargaining
21 among capable, knowledgeable parties representing diverse interests.

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY**
2 **PRINCIPLES AND PRACTICES?**

3 **A. No, it does not. Based on my experience with the regulatory process and review of the**
4 **Stipulation, I believe that the Stipulation is consistent with, and does not violate,**
5 **regulatory principles and practices in Ohio. On the contrary, the Stipulation promotes**
6 **important regulatory principles and practices by advancing several of the State policies**
7 **set forth in §4928.02, Revised Code. For example, consistent with division (A) of**
8 **§4928.02, the rate commitments described above help to "[e]nsure the availability to**
9 **consumers of adequate, reliable, and reasonably priced retail electric service."**

10 **Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC**
11 **INTEREST?**

12 **A. Yes, it does. Under the Stipulation, AEP Ohio has agreed to reduce the revenue**
13 **requirement sought in the Company's Application by \$18,451,051. This includes**
14 **foregoing recovery of actual costs incurred by the Company. In addition, AEP Ohio**
15 **customers receive the added benefit of realizing 100% of the out-of-period over-**
16 **collection in this proceeding. Other Stipulating parties raised opposing arguments to**
17 **counter the issues raised by the Company. There was disagreement on some of the**
18 **issues in this case dealing with in and out of period and the parties explicitly agreed to**
19 **resolve this case in the spirit of cooperation and compromise but not to waive any future**
20 **arguments in future cases on this point. It is in the public interest to amicably settle**
21 **proceedings like this while still availing parties of their right to raise issues in future**
22 **cases.**

**TESTIMONY OF ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION**

1 **Q. IS IT AEP OHIO'S POSITION THAT THE STIPULATION MEETS THE**
2 **THREE-PART TEST REGARDING CONSIDERATION OF STIPULATIONS**
3 **AND SHOULD BE ADOPTED BY THE COMMISSION?**

4 **A. Yes, it is. The Stipulation is reasonable and should be adopted by the Commission to**
5 **resolve the present proceeding.**

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

7 **A. Yes it does.**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Testimony of Ohio Power Company witness Andrea Moore has been served upon the below-named counsel via email, this 12th day of November, 2013.

/s//Matthew J. Satterwhite

William L. Wright
Thomas Lindgren
Ryan O'Rourke
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
Thomas.lindgren@puc.state.oh.us
Ryan.o'rourke@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
dboehm@BKLlawfirm.com
mkurtz@BKLlawfirm.com
jkylercohn@BKLlawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Oliker
Matthew R. Pritchard
McNees Wallace & Nurick LLC
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/12/2013 4:24:13 PM

in

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

Summary: Testimony of Andrea E. Moore on Behalf of Ohio Power Company in Support of the Stipulation and Recommendation electronically filed by Mr. Matthew J Satterwhite on behalf of Ohio Power Company



**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)	

JOINT STIPULATION AND RECOMMENDATION

I. Introduction

Rule 4901-1-30, Ohio Administrative Code (OAC) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. This document sets forth the understanding and agreement of the parties who have signed below (Signatory Parties) and jointly recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt this Joint Stipulation and Recommendation (Stipulation) without modification, in order to resolve all of the issues raised in this proceeding through the application filed by Ohio Power Company ("Ohio Power").

This Stipulation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties and other parties who chose not to sign the Stipulation (all of whom are capable, knowledgeable parties), which negotiations were undertaken by the Signatory Parties to settle this proceeding. All intervenors were invited to discuss and negotiate this Stipulation and it was openly negotiated among those stakeholders who responded and chose to participate. This Stipulation is supported by adequate data and information; as a package, the Stipulation benefits customers and the public interest; provides direct benefits to residential and low income customers; and represents a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle

or practice; and complies with and promotes the policies and requirements of Title 49 of the Ohio Revised Code. This Stipulation represents an accommodation of the diverse interests represented by the Signatory Parties and, though not binding, is entitled to careful consideration by the Commission. For purposes of resolving the issues raised by these proceedings, the Signatory Parties stipulate, agree and recommend as set forth below.

II. Signatory Parties

This Stipulation is entered into by and among:

Staff of the Public Utilities Commission,
Office of the Ohio Consumers' Counsel (OCC),
Ohio Energy Group (OEG),
Ohio Power Company (Ohio Power).

As further discussed below, all of the Signatory Parties agree to fully support adoption of the Stipulation without modification in this proceeding.¹

III. Recitals

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable; and

WHEREAS, the Signatory Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in these cases;

¹ The Industrial Energy Users-Ohio (IEU) participated in the settlement process and authorized the Signatory Parties to represent that it does not oppose the Stipulation terms.

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission should issue its Opinion and Order in these proceedings accepting and adopting this Stipulation and relying upon its provisions as the basis for resolving this proceeding.

IV. Recommendations

1. The Commission should approve the Application of Ohio Power Company to Update its Transmission Cost Recovery Rider as filed by Ohio Power on June 17, 2013, with the following modifications outlined in this Stipulation:
2. The Company will reduce the overall revenue requirement from the \$230,942,668 sought in the Application to the \$212,491,618 described in this Stipulation, which is a benefit of \$18,451,051 for customers. For illustrative purposes the Stipulation will use description of the issues on page 8 of Staff Witness Hecker's testimony for ease of understanding of the reductions in the revenue requirement.
 - a. The *Out-of-period Reactive Supply Charges (July 2011 through April 2012)* reflected in Witness Hecker's testimony as \$11,399,735 will be modified to reflect 75% excluded and 25% included, in the revenue requirement. This reduces the revenue requirement \$8,549,801, leaving \$2,849,934 for recovery in the revenue requirement.
 - b. The *Carrying Charges from July 2011-April 2013* reflected in Witness Hecker's testimony as \$1,179,905 will be modified to reflect 75% excluded and 25% included, in the revenue requirement. This reduces the revenue

requirement \$884,929, leaving \$294,976 for recovery in the revenue requirement.

- c. The *Future Carrying Charges due to Reactive Supply* reflected in Witness Hecker's testimony as \$744,914 will be modified to reflect 75% excluded and 25% included, in the revenue requirement. This reduces the revenue requirement by \$558,686.
- d. The *Out-of-Period Spinning Reserve Charges plus Carrying Charges (July 2011 through April 2012)* reflected in Witness Hecker's testimony as \$2,758 will remain at that level to reduce the revenue requirement.
- e. The *Out-of-period/In Period Overcollection due to Allocation Error (July 2011 through June 2013)* reflected in Witness Hecker's testimony as \$7,930,072² will remain at that level to reduce the revenue requirement.
- f. The *Carrying Charge Allocation Error* reflected in Witness Hecker's testimony as \$524,805 will remain at that level to reduce the revenue requirement.

A restatement of the chart on page 8 of Mr. Hecker's testimony to correspond to the modifications in this Stipulation reflects:

Out-of-period Reactive Supply Charges	\$8,549,801
Carrying charges from July 2011-2013 due to Reactive Supply	\$884,929
Future Carrying Charges due to Reactive Supply	\$558,686
Out-of-period Spinning Reserve Charges plus Carrying Charges	\$2,758
Out-of-period/In Period Overcollection due to Allocation Error	\$7,930,072
<u>Carrying charges on Allocation Error</u>	<u>\$524,805</u>
Total Stipulated Revenue Requirement Reduction	\$18,451,051

² This is also the error discussed on pages 6-7 of Ohio Power Company Witness Andrea Moore's pre-filed testimony.

3. The Company will update its rider rates to implement this Stipulation within fifteen (15) days of the Commission's approval of this Stipulation
4. The Stipulating Parties agree that the exclusion/inclusion of costs and credits incurred outside of the audit period in this case would have no precedential effect on the question of whether costs and credits outside the audit period are eligible for recovery/reconciliation as a practice in future cases.
5. The Office of the Ohio Consumers' Counsel agrees to withdraw the subpoenas filed on October 30, 2013.
6. The Stipulating Parties agree that the Stipulation satisfies the three-part test traditionally used by the Commission to consider stipulations. Specifically the Stipulating Parties agree that:
 - (a) the Stipulation is a product of serious bargaining among capable, knowledgeable parties representing diverse interests;
 - (b) the stipulation does not violate any important regulatory principle or practice; and
 - (c) the stipulation as a whole, benefits customers and the public interest.

V. Procedural Matters

- A. The following Exhibits are deemed to be admitted into evidence:
 1. The Application of Ohio Power Company to Update its Transmission Cost Recovery Rider as filed by Ohio Power on June 17, 2013;

2. Comments and Reply Comments of the Office of the Ohio Consumers' Counsel, filed on July 29, 2013 and August 13, 2013, respectively.
3. Comments of IEU-Ohio filed on July 29, 2013.
4. Reply Comments of Ohio Power Company filed on August 13, 2013;
5. Staff's Review and Recommendation filed on August 13, 2013.
6. Testimony of the Stipulating Parties.
7. Joint Exhibit 1 - This Stipulation and Recommendation.
8. Testimony in Support of the Stipulation.

B. This Stipulation shall not be relied upon as precedent for or against any Signatory Party or the Commission itself in any subsequent proceeding, except as may be necessary to enforce the terms of the Stipulation and Recommendation. Nor shall the acceptance of any provision within this settlement agreement be cited by any party or the Commission in any forum so as to imply or state that any signatory party agrees with any specific provision of the settlement. More specifically, no specific element or item contained in or supporting this Stipulation shall be construed or applied to attribute the results set forth in this Stipulation as the results that any Signatory Party might support or seek, but for this Stipulation in these proceedings or in any other proceeding. This Stipulation contains a combination of outcomes that reflects an overall compromise involving a balance of competing positions, and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken on any individual

issue. Rather the Stipulation represents a package that, taken as a whole, is acceptable for the purposes of resolving all contested issues without resorting to litigation. The Signatory Parties believe that this Stipulation, taken as a whole, represents a reasonable compromise of varying interests.

C. The Signatory Parties will support the Stipulation if the Stipulation is contested, and no Signatory Party will oppose an application for rehearing designed to defend the terms of this Stipulation.

D. This Stipulation is conditioned upon adoption of the Stipulation by the Commission in its entirety and without material modification. If the Commission rejects or materially modifies all or any part of this Stipulation, any Signatory Party shall have the right within thirty (30) days of issuance of the Commission's order to apply for rehearing. The Signatory Parties agree that they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original unmodified Stipulation. If the Commission does not adopt the Stipulation without material modification upon any rehearing ruling, then within thirty (30) days of such Commission rehearing ruling any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission. If the Commission does not substantively act upon the application(s) for rehearing in support of the Stipulation as filed within forty five (45) days of the filing of the application(s) for rehearing, then any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission. Upon the filing of either of these notices, the Stipulation shall immediately become null and void. No Signatory Party shall file a notice of

termination and withdrawal without first negotiating in good faith with the other Signatory Parties to achieve an outcome that substantially satisfies the intent of the Stipulation. If a new agreement is reached, the Signatory Parties will file the new agreement for Commission review and approval. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are unsuccessful, the Commission will convene an evidentiary hearing to afford the Signatory Parties the opportunity to present evidence through witnesses, to cross-examine witnesses, to present rebuttal testimony, and to brief all issues that the Commission shall decide based upon the record and briefs as if this Stipulation had never been executed. If the discussions to achieve an outcome that substantially satisfies the intent of the Stipulation are successful, some, or all, of the Signatory Parties shall submit the amended Stipulation to the Commission for approval after a hearing if not all Signatory parties to this Stipulation sign as Signatory Parties to the Amended Stipulation

E. Unless the Signatory Party exercises its right to terminate its Signatory Party status or withdraw as described above, each Signatory Party agrees to and will support the reasonableness of this Stipulation before the Commission, and to cause its counsel to do the same, and in any appeal it participates in from the Commission's adoption and/or enforcement of this Stipulation. The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible.

