

EXHIBIT NO. _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2016 Review of the)
Distribution Investment Rider)
Contained in the Tariff of Ohio Power Company) Case No. 17-38-EL-RDR

In the Matter of the 2017 Review of the)
Distribution Investment Rider)
Contained in the Tariff of Ohio Power Company) Case No. 18-230-EL-RDR

DIRECT TESTIMONY OF
ANDREA E MOORE
ON BEHALF OF
OHIO POWER COMPANY

Filed: May 17, 2019

INDEX TO DIRECT TESTIMONY OF
ANDREA E. MOORE

	<u>Page No.</u>
Personal Data	1
Purpose of Testimony	2
Summary of and Response to Blue Ridge’s Audit Recommendations.....	3

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
ANDREA E. MOORE
ON BEHALF OF
OHIO POWER COMPANY

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 700 Morrison Road, Gahanna,
4 Ohio 43230.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6 A. I am employed by Ohio Power Company, (“AEP Ohio” or the “Company”) as Director –
7 Regulatory Services.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I received a Bachelor of Science in Accounting degree from the University of Rio Grande
11 and a Master of Business Administration degree from Franklin University. In addition, I
12 have completed the Basic Concepts on Rate Making class through New Mexico State
13 University.

14 I joined American Electric Service Corporation (“AEPSC”) in 2001 as an
15 Accountant and joined the Regulatory Tariffs department as a Regulatory Analyst III in
16 2004. I progressed through various positions before being promoted to my current
17 position of Director – Regulatory Services. My duties within the regulatory department
18 have included preparing cost-of-service studies for regulatory filings, preparing cost
19 based formula rates for wholesale customers, preparing rider filings and rate designs,

1 maintaining tariff books, as well as other projects related to regulatory issues and
2 proceedings, individual customer requests, and general rate matters.

3 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF REGULATORY**
4 **SERVICES?**

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

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED OR SUBMITTED TESTIMONY**
11 **BEFORE A STATE COMMISSION?**

12 A. Yes. I have testified before the Public Utilities Commission of Ohio in several cases.

13 **PURPOSE OF TESTIMONY**

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

15 A. My testimony addresses the compliance audit reports of the Company's investment in its
16 Distribution Investment Rider (DIR) for 2016 and 2017 that Blue Ridge Consulting
17 Services, Inc. ("Blue Ridge") filed in August 2017 (the "2016 Audit Report") and 2018
18 (the "2017 Audit Report"). It also responds to comments and reply comments that the
19 Staff of the Public Utilities Commission of Ohio ("Staff") and the Office of the Ohio
20 Consumers' Counsel (OCC) filed in these dockets.

21

1 **SUMMARY OF AND RESPONSE TO BLUE RIDGE’S AUDIT RECOMMENDATIONS**

2 **Q. PLEASE SUMMARIZE BLUE RIDGE’S RECOMMENDATIONS IN THE 2016**
3 **AUDIT REPORT AND THE 2017 AUDIT REPORT.**

4 A. In its 2016 Audit Report, Blue Ridge made a total of twelve recommendations. In its
5 2017 Audit Report, Blue Ridge provided a summary of its past recommendations and
6 performed additional analysis of its 2016 Audit Report recommendations and determined
7 either that no additional work was necessary, or to continue its recommendation from the
8 2016 Audit Report. Blue Ridge also made five new recommendations in its 2017 Audit
9 Report. Blue Ridge’s recommendations that are at issue in these proceedings are as
10 follows:

