

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Update Its)	Case No. 17-1914-EL-RDR
Enhanced Service Reliability Rider)	

**TESTIMONY
OF
DARYL PARKS
RESEARCH AND POLICY DIVISION
RATES AND ANALYSIS DEPARTMENT**

STAFF EXHIBIT NO. ____

May 3, 2019

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

2 A. My name is Daryl Parks. My business address is 180 East Broad Street,
3 Columbus, Ohio, 43215.
4

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO or
7 Commission).
8

9 3. Q. What is your current position with the PUCO and what are your duties?

10 A. I am a Utility Specialist I in the Research & Policy Division within the
11 Rates and Analysis Department. My duties include analyzing and auditing
12 the financial statements of Public Utility Companies, for the purpose of
13 ratemaking, that fall under the jurisdiction of the PUCO.
14

15 4. Q. Would you briefly state your educational background, experience and
16 qualifications?

17 A. I earned a Bachelor of Science degree in Accounting from the University of
18 Kentucky in May of 2000. I have also completed various classes and
19 workshops on the ratemaking process, and provided workpapers and
20 research for previous cases before the Commission.
21

22 5. Q. Please outline your work experience.

1 A. I began my work as a utility regulator at the Kentucky Public Service
2 Commission as a Public Utility Financial Analyst in 2005. I joined the
3 PUCO Staff (Staff) in 2014 as a Utility Specialist.

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

6 A. The purpose of my testimony is to address Staff's approach in its prudence
7 review given the spending levels established by the Commission in Case
8 No. 13-2385-EL-SSO (the ESP III case)¹ for the Enhanced Service
9 Reliability Rider (ESRR).

10
11 7. Q. Please summarize the application filed by Ohio Power Company in this
12 case.

13 A. On September 5, 2017, Ohio Power Company (the Company) filed an
14 application in this case to update its ESRR rates. This application was filed
15 to recover the operation and maintenance (O&M) and capitalization costs
16 that the Company annually incurred in the ESRR. The Company requested
17 total recovery of \$9,187,763 which includes carrying charges and an over-
18 recovery credit of \$13,379,772.

19
20 8. Q. Please summarize Staff's recommendations in this case.

¹ *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Case No. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015) (ESP III Case).*

1 A. Staff filed its Review and Recommendations on May 29, 2018, with
2 amendments filed on January 18, 2019 and March 29, 2019. Staff
3 recommends a disallowance of O&M expenses in the amount of \$3,076,878
4 and a disallowance of capital expenses in the amount of \$2,066,897, as the
5 Company exceeded the cap for O&M and capital expenditures that the
6 Commission approved in the ESP III case.

7
8 9. Q. What is the cap on O&M and capital expenditures that the Commission
9 established in the ESP III case?

10 A. In the ESP III case, the Company sought “approval to *increase* operations
11 and maintenance (O&M) and capital costs for the program over the amount
12 currently included in base rates.”² The Commission approved the
13 Company’s requested increase, which stated that “beginning in June 2015,
14 AEP Ohio forecasts \$1 million per year for 2015 through 2017, and 1.1
15 million for 2018, in capital costs, as well as \$25 million per year for 2015
16 through 2017, and \$26.3 million for 2018, in O&M expense, based on an
17 updated ESRR forecast.”³ Staff viewed the Commission’s Order in the ESP
18 III case as setting a spending cap for the ESRR, and relied on the numbers
19 approved in that Order as it conducted its financial audit in this case.

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² ESP III Case, Opinion and Order at 47.

³ Id.

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10. Q. Please summarize Staff witness Baker’s testimony in the ESP III case regarding the Company’s requested increase of its ESRR caps.

A. Staff witness Baker opposed the Company’s request to increase the ESRR cap established in Case No. 11-346-EL-SSO. Staff witness Baker stated in his testimony that, “there has been a very substantial improvement in tree clearance,” and that “[t]his degree of improvement supports a conclusion that the costs of maintaining tree clearance going forward will be substantially less.” However, Staff also took the position that if the Company exceeded its cap of \$18 million, then Staff would support recovery as long as the costs were “prudently incurred and involved vegetation management activities that Staff considers beneficial.”⁴

11. Q. Did Staff previously recommend recovery of an amount exceeding the cap for the ESRR in Case No. 13-1063-EL-RDR?

A. The Company requested recovery above the ESRR cap in Case No 13-1063-EL-RDR. Staff recommended approval of the overspent amount of \$248,348, which was 0.4% of the \$66.7 million that was authorized for recovery through rate base and the ESRR. Here, the \$5,143,775 that was spent above the cap in this case is 10.2% of the \$50.2 million that the

⁴ ESP III Case, Prefiled Testimony of Peter K. Baker at 10 (May 20, 2014).

1 Company received authorization to recover. In that previous case, Staff did
2 not recommend disallowance because, although the costs narrowly
3 exceeded the established cap, Staff supported the actions of the Company
4 that would “reduce future tree growth and thereby reduce future O&M costs
5 for tree trimming.”⁵ Here, the costs materially exceed the established caps
6 and, therefore, Staff does not believe that the Company should be entitled
7 to recovery of such an overspend.

8
9 Additionally, Staff notes that in Case No 13-1063-EL-RDR the Company
10 requested approval to recover \$3.5 million above the cap for O&M
11 expenses for the 2013 test year due to delays caused by Hurricane Isaac and
12 Hurricane Sandy. The Company did not make a similar request in this case
13 for approval to spend above the cap.

14
15 12. Q. Does this conclude your testimony?

16 A. Yes, it does.

⁵ *In the Matter of the Application of Ohio Power Company to Update its Enhanced Service Reliability Rider*, Case No. 12-3285-EL-RDR, et al., Staff Comments and Recommendations at 6 (Sept. 6, 2019).

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of Daryl Parks, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the below parties.

/s/Werner L. Margard III

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Summary: Testimony of Daryl Parks electronically filed by Ms. Tonnetta Scott on behalf of
PUC