IN WITNESS WHEREOF, this Stipulation and Recommendation has been signed
by the authorized agents of the undersigned Parties as of this 8th day of November, 2013.

//s// Ryan O'Rourke (w/permission)
William L. Wright, Section Chief
Thomas Lindgren
Ryan O'Rourke
**On Behalf of the Staff of the Public
Utilities Commission of Ohio**

//s// Matthew J. Satterwhite
Yazen Alami
Matthew J. Satterwhite
Steven T. Nourse
On Behalf of Ohio Power Company

//s// Edmund Berger (w/permission)
Edmund "Tad" Berger
**On Behalf of the Office of the Ohio
Consumers' Counsel**

//s// Jody Kyler Cohn (w/permission)
David Boehm
Michael L. Kurtz
Jody Kyler Cohn
Kurt J. Boehm
On Behalf of the Ohio Energy Group

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing **Joint Stipulation and Recommendation on Behalf of Signatory Parties** has been served upon the below-named counsel via email, this 8th day of November, 2013.

/s/Matthew J. Satterwhite

William L. Wright
Thomas Lindgren
Ryan O'Rourke
Assistant Attorney General
Chief, Public Utilities Section
Public Utilities Commission of Ohio
Thomas.lindgren@puc.state.oh.us
Ryan.o'rourke@puc.state.oh.us

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
berger@occ.state.oh.us

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

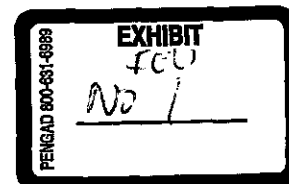
11/8/2013 3:54:08 PM

in

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

Summary: Stipulation -Joint Stipulation and Recommendation electronically filed by Mr. Matthew J Satterwhite on behalf of Ohio Power Company

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**



In the Matter of the Application of
Ohio Power Company to Update its
Transmission Cost Recovery Rider.

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

INDUSTRIAL ENERGY USERS-OHIO'S COMMENTS

Samuel C. Randazzo
(Counsel of Record)
Frank P. Darr
Joseph E. Olikar
Matthew R. Pritchard
MCNEES WALLACE & NURICK LLC
21 East State Street, 17TH Floor
Columbus, OH 43215
Telephone: (614) 469-8000
Telecopier: (614) 469-4653
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

July 29, 2013

Attorneys for Industrial Energy Users-Ohio

TABLE OF CONTENTS

I. BACKGROUND	1
II. ARGUMENT	2
A. The Commission should reject AEP-Ohio's unlawful and unreasonable request to increase future TCRR rates to account for revenue that AEP-Ohio, through its own fault, failed to previously request authorization of from the Commission.....	2
1. The doctrines of res judicata and collateral estoppel bar the inclusion of the entire \$23 million in future TCRR rates	3
2. If the Commission allows the inclusion of any of the historic Reactive Supply charges, Commission precedent limits the total amount eligible for inclusion in future TCRR amounts to the portion of the \$23 million associated with the current TCRR period that began in November 2012	4
B. If the Commission allows AEP-Ohio to increase its prospective TCRR rates related to AEP-Ohio's failure in prior TCRR proceedings to request recovery of Reactive Supply charges, then the Commission should deny AEP-Ohio's request to recover carrying charges related to the Reactive Supply charges	6
C. The Commission should deny carrying charges on the portion of AEP-Ohio's under-recovery related to an increase in Black Start Service charges because AEP-Ohio failed to comply with Rule 4901:1-36-03(E), O.A.C.	7
D. The Commission can best minimize customer rate impacts by adopting IEU-Ohio's recommendations above.....	8
III. CONCLUSION	10

**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.)	

INDUSTRIAL ENERGY USERS-OHIO'S COMMENTS

Pursuant to Rule 4901:1-36-03(F), Ohio Administrative Code ("O.A.C."), Industrial Energy Users-Ohio ("IEU-Ohio") hereby submits its Comments to Ohio Power Company's ("AEP-Ohio") Application to adjust its Transmission Cost Recovery Rider ("TCRR") rates filed in this proceeding on June 17, 2013 ("Application").

I. BACKGROUND

Section 4928.05(A)(2), Revised Code, and Rule 4901:1-36-02, O.A.C., allow AEP-Ohio to implement a retail rider to recover transmission charges imposed on AEP-Ohio by PJM Interconnection, L.L.C. ("PJM"). Pursuant to Rule 4901:1-36-03(B), O.A.C., AEP-Ohio's TCRR is updated on an annual basis. The Application requests that the Public Utilities Commission of Ohio ("Commission") authorize new TCRR rates, which in total represent a \$58 million, or 33%, increase over AEP-Ohio's current TCRR rates.¹ AEP-Ohio states that its requested increase is due to higher projected costs and an outstanding under-recovery of approximately \$47.3 million, including carrying charges.² Including the under-recovery, AEP-Ohio requests that the Commission authorize a total revenue requirement of approximately \$231 million.

¹ Application at 4.

² *Id.*

AEP-Ohio indicated in its Application that the under-recovery is due mainly to three factors: (1) a PJM tariff change in December 2012 that caused AEP-Ohio to incur approximately \$11 million in Black Start Service charges that had not been forecasted; (2) implementation of the current TCRR rates created a regulatory lag of about \$7 million; and, (3) AEP-Ohio had inadvertently omitted from the current TCRR charges approximately \$23 million of PJM Reactive Supply charges, including carrying costs at AEP-Ohio's long-term debt rate that dates back to 2011.³ Regarding the third item, AEP-Ohio indicated that as a result of an accounting misclassification, the Reactive Supply charges were not recorded to their proper account and, as a result, AEP-Ohio had failed to request an increase in the TCRR rates from July 2011 through March 2013.⁴

II. ARGUMENT

A. The Commission should reject AEP-Ohio's unlawful and unreasonable request to increase future TCRR rates to account for revenue that AEP-Ohio, through its own fault, failed to previously request authorization of from the Commission

The Commission should reject AEP-Ohio's request to increase its future TCRR rates to account for \$23 million, inclusive of carrying charges, for which AEP-Ohio failed to request authorization during its previous updates to its TCRR rates. The doctrines of *res judicata* and collateral estoppel prevent AEP-Ohio from seeking to open the Commission's prior orders to increase its future revenue to account for revenue AEP-Ohio failed to request in prior TCRR proceedings. Additionally, if the Commission determines that *res judicata* and collateral estoppel do not apply (as it has done in

³ *Id.*

⁴ *Id.* at 4-5.

cases of clerical errors) then according to Commission precedent, AEP-Ohio could only include in future TCRR rates the portion of the \$23 million related to the current TCRR period which began in November 2012.

1. The doctrines of *res judicata* and collateral estoppel bar the inclusion of the entire \$23 million in future TCRR rates

"[R]es *judicata* and collateral estoppel ... operate to preclude the relitigation of a point of law or fact that was at issue in a former action between the same parties and was passed upon by a court of competent jurisdiction."⁵ The Commission approved AEP-Ohio's TCRR rates for the period of July 2011 through June 2012 in its Order dated June 22, 2011.⁶ The Commission authorized AEP-Ohio's TCRR rates for the current period in October 2012. AEP-Ohio did not request recovery of the Reactive Supply charges in either its Application approved by the Commission in June 2011 or in its Application approved by the Commission in October 2012.⁷ Accordingly, AEP-Ohio is precluded by the doctrines of *res judicata* and collateral estoppel from requesting increased revenue over the next 12 months to make up for revenue it did not seek in 2011 and 2012.

⁵ *Ohio Consumers' Counsel v. Pub. Util. Comm.*, 16 Ohio St.3d 9, 10 (1985); see also *In the Matter of the Complaint of Warren J. Yerian v. Buckeye Rural Electric Cooperative, Inc.*, Case No. 05-886-EL-CSS, Entry at 3 (Aug. 24, 2005) ("When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.").

⁶ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Update Each Company's Transmission Cost Recovery Rider*, Case No. 11-2473-EL-RDR, Finding and Order (June 22, 2011).

⁷ *In the Matter of the Application of Ohio Power Company to Update Its Transmission Cost Recovery Rider*, Case No. 12-1046-EL-RDR, Finding and Order (Oct. 24, 2012).

2. ***If the Commission allows the inclusion of any of the historic Reactive Supply charges, Commission precedent limits the total amount eligible for inclusion in future TCRR amounts to the portion of the \$23 million associated with the current TCRR period that began in November 2012***

Additionally, the Commission has held that it is inappropriate to adjust future rates to reconcile with over- or under-collections from before the current audit period, unless the mistake was a simple clerical error:

The Ohio Supreme Court's decision in *Consumers' Counsel* is the pivotal opinion on this topic. In the Commission case that gave rise to *Consumers' Counsel*, the Commission had considered the effect of a Commission rule that was defective in its application. *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of The Cleveland Electric Illuminating Company and Related Matters*, Case No. 83-38-EL-EFC, Opinion and Order (February 2, 1984). Although the Commission had intended to allow electric utilities to recover up to 100 percent of system loss costs, rather than limiting them to recovery through base rates, the actual effect of the rule was to allow more costs than actually incurred. For about a two-year period, the company in question had properly calculated its system loss costs under the rule, thereby recovering more than its actual costs. When the Commission considered the issue, it discussed the question of how far back it could go in remedying the problem. The Commission determined that it was limited to the audit period involved in that case, based on precedent, fundamental fairness, and the desire to achieve finality in decisions. This determination was upheld on rehearing. On appeal to the Supreme Court of Ohio, the court affirmed the Commission's order, based on the application of the doctrines of *res judicata* and collateral estoppel. The court pointed out that OCC could have challenged the computation for the earlier period by appealing or requesting a rehearing of the previous order of the Commission. Thus, the court found that the previous case is 'insulated from attack.' *Consumers' Counsel*, *supra* at 10.

In 1987, the issue of out-of-period corrections again came before the Commission. *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of Columbus Southern Power Company and Related Matters*, Case No. 87-102-EL-EFC, Opinion and Order (November 10, 1987) and Entry on Rehearing (December 29, 1987). During the audit, the utility company discovered that an error had been made during the preceding audit period. The error resulted from a verbal miscommunication and caused the company not to recover costs that were properly recoverable. The parties argued at length about the application of the rule from *Consumers' Counsel*. The Commission

reached a different result, allowing the out-of-period correction. It distinguished this circumstance from the one in *Consumers' Counsel*, explaining that, in *Consumers' Counsel*, the Commission had previously considered the methodology and had approved it, specifically finding that the company complied with then-existing Commission rules. Thus, the Commission noted, *res judicata* properly applied. In *Columbus Southern*, however, the Commission concluded that the problem arose because of a simple clerical error. The Commission noted that, of course, it had never considered or approved a clerical error. Thus, the Commission recognized that clerical errors made in prior audit periods can be considered in subsequent GCR proceedings.⁸

The Commission concluded that the analysis of whether an out-of-period error can be corrected hinges on whether the error was a simple clerical error or if it was something more:

The critical, underlying question, then, is whether the prior years' errors, identified by [the utility], are clerical errors or whether, based on their nature, their repetition over a period of years, [the utility's] actions to attempt to prevent them, the Commission's instructions regarding internal reviews, or other factors, these mistakes have risen beyond the level of clerical errors.⁹

From the face of AEP-Ohio's Application, it appears that AEP-Ohio's errors are more than the simple verbal clerical error recognized in *Columbus Southern*. AEP-Ohio's errors were not the result of a verbal miscommunication; they were the result of AEP-Ohio's failure to record its charges from PJM in the proper account.¹⁰ AEP-Ohio's errors have persisted on a monthly basis (AEP-Ohio misclassified each bill from PJM) for a period of years, dating back to 2011.¹¹ Thus, AEP-Ohio's error is not a simple verbal miscommunication; rather, the error occurred through AEP-Ohio's repeated failure to properly account for PJM's bills, as it now believes it should have. Based

⁸ *In the Matter of the Long-Term Forecast Report of The Cincinnati Gas & Electric Company and Related Matters*, Case Nos. 03-118-GA-FOR, *et al.*, Entry at 8-9 (Dec. 10, 2004).