- 11 1. Blue Ridge recommends the issue of the Company’s inclusion of capital spares in the
12 DIR be given further review. The Company should look into borrowing capital
13 spares, if it makes economic sense, or, at a minimum, perform an analysis to compare
14 renting versus the purchase of a capital asset.
15 [2016 Audit Report Recommendation 7]
- 16 2. Blue Ridge recommends that the Company, in order to complete the project
17 justification, document all alternatives (operational and/or economic), providing the
18 reason(s) one alternative is better than another and, if savings are estimated, indicate
19 how those savings are to be realized. If no alternatives were considered, document the
20 reason(s) as well.
21 [2016 Audit Report Recommendation 8]
- 22 3. Blue Ridge recommends that the Company continue to manage to the budget and
23 document reasons for overage or underage of actual charges whether those reasons
24 are outside or within the direct control of the Company in order to demonstrate that
25 the budget variance did not result from lack of budget management control.
26 [2016 Audit Report Recommendation 9]
- 27 4. Blue Ridge recommends that when large projects are developed, the Company place
28 greater emphasis on ensuring the work plan is complete and that the contractors
29 performing the work understand the requirements from both work and safety
30 perspectives.
31 [2016 Audit Report Recommendation 10]

- 1 5. Blue Ridge recommends the Company continue to monitor inactive work orders that
2 appear on the report, striving to resolve outstanding issues within a reasonable time
3 frame of six months to reduce the total dollar value of inactive work orders.
4 [2016 Audit Report Recommendation 11]
- 5 6. Blue Ridge recommends that the Company, in its vegetation management policy,
6 better define capital and expense work associated with clearing of Rights of Way so
7 as to be in accordance with the FERC Code of Accounts for those activities.
8 Specifically, any vegetation management activity on an existing right of way, other
9 than what may come about because of storm restoration, should be considered
10 expense.
11 [2017 Audit Report Recommendation 1]
- 12 7. Blue Ridge recommends that the Company comply with the Commission's Order by
13 including the reconciliation of the DIR account balances to the FERC Form 1 within
14 the DIR filing.
15 [2017 Audit Report Recommendation 2]
- 16 8. Blue Ridge recommends that the Commission consider the capital status of cost
17 element 148 along with the other incentive-associated cost elements in the next base
18 distribution case. In the DIR audit's report in Docket 17-0038-EL-RDR, Blue Ridge
19 recommended that certain cost elements associated with incentive compensation be
20 removed from the DIR report. In considering Blue Ridge's recommendation, the
21 Commission approved the stipulation that this issue would be better addressed as part
22 of the base distribution case to be filed by June 2020.
23 [2017 Audit Report Recommendation 3]
- 24 9. Blue Ridge recommends that large projects be more closely scoped out in the field to
25 try to mitigate potential impediments that could increase the project estimate or
26 increase the schedule, delaying the project completion.
27 [2017 Audit Report Recommendation 4]
- 28 10. Blue Ridge recommends that the next DIR audit review the compliance of that filing
29 with the Commission's final decision in the Company's requested AEP Ohio-specific
30 tax reform docket (Case No. 18-1007-EL-UNC) to facilitate the Company's
31 implementation of the TCJA.
32 [2017 Audit Report Recommendation 5]

33 **Q. DOES THE COMPANY AGREE WITH BLUE RIDGE'S 2016 AUDIT REPORT**
34 **RECOMMENDATION 7?**

- 35 A. No, the Company disagrees with Blue Ridge's recommendations to further review the
36 inclusion of capital spares in the DIR and to evaluate renting capital spares instead of

1 purchasing them. The Company provided the capital spares policy to Blue Ridge as
2 noted in the audit reports. Blue Ridge agreed that the spares in this case did meet the
3 stated set of criteria from the policy, which includes FERC accounting rules. Blue Ridge
4 also understood that based on FERC accounting, recording capital spares in utility plant
5 when the justifications meet a stated set of criteria is permitted. There are certain criteria
6 necessary in order to meet the terms of the Company’s policy, which shows that the
7 Company is taking care not to overinflate the use of capital spares. The Company holds
8 economic quantities of transformer spares based on the number of units in service,
9 historical transformer failure rates, and affiliate transfers amongst AEP companies.

10 The Commission should not adopt this recommendation. The Company’s policy,
11 which sets forth the criteria for capital sparing, including tracking requirements to assure
12 that the proper controls are in place, is consistent with the criteria for capitalized spares in
13 the FERC Uniform System of Accounts, as Blue Ridge recognizes. As such, capital
14 spares are appropriately closed to plant in service. Additionally, capital spares also are
15 used and useful because they are used as a backup to an emergency.

