

AEP OHIO EX. NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application Seeking	)	
Approval of Ohio Power Company's	)	
Proposal to Enter into an Affiliate	)	
Power Purchase Agreement	)	Case No. 14-1693-EL-RDR
for Inclusion in the Power Purchase	)	
Agreement Rider	)	
In the Matter of the Application of	)	
Ohio Power Company for Approval of	)	Case No. 14-1694-EL-AAM
Certain Accounting Authority	)	

DIRECT TESTIMONY OF  
THOMAS E. MITCHELL  
IN SUPPORT OF AEP OHIO'S  
APPLICATION

Filed: October 3, 2014

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THOMAS E. MITCHELL

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
DIRECT TESTIMONY OF  
THOMAS E. MITCHELL  
ON BEHALF OF  
OHIO POWER COMPANY

1    **PERSONAL DATA**

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

3    A.     My name is Thomas E. Mitchell and my business address is 1 Riverside Plaza Columbus,  
4           Ohio 43215.

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

6    A.     I am employed by American Electric Power Service Corporation (AEPSC), a subsidiary  
7           of American Electric Power Company, Inc. (AEP), as Managing Director of Regulatory  
8           Accounting Services. AEP is the parent company of Ohio Power Company (OPCo)  
9           referred to as AEP Ohio or the Company.

10   **Q.     WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR OF**  
11       **REGULATORY ACCOUNTING SERVICES?**

12   A.     My primary responsibilities include providing the AEP System operating subsidiaries,  
13           including AEP Ohio, with accounting support for regulatory filings. This support  
14           includes the preparation of cost-of-service adjustments, accounting schedules, and  
15           accounting testimony. I direct a group of professionals who provide accounting  
16           expertise, compile necessary historical accounting schedules, present expert accounting  
17           testimony and respond to data requests in connection with rate filings with eleven  
18           regulatory commissions and the Federal Energy Regulatory Commission (FERC).

1   **Q.   PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
2   **PROFESSIONAL EXPERIENCE.**

3   A.   I received a Bachelor of Science Degree in Accounting from Virginia Polytechnic  
4       Institute and State University (Virginia Tech) in 1977. I also hold a Master of Business  
5       Administration Degree from Virginia Tech and a Bachelor of Arts Degree in Government  
6       from the University of Notre Dame. I have been a Certified Public Accountant since  
7       1978. I was first employed by Appalachian Power Company (APCo) in 1979, an  
8       affiliated operating company of AEP Ohio and, except for employment with Norfolk  
9       Southern Corporation as an Assistant Accounting Manager (1984-1985), have held  
10      various positions in the Accounting Department continuously since that date. In 1998, I  
11      was promoted to Director, Accounting Policy & Research and in 2008, I was promoted to  
12      my present position as Managing Director of Regulatory Accounting Services. I have  
13      served as Chairman of the Accounting Standards Committee of the Edison Electric  
14      Institute (EEI) and am currently Chairman of the Joint Accounting Liaison Committee of  
15      the EEI which meets annually with the FERC Accounting Staff to discuss accounting  
16      issues of mutual interest to EEI and the FERC.

17   **Q.   HAVE YOU PREVIOUSLY TESTIFIED BEFORE A COMMISSION?**

18   A.   Yes, I testified on behalf of AEP Ohio before the Public Utilities Commission of Ohio  
19       (PUCO or the Commission) in the 2010 Significantly Excessive Earnings Test (SEET)  
20       proceeding, Case No. 11-4571-EL-UNC and Case No. 11-4572-EL-UNC; and the 2009  
21       SEET proceeding, Case No. 10-1261-EL-UNC. In addition, I have testified on behalf of  
22       AEP Ohio before the PUCO to establish a Standard Service Offer (SSO) in Case No. 11-  
23       346-EL-SSO and Case No. 11-348-EL-SSO. I recently testified in OPCo's storm

1 distribution rider Case No. 12-3255EL-RDR. I also filed accounting testimony in the  
2 distribution base rate case in Case No. 11-351-EL-AIR and Case No. 11-352-EL-AIR,  
3 rebuttal testimony in the Ohio Remand Case No. 08-917-EL-SSO and Case No. 08-918-  
4 EL-SSo and in the 2011 and 2012 SEET Reviews in Case Nos. 13-2249-EL-UNC and  
5 13-2251-EL-UNC. Also, I have filed accounting testimony and testified on behalf of  
6 APCo and Wheeling Power Company before the Public Service Commission of West  
7 Virginia, and on behalf of APCo before both the Virginia State Corporation Commission  
8 and the FERC. I have also filed accounting testimony on behalf of Indiana Michigan  
9 Power Company before the Indiana Utility Regulatory Commission and on behalf of  
10 Kentucky Power Company also an AEP affiliate before the Kentucky Public Service  
11 Commission.

12 **PURPOSE OF TESTIMONY**

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

14 A. The purpose of my testimony is to describe the accounting for the proposed purchased  
15 power agreement (PPA) with AEP Generation Resources (AEPGR).

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

17 A. No.

18 **ACCOUNTING RELATED TO PROPOSED PURCHASED POWER AGREEMENT**

19 **Q. PLEASE DISCUSS HOW OPCo PLANS TO ACCOUNT FOR THE PPA?**

20 A. OPCo, a regulated utility, upon approval of retail rate recovery by the Commission,  
21 would account for any difference between the PPA cost and the related proceeds of sale  
22 of the power using deferral accounting, to record a regulatory asset (account 182.3) for  
23 any shortfall in sales proceeds compared to the cost or a regulatory liability (account 254)

1 for any excess in sales proceeds compared to the cost. This approach would result in no  
2 margin to OPCo.

3 **Q. WOULD ANY CARRYING COSTS BE CALCULATED ON THE REGULATORY**  
4 **ASSET OR LIABILITY?**

5 A. No. The PPA rider will be reconciled on a short term periodic basis as discussed by  
6 Company witness Allen. Accordingly, carrying costs are not necessary.

7 **Q. HOW WOULD ANY RECORDED REGULATORY ASSET OR LIABILITY BE**  
8 **RECOVERED OR RETURNED TO CUSTOMERS?**

9 A. AEP Ohio witness Allen proposes that, consistent with the Company's ESP III filing, the  
10 PPA Rider would recover or return the difference between the PPA incurred expense and  
11 related proceeds from the sale of power. When the rider revenue or surcredit would be  
12 recorded, we would equally amortize the regulatory asset or regulatory liability to adjust  
13 the respective deferral account.

14 **Q. CAN YOU PROVIDE THE GENERALLY ACCEPTED ACCOUNTING**  
15 **PRINCIPLE (GAAP) THAT FORMS THE BASIS FOR THE RECORDATION OF**  
16 **THE REGULATORY ASSET OR REGULATORY LIABILITY?**

17 A. Yes, Financial Accounting Standards Board (FASB) Accounting Standards Codification  
18 (ASC) Section 980 provides for the recordation of regulatory assets or regulatory  
19 liabilities if costs are recovered or returned in rates in different periods than would  
20 otherwise be recorded under GAAP.

21 **Q. HOW WILL AEPGR BE ABLE TO READILY IDENTIFY THE PPA COST**  
22 **RELATED TO THE PPA UNITS?**

1    A.     AEPGR will establish a separate accounting structure, for the PPA units within a  
2           subsidiary of AEPGR to track and report the PPA cost to AEP Ohio. This new AEPGR  
3           subsidiary will maintain the related assets, liabilities and equity of these PPA plants.

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

5    A.     Yes.

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Summary: Testimony -Direct Testimony of Thomas E. Mitchell electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company