⁹ *Id.*

¹⁰ Application at 5.

¹¹ *Id.*

upon the Commission precedent discussed above, AEP-Ohio would be limited to adjusting prospective TCRR rates for errors from the current period; if any adjustments are allowed at all (*res judicata* and collateral estoppel prevent the inclusion of any of the prior Reactive Supply charges).

Just as customers were prevented from reaching back to offset prospective rates for amounts over-collected from before the current audit period, AEP-Ohio should not be permitted to increase the TCRR for amounts it failed to timely seek in the prior audit period and on which the Commission has already ruled. According to the Court's and Commission's precedent, the Commission should not increase AEP-Ohio's prospective rates to account for AEP-Ohio's failure to properly account for the Reactive Supply charges and to seek recovery of the charges through the Commission's prior orders; AEP-Ohio is now barred by the doctrines of *res judicata* and collateral estoppel from seeking future recovery of these Reactive Supply charges. Further, AEP-Ohio's error is beyond a simple clerical error and, therefore, if the Commission allows AEP-Ohio to include the prior Reactive Supply charges in prospective TCRR rates, the Commission should limit the adjustments to Reactive Supply charges from the current period, *i.e.*, starting November 2012.

B. If the Commission allows AEP-Ohio to increase its prospective TCRR rates related to AEP-Ohio's failure in prior TCRR proceedings to request recovery of Reactive Supply charges, then the Commission should deny AEP-Ohio's request to recover carrying charges related to the Reactive Supply charges

If the Commission rejects IEU-Ohio's prior arguments and allows AEP-Ohio to increase its TCRR rates to account for AEP-Ohio's failure in prior TCRR proceedings to request rates that reflected Reactive Supply charges, then the Commission should at a minimum reject AEP-Ohio's proposal to include carrying charges on these amounts.

But for AEP-Ohio's own errors, there would not have been any carrying charges as the revenue AEP-Ohio now seeks to collect would have been collected over prior periods.

Furthermore, AEP-Ohio should have filed an interim application to adjust its TCRR rates as soon as it realized a large under-recovery was possible. AEP-Ohio's failure to do so violates Rule 4901:1-36-03(E), O.A.C., and serves as an additional basis for the Commission to deny recovery of carrying charges associated with the Reactive Supply charges, if the Commission rejects IEU-Ohio's argument in Section I.A.1 above and allows their collection. That Rule provides "[i]f at anytime during the period between annual update filings, the electric utility or staff determines that costs are or will be substantially different than the amounts authorized as the result of the electric utility's previous application, the electric utility should file, on its own initiative or by order of the commission, an interim application to adjust the transmission cost recovery rider in order to avoid excessive carrying costs and to minimize rate impacts for the following update filing."

Because carrying charges associated with the Reactive Supply charges is a result of AEP-Ohio's own errors and a violation of Rule 4901:1-36-03(E), O.A.C., the Commission should not allow AEP-Ohio to recover any carrying charges associated with the historic Reactive Supply charges, if the Commission allows their inclusion in future TCRR rates at all.

- C. The Commission should deny carrying charges on the portion of AEP-Ohio's under-recovery related to an increase in Black Start Service charges because AEP-Ohio failed to comply with Rule 4901:1-36-03(E), O.A.C.**

The Commission should deny recovery of the unreasonable carrying charges caused by AEP-Ohio's failure to file an interim application to update its TCRR in

accordance with Commission Rule 4901:1-36-03(E), O.A.C. As discussed above, that Rule requires AEP-Ohio to file an interim application to adjust TCRR rates when it determines that a large under-recovery is possible to prevent excessive carrying charges from accruing.

As AEP-Ohio's Application acknowledges, \$11 million of AEP-Ohio's under-recovery stemmed from "a PJM tariff change in December 2012."¹² Thus, AEP-Ohio was on notice, no later than December 2012, that the potential for an under-recovery would exist. AEP-Ohio's failure to file an interim application has caused excessive carrying charges that the Commission should not allow AEP-Ohio to recover from customers. Finally, AEP-Ohio was well aware of the Commission's rule and requirement to file an interim application as IEU-Ohio raised this very issue in IEU-Ohio's November 21, 2012 Application for Rehearing filed in AEP-Ohio's TCRR proceeding last year.¹³

D. The Commission can best minimize customer rate impacts by adopting IEU-Ohio's recommendations above

At page 7 of its Application, AEP-Ohio states, "[a]s always, the Company is receptive to exploring alternative recovery options in an effort to promote rate stability and to mitigate rate impacts." AEP-Ohio does not offer what these alternative options may be and, in fact, there is no reason for the Commission to grant the unreasonable and unlawful increases that AEP-Ohio is requesting. Rather, the Commission can mitigate the TCRR rate impacts by rejecting AEP-Ohio's request to increase its TCRR

¹² Application at 4.

¹³ *In the Matter of the Application of Ohio Power Company to Update Its Transmission Cost Recovery Rider*, Case No. 12-1046-EL-RDR, IEU-Ohio's Application for Rehearing and Memorandum in Support at 4, 7 (Nov. 21, 2012).

for the historic Reactive Supply charges and carrying charges improperly included in its Application, as well as the unjustified carrying charges associated with the increase in Black Start Service charges. Additionally, before the Commission considers "alternative recovery options," AEP-Ohio should be required provide a detailed explanation of what may be proposed and the bill impacts of that proposal. Only in this manner will the Commission comply with the rights of the customers to notice, comment, and hearing required by law and Commission rules.¹⁴

The Ohio Supreme Court has held due process in a Commission proceeding occurs **when** a party is given: (1) "ample notice;" (2) "permitted to present evidence through the calling of its own witnesses;" (3) permitted to "cross-examin[e] the other parties' witnesses;" (4) introduce exhibits; (5) "argue its position through the filing of posthearing briefs;" and (6) "challenge the PUCO's findings through an application for rehearing."¹⁵ Further, the Court has held that the Commission must, in order to comply with the law, provide "in sufficient detail, the facts in the record upon which the order is based, and the reasoning followed by the PUCO in reaching its conclusion."¹⁶

Therefore, if the Commission does not summarily deny AEP-Ohio's request to recover the historic Reactive Supply charges and unwarranted carrying charges associated with the Reactive Supply charges and Black Start Service charges, it should require AEP-Ohio to set out its proposal to mitigate the impact of its unreasonable increase and permit parties to address the proposal.

¹⁴ Section 4903.09, Revised Code; Rule 4901:1-36-03(F), O.A.C.

¹⁵ *Vectren Energy Delivery of Ohio, Inc. v. Pub. Util. Comm.*, 113 Ohio St.3d 180, 863 N.E.2d 599; 2006-Ohio-1386 at ¶ 53.

¹⁶ *Tongren v. Pub. Util. Comm.* 85 Ohio St.3d 87, 89 (1999).

III. CONCLUSION

For the reasons discussed herein, the Commission should reduce AEP-Ohio's requested revenue requirement to remove the improper inclusion of \$23 million associated with Reactive Supply charges, and should further reduce AEP-Ohio's requested revenue requirement to remove the excessive carrying charges associated with the December 2012 increase in Black Start Service charges.

Respectfully submitted,

/s/ Matthew R. Pritchard

Samuel C. Randazzo

(Counsel of Record

Frank P. Darr

Joseph E. Olikar

Matthew R. Pritchard

MCNEES WALLACE & NURICK LLC

21 East State Street, 17th Floor

Columbus, OH 43215-4228

sam@mwncmh.com

fdarr@mwncmh.com

joliker@mwncmh.com

mpritchard@mwncmh.com

Attorneys for Industrial Energy Users-Ohio

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Industrial Energy Users-Ohio's Comments* was served upon the following parties of record this 29th day of July 2013, via electronic transmission, hand-delivery or first class U.S. mail, postage prepaid.

/s/ Matthew R. Pritchard

Matthew R. Pritchard

Steven T. Nourse
Yazen Alami
American Electric Power Service
Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215
stnourse@aep.com
yalami@aep.com

COUNSEL FOR OHIO POWER COMPANY

Michael L. Kurtz
David F. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jklyercohn@BKLawfirm.com

COUNSEL FOR OHIO ENERGY GROUP

Edmund Berger
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
berger@occ.state.oh.us

COUNSEL FOR OFFICE OF THE OHIO CONSUMERS' COUNSEL

William L. Wright
Assistant Attorney General
Chief, Public Utilities Section
180 E. Broad Street, 6th Floor
Columbus, OH 43215-3793
william.wright@puc.state.oh.us

COUNSEL FOR THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

Sarah Parrot
Jonathan Tauber
Attorney Examiners
Public Utilities Commission of Ohio
180 East Broad Street, 12th Floor
Columbus, OH 43215
Sarah.Parrot@puc.state.oh.us
jonathan.tauber@puc.state.oh.us

ATTORNEY EXAMINERS

This foregoing document was electronically filed with the Public Utilities

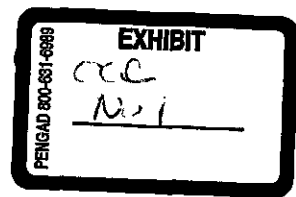
Commission of Ohio Docketing Information System on

7/29/2013 1:32:24 PM

in

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

Summary: Comments of Industrial Energy Users-Ohio electronically filed by Mr. Matthew R. Pritchard on behalf of Industrial Energy Users-Ohio



**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 Rates.)

**COMMENTS
OF
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

Ohio Power Company ("AEP Ohio" or "Utility") claims that it incurred \$23 million in PJM Reactive Supply charges from July 2011 through March 2013 but, because of an accounting error, didn't include them in its Transmission Cost Recovery Rider ("TCRR"). Now, it is seeking to have customers pay the \$23 million in overlooked PJM charges plus an unspecified amount of carrying costs related to them. The carrying costs AEP Ohio wants to charge customers are for both the past – July 2011 to the present -- and for carrying the balance during the upcoming collection period.

But the Transmission Cost Recovery Rider, like other riders, provides reconciliation only for differences between forecasted transmission costs included in the TCRR and the actual amount of costs incurred during the reconciliation period. Here, the amount of \$23 million in PJM Reactive Supply Charges was not previously claimed to be costs for the TCRR. To the extent that the audit period(s) relating to these costs have passed, they are not now recoverable from customers and AEP Ohio should be denied recovery of such costs.

Additionally, if these costs had been claimed when they should have been, carrying charges would have been substantially less than the carrying charges being

claimed now. Customers should not bear financial responsibility for AEP's errors. To the extent any amount is allowed for carrying charges, the amount should be limited to what would have been paid had a timely claim been made for the PJM Reactive Supply charges in the first place. AEP Ohio should not be allowed to charge customers even more money for its delay in claiming the PJM Reactive Supply charges.

Before AEP Ohio's claim for PJM Reactive Supply Charges is even considered, however, AEP Ohio must fully explain how its error occurred, specify the carrying charges sought for the PJM Reactive Supply Charges, and revise its tariff to limit the period when it can make a claim for out-of-period costs.

II. COMMENTS

A. AEP Ohio's Claim to Charge Customers A Lot of Money.

AEP Ohio is claiming that it under-collected its TCRR by \$43,729,919. AEP Ohio is asking the PUCO to require customers to pay this amount of charges that it says it incurred during past periods. AEP Ohio is also claiming carrying charges for this undercollected amount of \$3,331,644. Of the \$43,729,919 of claimed undercollected amounts, \$11 million is for Black Start Service, which AEP Ohio claims resulted from changes made by PJM. Approximately \$7 million is claimed to be the result of regulatory lag in the collection of a previous undercollected balance. And about \$23 million is claimed to be the result of AEP Ohio "inadvertently omitting" a component from the TCRR calculation.

AEP Ohio claims that the \$23 million is for PJM Reactive Supply charges billed by PJM and paid by AEP Ohio, but not properly recorded by the Utility on its books for

the period from July 2011 through March 2013.¹ AEP Ohio claims that this amount was not reflected in rates in previous periods. The end result of AEP Ohio's proposed TCRR rate adjustment, along with the forecast increases in transmission-related charges, would be an increase to residential customer TCRR charges of 35.43%.² For a customer utilizing 1,000 kWh in a billing month, this would represent a monthly increase of \$4.10, or a 3% increase in a monthly total bill for CSP rate zone customers and a 3.2% monthly increase for OP rate zone customers. The increases to collect these charges from customers would be in effect for the period September 2013 through August 2014.³

B. Deficiencies In AEP Ohio's Claim Make It Difficult To Assess Properly for Fairness to Customers.

AEP Ohio's filing is deficient in a number of respects described below. OCC has submitted Interrogatories and Requests for Documents in this case in an effort to better understand the basis for AEP Ohio's claims. OCC is not contesting the \$11 million for Black Start Service or the \$7 million for regulatory lag, as the incurrence of these charges would appear to have been outside AEP Ohio's control. However, OCC may contest recovery of the \$23 million in PJM Reactive Supply charges that were "inadvertently omitted" from previous TCRR calculations due to Utility error. AEP Ohio's filing does not provide sufficient information to justify the \$23 million in PJM Reactive Supply Charges.

In the paperwork filed with the Application, PJM Reactive Supply charges to AEP Ohio are indicated to be only around \$3,700 per month in January, February, and

¹ Ohio Power Company: *In the Matter of the Application of Ohio Power Company to Update Its Transmission Cost Recovery Rider*, Case No. 13-1406-EL-RDR.

² Application at Schedule B-2.

³ Application at Schedule B-5.

March, 2013, and the amount increases to \$24,019,281 million for April 2013.⁴ However, no billing to show the source of this amount is provided. Moreover, AEP Ohio is claiming approximately \$23 million in charges for PJM Reactive Supply for a period of 21 months (July 2011 through March 2013, Application at 5), or about \$1.1 million per month, while forecasting PJM Reactive Supply Charges of \$7.6 million for the next year, or about \$630,000 per month.⁵ It is essential for AEP Ohio to explain why the amount that it seeks to charge customers for the past 21 months is so much more than what has been spent in the past and what is forecast going forward.

AEP Ohio is also requesting recovery of Forecast Carrying Costs of \$3,331,644, but does not provide information indicating what period of time these carrying charges are for, and what carrying charges directly relate to the \$23 million in PJM Reactive Supply charges “inadvertently omitted.”⁶ Similarly, no information is provided in the filing to indicate where the “inadvertently omitted” charges were recorded instead of the proper account for recording. And AEP Ohio does not explain whether or not the charges have already been paid by customers through some other rider or rate schedule.

C. Customers Should Not Pay For AEP Ohio’s Accounting Errors.

Customers should not pay for accounting mistakes by the Utility that resulted in undercollections where the costs were incurred prior to the audit period. In a determination upheld by the Supreme Court of Ohio, the PUCO stated that “[F]or reasons of law, fairness, and finality, however, we believe we are constrained to go no further in

⁴ Application at Schedule D-1 and D-3.

⁵ Application at Schedule B-1.

⁶ Application at Schedule B-1.

this case than the audit period.”⁷ In that case, the PUCO found that it could not reimburse customers for amounts Cleveland Electric collected that were in excess of amounts actually incurred prior to the audit period.⁸ Thus, adjustments that pre-date the audit period should generally not be allowed.

In this case, AEP Ohio appears to have underrecovered amounts prior to the audit period. Such amounts, which appear to be the result of its accounting mistakes, should not now be recoverable in the current audit period. Valid claims for undercollections should only include amounts that were necessary to adjust amounts forecasted to be incurred during the audit period to actual charges incurred during the audit period. It should not include charges that the Utility never claimed in the first place would be incurred.

However, if the PUCO finds it reasonable to impose \$23 million in additional charges on customers even though they are first claimed after the audit period has passed, the PUCO should disallow AEP Ohio’s claim for carrying charges. This disallowance should be for both carrying charges AEP Ohio claims were incurred in the past and for any carrying charges during the collection period. The PUCO should not allow carrying charges to be charged to customers where the Utility failed to make a timely claim for such charges. The PUCO has previously held that if a utility collects carrying charges on amounts that should be flowed back to customers, then the carrying charges should also

⁷ *In the Matter of the Regulation of the Electric Fuel Component Contained Within the rate Schedules of The Cleveland Electric Illuminating Company and Related Matters*, Case No. 83-38-EL-EFC, 1984 Ohio PUC LEXIS 65 at 36, (PUCO February 28, 1984), *affirmed Office of Consumers' Counsel v. Public Utilities Com.*, 16 Ohio St. 3d 9, 475 N.E. 2d 782 (1985).

⁸ *Id.* See also *In the Matter of the Review of the 2005 Annual Automatic Adjustment of Charges for All Electric and Gas Utilities*, 768 N.W.2d 112; 2009 Minn. LEXIS 360 (Sup. Ct. Minnesota 2009) (upholding Minnesota Public Utility Commission’s denial of recovery of approximately \$21 million in out-of-period charges from 2000-2005 relating to accounting errors).

be returned to customers.⁹ Other commissions have addressed the issue presented in this case more directly, finding that carrying charges should not be paid to utilities where utility accounting errors caused the delay in collection.¹⁰

We hasten to add that any PUCO consideration of allowing AEP Ohio to charge customers for its “inadvertently omitted” costs should be preceded by appropriate proceedings and scrutiny. For example, AEP Ohio should be required to explain the causes of the \$23 million omission and fully respond to OCC’s discovery requests. If needed, a hearing should be held to develop the record on this substantial amount of money that would increase customers’ bills.

Finally, to prevent the Utility from charging customers for its own errors, the PUCO should require AEP Ohio to revise its rider tariffs to make clear that only charges that are claimed in an audit period are recoverable from customers.

⁹ *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of Columbus Southern Power Company and Related Matters*, Case No. 93-102-EL-EFC, 1994 Ohio PUC LEXIS 480 at 3; 153 P.U.R.4th 60 (PUC Ohio June 16, 1994) (stating that carrying charges paid by customers on EPA emission allowance auction proceeds included in the Electric Fuel Component should be returned to customers if auction proceeds should be flowed through to customers); *In the Matter of the Regulation of the Electric Fuel Component Contained Within the Rate Schedules of the Ohio Power Company and Related Matters*, Case No. 93-101-EL-EFC, 1994 Ohio PUC LEXIS 653 at 19 (PUC Ohio July 21, 1994) (reiterating decision in Columbus Southern Power that carrying charges should be returned to customers if EPA emission allowance auction proceeds to be returned).

¹⁰ *Northern Utilities, Inc. Request for an Accounting Order to Defer Costs Related to an Under-Collection in its Cost of Gas Factor*, Docket No. 2008-462, 2009 Me. PUC LEXIS 414 at 12 (Me. PUC July 1, 2009) (denying Northern Utilities’ request for carrying charges on unclaimed costs resulting from repeated accounting errors over 5 years); *In the Matter of a Petition by Northern States Power d/b/a Xcel Energy for Approval of its Electric Lower Income Program Meter Surcharge*, Docket No. E-002/M-10-854, 2011 Minn. PUC LEXIS 20 at 8 (Minn. PUC January 28, 2011) (accepting utility’s proposed non-recovery of underlying costs and related carrying charges on low-income meter reading expenses where resulting from accounting errors); *Illinois Commerce Commission On Its Own Motion: Revision of 83 Ill. Adm. Code 525, 94-0403*, 1995 Ill. PUC LEXIS 640 at 16 (ICC October 3, 1995) (implementing rules requiring refund of carrying costs on any amounts not prudently incurred or from reconciliation statement errors).

III. CONCLUSION

OCC appreciates the opportunity to comment on AEP Ohio's Transmission Cost Recovery Rider. The PUCO should carefully review AEP Ohio's TCRR, especially its claim for \$23 million in PJM Reactive Supply Charges. And the PUCO should prohibit the Utility from placing the burden of these costs on customers when it failed to make a timely claim for them. If any amount is allowed, the PUCO should not, additionally, place the burden of carrying charges on customers.

If any carrying charges are allowed, they should be limited to those that would have been allowed had a timely claim for these costs been included in AEP's 2011 and 2012 TCRR adjustment filings. This limitation means that customers should not be paying carrying charges to AEP Ohio for time periods of non-collection that exist only because of AEP's error.

The PUCO should require the Utility to document all of its charges and specify the amount of charges claimed. The Commission should also require the revision of the Utility's rider tariffs to make clear that only charges claimed when first incurred or first anticipated to be incurred, whichever is earlier, qualify for collection from customers in later proceedings.

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

/s/ Edmund "Tad" Berger

Edmund "Tad" Berger
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
Telephone: (Berger) (614) 466-1292
berger@occ.state.oh.us

CERTIFICATE OF SERVICE

I hereby certify that a copy of these *Comments* was served on the persons stated below via electronic transmission to the persons listed below, this 29th day of July 2013.

/s/ Edmund "Tad" Berger

Edmund "Tad" Berger
Assistant Consumers' Counsel

SERVICE LIST

William Wright
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
William.wright@puc.state.oh.us

Steven T. Nourse
Yazen Alami
American Electric Power Service
Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
yalami@aep.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mikurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

AEs: Sarah.parrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/29/2013 1:28:23 PM

in

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

Summary: Comments Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Berger, Tad Mr.

OCC EXHIBIT NO. 2

**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 Rates.)

**TESTIMONY
OF
BETH E. HIXON**

**On Behalf of the
Office of the Ohio Consumers' Counsel**
*10 West Broad Street, Suite 1800
Columbus, Ohio 43215*

October 18, 2013

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY	3
III. AEP OHIO'S PROPOSED PJM REACTIVE SUPPLY CHARGES FOR JULY 2011 THROUGH MARCH 2013	5

ATTACHMENTS

BEH-A Beth E. Hixon – Utility Testimony Submitted

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

4 ***A1.*** My name is Beth Hixon. My business address is 10 West Broad Street, Suite
5 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
6 Consumers' Counsel ("OCC") as the Assistant Director of Analytical Services.

7

8 ***Q2. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND***
9 ***PROFESSIONAL BACKGROUND?***

10 ***A2.*** I received a Bachelor of Business Administration degree in accounting from Ohio
11 University in June 1980. For the period June 1980 through April 1982, I was
12 employed as an Examiner in the Field Audits Unit of the Ohio Rehabilitation
13 Services Commission ("ORSC"). In this position, I performed compliance audits
14 of ORSC grants to, and contracts with, various service agencies in Ohio.

15

16 In May 1982, I was employed in the position of Researcher by the OCC. In 1984,
17 I was promoted to Utility Rate Analyst Supervisor and held that position until
18 November 1987 when I joined the regulatory consulting firm of Berkshire
19 Consulting Services. In April 1998, I returned to the OCC and have subsequently
20 held positions as Senior Regulatory Analyst, Principal Regulatory Analyst,
21 Assistant Director of Analytical Services and Interim Director of Analytical
22 Services.

23

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **Q3. WHAT EXPERIENCE DO YOU HAVE IN THE AREA OF UTILITY**
2 **REGULATION?**

3 **A3.** In my positions with the OCC, and as a consultant with Berkshire Consulting
4 Services, I have performed analysis and research in numerous cases involving
5 utilities' base rates, fuel and gas rates and other regulatory issues. I have worked
6 with attorneys, analytical staff, and consultants in preparing for, and litigating,
7 utility proceedings involving Ohio's electric companies, the major gas companies,
8 and several telephone and water utilities. At the OCC, I also chair the OCC's
9 cross-functional internal electric team, participate in and/or direct special
10 regulatory projects regarding energy issues, and provide training on regulatory
11 technical issues.

12
13 **Q4. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE**
14 **REGULATORY COMMISSIONS?**

15 **A4.** Yes. I have submitted testimony before the Public Utilities Commission of Ohio
16 ("PUCO") in the cases listed in Attachment BEH-A. As shown on this
17 Attachment, I have also submitted testimony in a case before the Indiana Utility
18 Regulatory Commission.

19

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **II. PURPOSE OF TESTIMONY**

2

3 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
4 ***PROCEEDING?***

5 ***A5.*** The purpose of my testimony is to address the over \$23 million, plus carrying
6 charges, proposed to be charged to customers by Ohio Power Company ("Ohio
7 Power" or "AEP Ohio") through its Transmission Cost Recovery Rider ("TCRR")
8 for PJM Reactive Supply charges incurred since July 2011. The \$23 million in
9 PJM Reactive Supply charges for July 2011 through March 2013 was included by
10 AEP Ohio in its TCRR costs during the reconciliation period for this case.¹ The
11 Staff of the PUCO ("PUCO Staff") recommended a \$13.3 million reduction to
12 AEP's claimed TCRR costs related to PJM Reactive Supply charges, and
13 associated carrying charges.² On August 28, AEP Ohio was directed to file
14 revised tariffs reflecting Staff's proposed rates, which reflected this \$13.3 million
15 reduction in the TCRR rate calculation.³

16

¹ June 17, 2013 Application ("Application") at 4-5.

² August 13, 2013 Staff's Review and Recommendations at 1-2.

³ August 28, 2013 Entry at 8. In response to this Entry, AEP Ohio filed a revised TCRR tariff on September 3, 2013.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **Q6. WHAT IS YOUR RECOMMENDATION TO THE PUCO REGARDING THE**
2 **AMOUNT OF PJM REACTIVE SUPPLY CHARGES THAT AEP OHIO**
3 **SHOULD BE ALLOWED TO CHARGE CUSTOMERS THROUGH THE**
4 **TCRR IN THIS CASE?**

5 **A6.** I recommend excluding \$11.4 million in July 2011 through April 2012 PJM
6 Reactive Supply charges, and recommend excluding \$0.9 million in associated
7 carrying charges, that were for the prior audit period.⁴ I also recommend
8 excluding \$1 million of carrying charges related to the \$11.6 million of PJM
9 Reactive Supply charges for the period May 2012 through April 2013, which is
10 the reconciliation, and audit, period for this case⁵. With regard to these items, I
11 support the position of the PUCO Staff to exclude these charges from TCRR rates
12 that customers pay.

13
14 If the PUCO were to determine that customers must pay for the prior audit period
15 PJM Reactive Supply charges, I recommend that carrying charges of \$1.9 million
16 associated with both the \$11.4 million of prior audit period and the \$11.6 current
17

⁴ \$11,399,735 PJM Reactive Supply charges for July 2011 through April 2012 and \$856,202 in carrying charges (August 13, 2013 Staff's Review and Recommendations at 1).

⁵ Staff recommends exclusion of \$323,703 in carrying charges associated with the \$11,622,844 in PJM Reactive Supply charges from the current audit period and exclusion of \$744,914 in future carrying charges. (August 13, 2013 Staff's Review and Recommendations at 1-2).

Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR

1 audit period PJM Reactive Supply charges be excluded from AEP Ohio's TCRR
2 rate calculation in this case.

3
4 If the PUCO were to determine that customers must pay for both the prior audit
5 and current audit periods' \$23 million in PJM Reactive Supply charges and all
6 associated carrying charges related to AEP Ohio's under-recovery for these
7 charges, I recommend the PUCO clarify that out-of-audit period credits, as well as
8 out-of-audit period charges, will be recognized in the TCRR rate. I also
9 recommend that carrying charges in the TCRR will apply in a similar manner for
10 any future out-of-audit-period adjustments that reduce the TCRR rate calculation,
11 as well as for those that increase the TCRR.

12
13 **III. AEP OHIO'S PROPOSED PJM REACTIVE SUPPLY CHARGES FOR**
14 **JULY 2011 THROUGH MARCH 2013**

15
16 ***Q7. HOW HAS AEP OHIO PROPOSED TO INCLUDE PJM REACTIVE***
17 ***SUPPLY CHARGES FOR JULY 2011 THROUGH MARCH 2013 IN THE***
18 ***TCRR IT WILL BILL TO CUSTOMERS AS A RESULT OF THIS CASE?***

19 ***Q7. During the current reconciliation⁶ and audit period, May 2012 through April***
20 ***2013, AEP Ohio increased its TCRR balance by \$23 million for PJM Reactive***

⁶ AEP Ohio witness Moore Direct Testimony at 5.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 Supply charges incurred for the months July 2011 through March 2013. The
2 Utility adjusted its TCRR balance in April 2013.⁷
3 The \$23 million increase included PJM Reactive Supply charges of \$11.4 million
4 incurred from July 2011 through April 2012 -- the "period previously audited"⁸
5 by PUCO Staff. It also included \$11.6 million for the months May 2012 through
6 April 2013 from the "current audit period."⁹

7
8 ***Q8. SHOULD THE \$11.4 MILLION OF PRIOR AUDIT PERIOD PJM***
9 ***REACTIVE SUPPLY CHARGES BE INCLUDED IN THE TCRR THAT***
10 ***CUSTOMERS WILL PAY AS A RESULT OF THIS CASE?***

11 ***A8.*** No. The prior audit period PJM Reactive Supply charges, and associated carrying
12 costs, should be eliminated from the TCRR costs in this case that customers
13 would pay. Additionally, I note that, based on advice of counsel, the PUCO, in a
14 decision affirmed by the Ohio Supreme Court,¹⁰ has held that reconciliation is
15 limited to the audit period under review.

⁷ August 13, 2013 Staff's Review and Recommendations at 1.

⁸ August 13, 2013 Staff's Review and Recommendations at 1.

⁹ August 13, 2013 Staff's Review and Recommendations at 1.

¹⁰ *In the Matter of the Regulation of the Electric Fuel Component Contained Within the rate Schedules of The Cleveland Electric Illuminating Company and Related Matters*, Case No. 83-38-EL-EFC, 1984 Ohio PUC LEXIS 65 at 36, (PUCO February 28, 1984), *affirmed Office of Consumers' Counsel v. Public Utilities Com.*, 16 Ohio St. 3d 9, 475 N.E. 2d 782 (1985).

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 The Utility's required annual filing of a TCRR update¹¹, the required annual
2 reconciliation of TCRR costs¹², and the practice of the PUCO Staff in performing
3 review and audit have established a one year audit period. For example, in the
4 current case the PUCO Staff recognized the one-year current audit period in its
5 recommendation that only PJM Reactive Supply charges for the months May
6 2012 through April 2013 be included in this TCRR.¹³

7
8 AEP Ohio has also recognized in its past TCRR annual update filings that the
9 period for which costs are reconciled is one year. For example, in its Schedule B-
10 1 in AEP Ohio's last annual update filing, the Utility listed the "Prior Year
11 under/(over) collection."¹⁴ In other prior TCCR annual update filings, AEP Ohio
12 also listed the reconciliation on Schedule B-1 as the "Prior Year under/(over)
13 collection."¹⁵ This is in contrast to Schedule B-1 in the current case, in which the
14 term "Prior Year" is no longer listed by AEP Ohio when referring to the
15 reconciliation for under/(over) collection.

¹¹ Ohio Administrative Code 4901:1-36-03 (B).

¹² Ohio Administrative Code 4901:1-36-04 (A).

¹³ August 13, 2013 Staff's Review and Recommendations at 1-2.

¹⁴ Case No. 12-1046-EL-RDR, June 15, 2012 Application, Schedule B-1.

¹⁵ See Schedules B-1 in Case No. 11-2473-EL-RDR, April 15, 2012 Application, Case No. 10-477-EL-RDR, April 14, 2010 Application, and Case No. 09-339-EL-UNC, April 16, 2009 Application.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **Q9. DO YOU AGREE WITH AEP OHIO'S CLAIM THAT A "CLERICAL**
2 **ERROR" CAUSED THE NEED TO INCREASE ITS APRIL 2013 TCRR**
3 **BALANCE BY \$23 MILLION IN PJM REACTIVE SUPPLY CHARGES?**

4 **A9.** No. In its June 17, 2013 Application, AEP Ohio stated that it "discovered during
5 the review phase for this filing" that \$23 million was "inadvertently omitted"
6 from TCRR rate calculations. In the October 8, 2013 testimony of AEP witness
7 Moore, she describes a "clerical error" that occurred. However, upon reading Ms.
8 Moore's and AEP witness Gleckler's explanations of the "error," it can be seen
9 that this is not a simple clerical error, but instead the Utility's failure to properly
10 construct the TCRR rate calculations annually submitted to the PUCO.

11
12 **Q10. WAS THE FAILURE TO INCLUDE THE PJM REACTIVE SUPPLY**
13 **CHARGES IN THE TCRR RATE CALCULATIONS DUE TO AN**
14 **ACCOUNTING ERROR?**

15 **A10.** No. The Utility did not make an accounting entry error for the PJM Reactive
16 Supply charges, because Ms. Moore states that "accounting entries for these
17 charges were correctly recorded."¹⁶

18

¹⁶ AEP Ohio Witness Moore Direct Testimony at 5.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 ***Q11. WAS THE FAILURE TO INCLUDE THE CHARGES IN THE TCRR RATE***
2 ***CALCULATIONS A ONE-TIME MISTAKE?***

3 ***A11.*** No. The Utility did not make a one-time error in not submitting PJM Reactive
4 Supply charges as part of the TCRR rate calculation in an annual update filing.
5 Instead, the failure to include the charges in the TCRR rate calculations began in
6 July 2011 (when AEP Ohio's credits exceeded its charges for PJM Reactive
7 Supply¹⁷) and continued until discovered "during the review phase for this
8 filing,"¹⁸ a period of almost two years.

9
10 Mr. Gleckler's explanation of the PJM Reactive Supply charges and credits for
11 AEP Ohio reveals that the PJM invoices separate the charges from the credits, as
12 they are shown on separate lines.¹⁹ As detailed on page 4 of his testimony, it was
13 AEP Ohio's decision how to treat the net amounts on its books that resulted in
14 PJM Reactive Supply Charges since July 2011 not being charged to an account
15 which Utility personnel recognized as related to the TCRR. (i.e. Account
16 4470098 PJM Operating Reserves Revenue – Off-System Sales).

17

¹⁷ AEP Ohio Witness Gleckler Direct Testimony at 5.

¹⁸ Application at 5.

¹⁹ AEP Ohio Witness Gleckler Direct Testimony at 3.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 ***Q12. DID AEP OHIO HAVE PROCESSES IN PLACE TO DISCOVER ITS***
2 ***FAILURE TO INCLUDE THE PJM REACTIVE SUPPLY CHARGES IN***
3 ***THE TCRR RATE CALCULATIONS?***

4 ***A12.*** Since Ms. Moore indicates that now AEP Ohio “has a plan in place to ensure the
5 charges are included in the TCRR going forward,”²⁰ and since the incorrect
6 calculation of the TCRR rate continued for almost two years, it does not appear
7 the Utility had processes in place that allowed it to discover the fact that it was
8 improperly calculating the TCRR rates submitted in annual filings to the PUCO.
9 In addition, Mr. Gleckler explains that it was when the Utility was “investigating
10 the treatment of PJM Reactive Supply charges and credits” that it also identified
11 the potential for similar mistakes to be made in the TCRR calculations for charges
12 for two other services (Regulation and Synchronous Reserve).²¹ For one of these
13 items, Synchronous Reserve, Mr. Gleckler states that these “charges were no
14 longer recorded in expense accounts,” which is similar to treatment that led to the
15 failure to include PJM Reactive Supply charges in the TCRR rate calculations.²²
16 However, Mr. Gleckler does not provide further detail of the impact on the TCRR
17 rate calculations of this new discovery about Synchronous Reserve charges.
18
19 An additional concern regarding the Utility’s processes related to its TCRR rate
20 calculations is raised in AEP Witness Moore’s testimony about an error from a

²⁰ AEP Ohio Witness Moore Direct Testimony at 8.

²¹ AEP Ohio Witness Gleckler Direct Testimony at 7.

²² AEP Ohio Witness Gleckler Direct Testimony at 7.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 prior period that might lower the TCRR revenue requirement. Ms. Moore reveals
2 that now AEP Ohio has “discovered an error totaling approximately \$8 million
3 that will result in a credit to the over/under recovery balance that will be reflected
4 in the next TCRR update filing.”²³ Further details are not provided in her
5 testimony, but she indicates that this \$8 million, like some of the proposed PJM
6 Reactive Supply charges in this case, would be for months outside the next audit
7 period. If so, this seems to indicate the untimely discovery by the Utility of a
8 further failure to properly construct its TCRR rate calculations submitted to the
9 PUCO.

10

11 ***Q13. IF THE PUCO WERE TO DETERMINE THAT THE OUT-OF-AUDIT-***
12 ***PERIOD PJM REACTIVE SUPPLY CHARGES SHOULD BE CHARGED TO***
13 ***CUSTOMERS, SHOULD IT ALSO ALLOW AEP TO CHARGE CUSTOMERS***
14 ***FOR CARRYING CHARGES ON THE TOTAL \$23 MILLION OF***
15 ***CHARGES?***

16 ***A13.*** No. AEP Ohio failed to properly construct its TCRR rate calculations due to its
17 chosen accounting treatment of the PJM Reactive Supply charges. The Utility
18 also failed to have processes in place that would allow it to discover the improper
19 TCRR rate calculations in a timely manner. Therefore, customers should not be
20 penalized further through the imposition of carrying charges that resulted from
21 these failures by the Utility.

²³ AEP Ohio Witness Moore Direct Testimony at 7.

*Testimony of Beth E. Hixon
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 ***Q14. IF THE PUCO WERE TO DETERMINE THAT CUSTOMERS MUST PAY***
2 ***THE TOTAL AMOUNT AEP OHIO SEEKS (\$23 MILLION IN PJM***
3 ***REACTIVE SUPPLY CHARGES AND ALL ASSOCIATED CARRYING***
4 ***CHARGES), DO YOU HAVE A FURTHER RECOMMENDATION?***

5 ***A14.*** Yes. If the PUCO rejects my recommendation for protecting customers from
6 paying portions of AEP Ohio's proposed PJM Reactive Supply charges, and
7 associated carrying charges, I recommend that the PUCO clarify in its order in
8 this case that any out-of-audit-period credits will also be credited to customers,
9 similar to the treatment of the out-of-audit-period costs that are charged to
10 customers. Additionally, carrying charges in the TCRR should be applied in a
11 similar manner for future out-of-audit-period adjustments that reduce the TCRR
12 rate calculation. This will ensure fairness through comparable treatment in the
13 future for carrying charges applied to any out-of-the-audit-period adjustments –
14 both those that increase, and those that decrease the TCRR rate calculation.

15
16 ***Q15. DOES THIS CONCLUDE YOUR TESTIMONY?***

17 ***A15.*** Yes. However, I reserve the right to incorporate new information that may
18 subsequently become available. I also reserve the right to supplement my
19 testimony in the event that the Utility, the PUCO Staff or other parties submit new
20 or corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Direct Testimony of Beth E. Hixon* was served via electronic transmission to the persons listed below on this 18th day of October 2013.

/s/ Edmund "Tad" Berger

Edmund "Tad" Berger
Assistant Consumers' Counsel

PARTIES OF RECORD

Thomas Lindgren
Ryan O'Rourke
Attorney General's Office
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, OH 43215
Thomas.lindgren@puc.state.oh.us
Ryan.orourke@puc.state.oh.us

Steven T. Nourse
Yazen Alami
American Electric Power Service
Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
yalami@aep.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mikurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Oliker
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

AEs: Sarah.parrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

Beth E. Hixon
Testimony Submitted on Public Utility Regulation

As an employee of the Office of the Ohio Consumers' Counsel (OCC):

Company	Docket No.	Date
Ohio Power	83-98-EL-AIR	1984
Ohio Gas	83-505-GA-AIR	1984
Dominion East Ohio Gas	05-474-GA-ATA	2005
Dayton Power & Light	05-792-EL-ATA	2006
Duke Energy Ohio	03-93-EL-ATA et al.	2007
Dominion East Ohio	08-729-GA-AIR	2008
AEP Ohio	08-917-EL-SSO et al.	2008
AEP Ohio	11-346-EL-SSO et al.	2012
Duke Energy Ohio	12-1682-EL-AIR et al.	2013
Duke Energy Ohio	12-1685-GA-AIR et al.	2013
Dayton Power & Light	12-426-EL-SSO et al.	2013

As an employee of Berkshire Consulting Service:

Company	Docket No.	Date	Client
Toledo Edison	88-171-EL-AIR	1988	OCC
Cleveland Electric Illuminating	88-170-EL-AIR	1988	OCC
Columbia Gas of Ohio	88-716-GA-AIR et al.	1989	OCC
Ohio Edison	89-1001-EL-AIR	1990	OCC
Indiana American Water	Cause No. 39595	1993	Indiana
Office of the Utility Consumer Counsel			
Ohio Bell	93-487-TP-CSS	1994	OCC
Ohio Power	94-996-EL-AIR	1995	OCC
Toledo Edison	95-299-EL-AIR	1996	OCC
Cleveland Electric Illuminating	95-300-EL-AIR	1996	OCC
Cincinnati Gas & Electric	95-656-GA-AIR	1996	City of Cincinnati, OH

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/18/2013 5:15:29 PM

in

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

**Summary: Testimony Testimony of Beth E. Hixon on Behalf of the Office of the Ohio
Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Berger, Tad Mr.**

**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 Rates)

**DIRECT TESTIMONY
OF
SARI FINK**

**On behalf of
The Office of The Ohio Consumers' Counsel**

*10 West Broad St., 18th Floor
Columbus, OH 43215-3485
(614) 466-9531*

November 13, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION.....	1
II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS.....	2
III. CONCLUSION.....	4

*Direct Testimony of Sari Fink
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.***

4 ***A1. My name is Sari Fink. My business address is 10 West Broad Street, Suite 1800,***
5 Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
6 Consumers' Counsel ("OCC") as a Senior Regulatory Analyst.

7

8 ***Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND***
9 ***PROFESSIONAL EXPERIENCE?***

10 ***A2. I have a Bachelor of Science degree in Economics and a Master of Arts degree in***
11 Economics, both from the University of Victoria in British Columbia, Canada.

12

13 I have been employed in the energy industry since 2007. I was previously
14 employed by the consulting firm Exeter Associates, Inc. (as an Economist, 2007-
15 2013). Since May 2013, I have been employed with OCC, assisting in analyses
16 with respect to electricity market issues and resource planning activities. And I
17 have been involved in electric industry cases before the Public Utilities
18 Commission of Ohio ("PUCO" or "Commission").

19

*Direct Testimony of Sari Fink
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 ***Q3. WHAT HAS BEEN YOUR EXPERIENCE IN PUCO PROCEEDINGS***
2 ***REGARDING TRANSMISSION COST RECOVERY RIDERS?***

3 ***A3.*** I have been involved in the settlement reached in Ohio Power Company's ("AEP
4 Ohio") current Transmission Cost Recovery Rider ("TCRR") Case (13-1406-EL-
5 RDR).

6
7 ***Q4. WHAT HAS BEEN YOUR EXPERIENCE IN OTHER REGULATORY***
8 ***PROCEEDINGS?***

9 ***A4.*** I have been involved with many aspects of electric utility regulation since 2007
10 including, but not limited to, rate design, transmission and non-transmission
11 alternative planning. In my previous role as an Economist with Exeter Associates
12 I provided analysis support to federal clients participating in rate cases before
13 numerous state commissions. I have also researched and written several reports on
14 issues with respect to PJM markets, transmission, and resource development.

15
16 **II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS**

17
18 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

19 ***A5.*** The purpose of my testimony in this proceeding is to support the Stipulation
20 signed by AEP Ohio, OCC, PUCO Staff, and Ohio Energy Group.

21

*Direct Testimony of Sari Fink
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 ***Q6. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.***

2 ***A6.*** I recommend the PUCO adopt the Stipulation and Recommendation because, as a
3 whole, it will benefit customers and the public interest.
4

5 ***Q7. WHAT CRITERIA DOES THE PUCO USE WHEN EVALUATING***
6 ***STIPULATIONS?***

7 ***A7.*** The PUCO uses the three-prong test by evaluating whether: (1) the Stipulation is
8 a product of serious bargaining among capable, knowledgeable parties
9 representing a diversity of interests; (2) the Stipulation does not violate any
10 important regulatory principle or practice; and (3) the Stipulation, as a whole, will
11 benefit customers and the public interest. I will focus on the third prong of the
12 three-prong test.
13

14 ***Q8. IN YOUR OPINION, DOES THE STIPULATION, AS A PACKAGE,***
15 ***BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?***

16 ***A8.*** Yes. AEP Ohio originally requested approval for a total TCRR revenue
17 requirement of \$230,942,668, which is what AEP Ohio sought to collect from
18 customers. AEP Ohio's proposal also included an adjustment to charge customers
19 for its prior under-collections, totaling \$47,261,363 plus \$3,331,644 in carrying
20 charges. The largest portion of AEP Ohio's proposed under-collection adjustment
21 was for Reactive Supply Charges from PJM that were not included in the TCRR
22 calculation (and thus not collected from customers) going back to July 2011.

*Direct Testimony of Sari Fink
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 13-1406-EL-RDR*

1 Subsequently, it was revealed that there were also credits for over-collections
2 amounting to \$7,930,072 that had not been included in the TCRR calculation
3 (meaning that customers had not received the return of the money that was over-
4 collected from them).

5
6 Following serious negotiations between parties with diverse interests, the
7 interested parties reached a settlement. In the settlement (Stipulation), AEP Ohio
8 and the parties agreed to an \$18,451,051 reduction in AEP Ohio's revenue
9 requirement request lowering it to \$212,491,618 (meaning AEP Ohio will collect
10 less from customers than its original proposal). Therefore, customers will see a
11 smaller increase in their electric bills than what AEP Ohio originally proposed.

12
13 **III. CONCLUSION**

14
15 ***Q9. WHAT IS YOUR RECOMMENDATION?***

16 ***A9.*** The Commission should approve the Stipulation.

17
18 ***Q10. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

19 ***A10.*** Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Direct Testimony of Sari Fink was served on the persons stated below via electronic service this 13th day of November 2013.

/s/ Edmund "Tad" Berger

Edmund "Tad" Berger
Assistant Consumers' Counsel

SERVICE LIST

Thomas Lindgren
Ryan O'Rourke
Attorney General's Office
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, OH 43215
Thomas.lindgren@puc.state.oh.us
Ryan.orourke@puc.state.oh.us

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mikurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

AEs: Sarah.parrrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

Steven T. Nourse
Yazen Alami
Matthew Satterwhite
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
yalami@aep.com
mjsatterwhite@aep.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215-4228
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/13/2013 9:41:45 AM

in

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

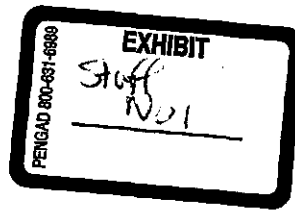
**Summary: Testimony Direct Testimony of Sari Fink on Behalf of the Office of the Ohio
Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Berger, Tad Mr.**

FILE

Ohio

**Public Utilities
Commission**

John R. Kasich, Governor
Todd A. Snitchler, Chairman



Commissioners

Steven D. Lesser
Asim Z. Haque
Lynn Slaby
M. Beth Trombold

3

August 13, 2013

PUCO

2013 AUG 13 PM 2:25

RECEIVED-DOCKETING DIV

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Ohio Power Company to Update Its Transmission
Cost Recovery Rider, Case No. 13-1406-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Ohio Power Company to update its transmission cost recovery rider, in Case No. 13-1406-EL-RDR

Sincerely,

Tamara S. Turkenton
Chief, Accounting & Electricity Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician JE Date Processed AUG 13 2013

180 East Broad Street
Columbus, Ohio 43215-3793

(614) 466-3016
www.PUCO.ohio.gov

An equal opportunity employer and service provider

Staff Ex. 1

**Ohio Power Company
Case No. 13-1406-EL-RDR**

SUMMARY

On June 17, 2013, Ohio Power Company (Ohio Power, Applicant) filed an application for approval to update its Transmission Cost Recovery Rider (TCRR).

As a member of PJM, the Applicant is assessed various costs/credits by PJM as a result of providing service to retail customers in Ohio. The costs and credits included in the TCRR vary on a periodic basis and are appropriately included in a rider that is subject to an annual true-up and adjustment.

Ohio Power's proposed rates, as updated, reflect a \$57.6M increase over current revenues that would be collected under current rates for the September 2013 thru August 2014 time frame. The proposed rates include an adjustment of approximately \$47.2M to reflect the prior year's under-collection of revenues and \$3.3M in projected carrying costs over the September 2013 thru August 2014 time frame. The total proposed revenue to be collected over the September 2013 thru August 2014 time frame is approximately \$230.9M.

STAFF REVIEW

In its application, the Company explained that the large under-recovery balance of \$47,261,363 was largely due to three factors: 1) a change in the Black Start tariff; 2) regulatory lag in the last TCRR case in 2012 (Case 12-1046-EL-RDR); and 3) the Company's error in recording the charges for Reactive Supply. The Company adjusted its TCRR balance in April 2013 by including over \$23 million in Reactive Supply, caused by the Company's failure to properly include these charges in its TCRR calculations since July 2011.

In 2012's TCRR case, the Company's filing and the Staff's audit included expenses for months up to and including April 2012 and the rates were approved based on this time period. The Company's April 2013 adjustment included charges going back to July 2011, which includes the period previously audited. From July 2011 through April 2012, the Company incurred Reactive Supply charges of \$11,399,735 that were omitted from the expenses, resulting in an understated under-recovery, which resulted in a current TCRR rate that was lower than it should have been. Staff believes that these Reactive Service charges, plus \$856,202 in carrying charges, should be removed from the revenue requirement. Secondly, for the amount of Reactive Supply charges not recorded from May 2012 through April 2013, \$11,622,844, the principal amount should be allowed because they were from the current audit period, but the carrying charges associated with this amount, \$323,703, should also be excluded from the revenue

requirement. If these expenses had been recorded properly, these carrying costs would not have accumulated and customers should not have to pay for the Company's error. In addition, the Company's calculation of a future carrying cost on the under-recovery balance included carrying charges of \$744,914 that should be removed from the revenue requirement. In total, the amount of revenue requirement should be reduced by \$13,324,554.

CONCLUSION

The Staff has completed its review of the updated filing and finds that the Applicant has appropriately included in its TCRR only those costs and credits that are incurred as a result of serving its retail customers in Ohio and recommends that the Application be approved subject to the recommendations discussed above.

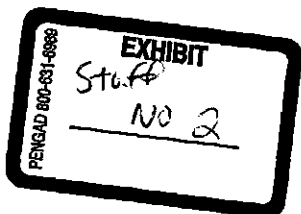
BEFORE

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 Rates)

Prepared Testimony
of
Jeffrey Hecker
Accounting and Electricity Division
Utilities Department

Staff Exhibit 2
File Date October 22, 2013



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

2

3 A. My name is Jeffrey Hecker. My address is 180 East Broad Street, Columbus,
4 Ohio 43215-3793.

5

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

7

8 A. I am a Utility Specialist 2 in the Accounting and Electricity Division of the
9 Utilities Department for the Public Utilities Commission of Ohio.

10

11 3. Q. Briefly state your educational background, experience, and qualifications.

12

13 A. I graduated from Miami University with a Bachelor of Science Degree in
14 Business with an Accounting major. After graduation, I performed accounting
15 functions for the Dayton Power and Light Company and other companies before
16 joining the PUCO in December 2004. I have also completed various workshops
17 and classes on many regulatory processes and provided workpapers, research,
18 and testimony for previous cases.

19

20 4. Q. For what types of cases have you previously filed testimony?

21

1 A. I have filed testimony for several rate cases for electric, gas, and water
2 companies, storm recovery cases, and rider cases, among others.

3

4 5. Q. What is the purpose of your testimony?

5

6 A. I am supporting the Staff's adjustment to Ohio Power Company's (OP) revenue
7 requirement for the Company's annual Transmission Cost Recovery Rider
8 (TCRR) update.

9

10 6. Q. How is your testimony organized?

11

12 A. I will summarize the Company's request, mostly as it relates to the under-
13 recovery balance, the Staff's investigation and findings, and then Staff's
14 recommended adjustments.

15

16 7. Q. Please explain the application and the current under-recovery situation.

17

18 A. In the Company's Application for this case, OP is requesting a total of
19 approximately \$231 million, which includes a forecast of \$180.3 million for the
20 next year's transmission costs plus the under-collection of \$47 million including
21 carrying costs of approximately \$1.8 million. The Company has also included
22 forecasted carrying costs of \$3.3 million on the under-collected balance.

1

2 8. Q. What is the Company's explanation for this under-recovery situation?

3

4 A. The Company attributes the under-collection primarily to these factors: 1) A tariff
5 change by PJM caused Black Start Service charges to be \$11 million more than the
6 amount forecasted; 2) A regulatory lag in implementation of the current TCRR
7 rates from the last annual update resulted in approximately \$7 million of the
8 balance; 3) Approximately \$23 million, plus carrying charges, in Reactive Supply
9 charges was omitted from the TCRR calculation during the months of July 2011 to
10 March 2013. After the Application for this case was filed, the Company notified
11 Staff of two other possible adjustments to the over/under-collection balance:
12 1) Similar to the situation with Reactive Supply, the Company notified Staff that
13 \$100,101 was omitted from the Spinning Reserve Charges July 2011 to March 2013.
14 Of this amount, \$2,758 was from July 2011 to May 2012 and \$97,343 was from May
15 2012 to March 2013; and 2) \$7,930,072 for out-of-period over-collections
16 attributable to the change in allocation between OSS and LSE was recorded on the
17 Company's books in September 2013.

18

19 9. Q. How does Staff view these situations?

20

21 A. Staff does not take issue with the \$11 million in Black Start Service charges and
22 the \$7 million regulatory lag. Staff believes that these issues were out of the

1 Company's control and does not object to the Company's request to recover these
2 amounts as part of the under-recovery. However, Staff believes that an
3 adjustment to the amount of the under-recovery due to the Reactive Supply
4 charges and Spinning Reserve charges as well as the over-collection due to the
5 OSS/LSE allocation error is appropriate.

6
7 10. Q. Does the Company have any further explanation of the omission of the \$23
8 million in Reactive Supply and Spinning Reserve charges?

9
10 A. The Company explains that the PJM bill to the Company includes charges that
11 relate to FERC account 5550074 and credits that relate to FERC account 5550075.
12 From July 2011 through March 2013, the net of the charges and credits has been a
13 credit but the separate charge line item was not recorded in account number
14 5550074 so it was inadvertently not included in the TCRR rate calculation. In
15 April 2013, the Company adjusted the TCRR costs by reclassifying over \$23
16 million to the proper TCRR charge account.

17
18 11. Q. How much does Staff believe needs to be adjusted?

19
20 A. Staff believes that the revenue requirement should be reduced by approximately
21 \$21.8 million.

1 12. Q. Why does staff believe an adjustment is required?

2

3 A. Some of the amount that the Company adjusted was from the prior audit period
4 and Staff feels it is inappropriate to look back to prior audit periods for such an
5 adjustment. The Company's rates were put in place based on the level of
6 expenses that were reported during that audit period. Also, the amount of errors
7 (e.g., Reactive Supply, Spinning Reserves, and the over-allocation error) indicate
8 to Staff a lack of reasonable diligence on the part of the Company in respect to a
9 lack of internal controls. Additionally, customers should not be harmed due to
10 the Company's lack of reasonable diligence.

11

12 13. Q. Please describe in general your audit process to determine the amount of the
13 adjustment.

14

15 A. The Company began to omit Reactive Supply charges in July 2011. The TCRR rate
16 is calculated based on the prior period over/under-collection plus the forecasted
17 TCRR charges for the next year. Staff found no issues with the forecast; therefore,
18 the rate charged during the current period was calculated properly. If anything,
19 during the prior period, there would have been an over-collection of the amount
20 based on Reactive Supply because the amount collected was sufficient to recover
21 the forecasted Reactive Supply expense but the actual charges recorded were
22 below the proper amount because of the accounting mentioned above. The

1 Company discovered this error and made a correcting entry in April 2013 for
2 approximately \$23 million. Because the correcting entry was to cover a two-year
3 period, the effect on the under-collection in the current filing was increased. Staff
4 requested detail for the amount of the Reactive Supply charges that should have
5 been applied each month from July 2011 through April 2013.

6
7 Staff determined that the amount of Reactive Supply charges for the period from
8 July 2011 to April 2012, which amounts to \$11,399,735, were from the previous
9 audit period. If the expenses were properly applied during that period, the TCRR
10 rate for the current period would have been set to account for a lower under-
11 recovery. To now apply a higher rate to recover those expenses would not be fair
12 to customers. The Company also is requesting carrying charges of \$856,202
13 associated with this under-collection. Staff does not believe it is appropriate to
14 recover these dollars from customers because if the charges were properly
15 applied, no carrying charges would have accumulated.

16
17 14. Q. What does Staff have to say about the Reactive Supply expenses incorrectly
18 recorded during the current audit period?

19
20 A. Of the large April 2013 correcting entry, \$11,622,844 was from the time period
21 from May 2012 through April 2013. Staff agrees that the Company be allowed to
22 recover this amount because the rate calculated in this filing is based on the

1 projected expenses and the under-collection from the current period is subject to
2 change based on Staff's audit findings for this time period. However, the
3 Company should not be allowed to recover carrying charges of \$323,703 that has
4 been calculated based on this error. Again, Staff believes that customers should
5 not be harmed because of the lack of reasonable diligence by the Company.
6

7 15. Q. What does Staff conclude regarding the "Forecast Carrying Charges" requested
8 by the Company?
9

10 A. In its Application, the Company included \$3,331,644 in "Forecast Carrying
11 Charges" in addition to the other elements of its requested revenue requirement.
12 These carrying charges were calculated going forward on the entire amount of the
13 under-recovery. From information provided by the Company in response to data
14 requests, Staff was able to determine that \$744,914 was related to the amount of
15 Reactive Supply in the under-recovery balance. Customers should not be harmed
16 due to the lack of reasonable diligence of the Company.
17

18 16. Q. Should the Company adjust for the Spinning Reserves omission?
19

20 A. The Company should adjust for this omission in the same way as adjustments for
21 Reactive Supply should be made. Staff does not recommend recovery of the \$2,758
22 plus carrying charges from July 2011 to May 2012, and does not recommend future

1 carrying charges on the entire \$100,101. However, Staff recommends recovery of
2 the \$97,343 for Spinning Reserves for May 2012 to March 2013 (without carrying
3 charges).

4

5 17. Q. How should the Company handle the \$7.9 million that should be credited back to
6 the over/under-recovery?

7

8 A. As stated above, customers should not be harmed by the lack of reasonable
9 diligence of the Company. Staff believes that the entire credit amount, with
10 carrying charges, should be netted against the additional charges that would be
11 forthcoming with the corrections to the charges. Again, Staff does not believe this
12 error represents a simple clerical error, but rather an indication of weak internal
13 controls and reviews.

14

15 18. Q. Please summarize your recommended adjustments.

16 A.

Staff Recommended Adjustments

Out-of-period Reactive Supply Charges	\$ 11,399,735
Carrying charges from July 2011-April 2013 due to Reactive Supply	1,179,905
Future Carrying Charges due to Reactive Supply	744,914
Out-of-Period Spinning Reserve Charges plus Carrying Charges *	2,758
Out-of-period Overcollection due to Allocation Error	7,930,072
Carrying charges on Allocation Error	524,805
Total Staff Revenue Requirement Reduction	<u>21,782,189</u>

17 * Immaterial carrying charges not calculated

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

19. Q. The Company in its Reply Comments for this case stated that according to Rule 4901:1-36-02(A), Ohio Administrative Code (OAC), "This chapter authorizes an electric utility to recover, through a reconcilable rider on the electric utility's distribution rates, all transmission and transmission-related costs...." How do you respond to this?

A. As stated above, the Company in its Reply Comments has labeled these omissions as "simple clerical errors." Staff views these as more than simple clerical errors because they were an on-going situation that occurred for 22 months and the amounts were significant on a monthly basis. Having reasonable internal controls and performing a simple budget variance analysis on a monthly basis sometime during the period would have shown that there was a significant omission in this area and the under-collection and carrying charges would not have continued to accumulate. It is the Company's responsibility to include the proper costs in the application for calculation of the rates and it failed to do so. Therefore, Staff believes that due to the lack of reasonable diligence that caused this error, customers should not be responsible for paying for mistakes that could have been corrected and the carrying charges associated with it.

20. Q. Does this conclude your testimony?

1

2 A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of *Jeffrey Hecker's Direct Testimony* was served via email on

October 22, 2013 to:

Steven T. Nourse
Yazen Alami
Matthew J. Satterwhite
American Electric Power Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
yalami@aep.com
mjsatterwhite@aep.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowery
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mikurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 E. State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

Edmund "Tad" Berger
Office of the Ohio Consumers' Counsel
10 W. Broad Street, Suite 1800
Columbus, Ohio 43215
Edmund.berger@occ.ohio.gov

Sarah Parrot
Jonathan Tauber
Attorney Examiners
Sarah.parrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

/s/ Ryan P. O'Rourke

Ryan P. O'Rourke
Assistant Attorney General

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/22/2013 11:47:43 AM

in

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

Summary: Testimony Jeff Hecker Testimony electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO

**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 Rates.)

**TESTIMONY
OF
DAVID LIPTHRATT
ACCOUNTING AND ELECTRICITY DIVISION
UTILITIES DEPARTMENT**

STAFF EXHIBIT NO. 3



TESTIMONY OF DAVID LIPTHRATT

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

3 A. My name is David M. Lipthratt. My address is 180 East Broad Street,
4 Columbus, Ohio 43215-3793.
5

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

7 A. I am employed by the Public Utilities Commission of Ohio as a Public
8 Utilities Administrator 2, in the Accounting and Electricity Division of the
9 Utilities Department.
10

11 3. Q. Would you briefly state your educational background?

12 A. I earned a Bachelor of Arts Degree that included a Major in Political
13 Science and a Minor in History from the University of Georgia in 2003. In
14 2006 I earned a Masters in Public Administration Degree with a focus on
15 public budgeting and finance and policy analysis from the University of
16 Georgia. In addition, I earned a post-baccalaureate Certificate of
17 Accounting Concentration at Columbus State Community College in 2009.
18 I am a Certified Public Accountant (Ohio License # CPA.48876).
19 Moreover, I have attended various seminars and rate case training programs
20 sponsored by this Commission, professional trade organizations, and the
21 utility industry community.
22

1 Q. Please outline your work experience.

2 A. After earning my Master's Degree from the University of Georgia, I joined
3 the Ohio Office of Budget and Management where I served from June of
4 2006 to June of 2008 as a Budget/Management Analyst 2 assigned to
5 various health and human services related agencies, including Medicaid,
6 Ohio Department of Health, Ohio Department of Aging, and Bureau of
7 Worker's Compensation.

8
9 In June of 2008, I accepted a position with the Ohio Department of
10 Commerce where I served as Fiscal Officer 2 until July 2011. During my
11 tenure at the Department of Commerce, I served as the financial officer for
12 the Division of State Fire Marshal where I was responsible for accounting
13 and budgetary functions, financial reporting, financial systems and records
14 ensuring compliance with applicable laws, policies and regulations.

15
16 In July 2011, I accepted a Public Utilities Administrator 1 position with the
17 Public Utilities Commission of Ohio ("PUCO" or the "Commission"). In
18 September of 2013, I was promoted to a Public Utilities Administrator 2.

19
20 4. Q. Have you testified in prior proceedings before the Commission?

21 A. Yes.

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

2 A. I am supporting the Stipulation and Recommendation (Stipulation) filed in
3 this proceeding on November 8, 2013.
4

5 6. Q. Were all of the parties (including Staff) to this proceeding present at
6 negotiations that resulted in the Stipulation?

7 A. Settlement meetings were noticed to all parties and all parties were present
8 either in person or by phone or they chose not to participate. The Staff was
9 present at all of the negotiations.
10

11 7. Q. Do you believe the Stipulation filed in this case is the product of serious
12 bargaining among knowledgeable parties?

13 A. Yes. This agreement is the product of an open process in which all parties
14 were represented by able counsel and technical experts and the decisions
15 made were based upon thorough analysis of complex issues. The
16 Stipulation represents a comprehensive compromise of issues raised by
17 parties with diverse interests. Overall, I believe that the Stipulation that the
18 parties are recommending for Commission adoption presents a fair and
19 reasonable result.
20

21 8. Q. In your opinion, does the Settlement benefit ratepayers and promote the
22 public interest?

1 A. Yes. The Stipulation benefits customers and the public interest and
2 represents a just and reasonable resolution of all issues in this proceeding.
3 The settlement is in the public interest for the following reasons:
4 • The Stipulation results in a reduction of the Company's revenue
5 requirement in the amount of \$18,451,051 which provides direct
6 benefits to all customers through lower rates.
7 • The Stipulation represents a just and reasonable resolution of all issues
8 in this proceeding while avoiding added cost of litigation and the
9 potential for additional carrying charges.

10
11 9. Q. Does the Stipulation violate any important regulatory principle?

12 A. No. My understanding is that the Stipulation complies with all relevant and
13 important principles and practices.

14
15 12. Q. Are you recommending its adoption by the Commission?

16 A. Yes. I believe the Stipulation represents a fair and reasonable compromise
17 of diverse interests and provides a fair result for all Ohio customers.

18
19 13. Q. Does this conclude your testimony?

20 A. Yes, it does.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of David Lipthratt** has been served upon all of the parties of record in Case No. 13-1406-EL-RDR by electronic and/or U.S. mail, postage pre-paid mail this 12th day of 2013.

/s/Thomas G. Lindgren

Thomas G. Lindgren

Assistant Attorney General

PARTIES OF RECORD:

Steven T. Nourse
Yazen Alami
Matthew J. Satterwhite
American Electric Power Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, Ohio 43215
stnourse@aep.com
yalami@aep.com
mjsatterwhite@aep.com

David F. Boehm
Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowery
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
jkylercohn@BKLawfirm.com

Samuel C. Randazzo
Frank P. Darr
Joseph E. Olikier
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 E. State Street, 17th Floor
Columbus, Ohio 43215
sam@mwncmh.com
fdarr@mwncmh.com
joliker@mwncmh.com
mpritchard@mwncmh.com

Edmund "Tad" Berger
Office of the Ohio Consumers' Counsel
10 W. Broad Street, Suite 1800
Columbus, Ohio 43215
Edmund.berger@occ.ohio.gov

Sarah Parrot
Jonathan Tauber
Attorney Examiners
Sarah.parrot@puc.state.oh.us
Jonathan.tauber@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/12/2013 12:05:03 PM

in

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

**Summary: Testimony Testimony of David Lipthratt electronically filed by Mrs. Tonnetta Y Scott
on behalf of PUCO**