16 **Q. WHAT IS AEP OHIO’S RESPONSE TO BLUE RIDGE’S RECOMMENDATION**
17 **THAT THE COMPANY DOCUMENT ALTERNATIVES CONSIDERED IN ITS**
18 **PROJECT JUSTIFICATIONS (2016 AUDIT REPORT RECOMMENDATION 8)?**

19 A. Although the Company does not disagree that considerations of alternatives is an
20 appropriate recommendation, the Company disagrees that it has not provided the
21 necessary level of detail in its improvement requisitions (IR). The IR discussed as part of
22 Blue Ridge’s recommendations for work order 42244260 does show that the alternatives
23 are listed as well as the statement that cost savings would be realized through lower

1 maintenance of the platform style station, although the value of savings was not
2 quantified. Blue Ridge also agreed with the Company's alternative selection.

3 For work order 4239169, Blue Ridge recommends that the Company document
4 operation and/or economic alternatives and if no alternatives were considered to
5 document the reason. The work order selected was part of a multi-year program with
6 numerous work orders. Each work order does not contain the documentation of
7 alternatives considered, as that analysis occurs at the program level. This particular
8 program was for asset replacement or refurbishment. While each work order did not
9 contain the justification, the IR provided discussed replacement versus refurbishment,
10 which is the economic consideration. The IR also discussed the alternative to the project,
11 which was to do nothing and impact reliability. Thus, although the individual work order
12 did not detail this analysis, the IR did provide alternatives (replace or refurbish) and also
13 operational considerations. This is also true for work order 42440744, which was another
14 work order under the same project. It is important to note that even though the
15 justification occurs on the IR itself, the Company did provide the additional detail needed
16 for each work order through follow up discovery showing why the work was necessary,
17 as noted by the auditor.

18 Work order 4226333 was to replace a transformer. Blue Ridge noted economic
19 alternatives were not documented; however, the IR stated three alternatives for this work
20 and also explained why each of the alternatives was not chosen. For work order
21 42487877, Blue Ridge stated that the Company did not consider alternatives or perform a
22 cost benefit analysis; however, this work was necessary to serve new customer load.

1 Blue Ridge recommends that the Company document operational and or
2 economic alternatives and if no alternative were considered to document the reason.
3 However, the Company provides the justification on the project level detail, not each
4 individual work order. The Company clearly documented through data responses to Blue
5 Ridge that AEP Ohio is monitoring projects and appropriately documenting the
6 alternatives considered. The Company does not disagree with Blue Ridge that AEP Ohio
7 should provide certain justifications, the disagreement comes because the Company is
8 already doing so. In fact, the 2017 Audit Report did not produce a similar finding,
9 further indicating that the justifications the Company is already providing are sufficient
10 and appropriate.

11 **Q. WHAT IS THE COMPANY'S RESPONSE TO 2016 AUDIT REPORT**
12 **RECOMMENDATION 9?**

13 A. 2016 Audit Report Recommendation 9 sets a threshold of plus or minus 15 percent. Per
14 the Company's IR policy, authorization investment threshold is 20 percent and budgeting
15 and maintenance are done at a project level, not on individual work orders. To the extent
16 any project is over 20%, a new IR is necessary. To the extent that Blue Ridge is
17 recommending only that the Company continue to follow its current policy, the Company
18 agrees with this recommendation. However, if Blue Ridge intended to suggest that the
19 current process should change from 20% to 15 % and be performed on a work order-by-
20 work order basis instead of a project-by-project basis, the Company would oppose such a
21 recommendation. AEP Ohio does not feel it is prudent to change its IR process at this
22 time. The Company is monitoring monthly the budget to actual variance reports, again,

1 at the project level and providing the information requested by the auditor at 15%. The
2 current process is reasonable and should be continued.

3 **Q. 2016 AUDIT REPORT RECOMMENDATION 10 RECOMMENDS THAT AEP**
4 **OHIO PLACE GREATER EMPHASIS ON ENSURING A WORK PLAN IS**
5 **COMPLETE AND THAT CONTRACTORS PERFORMING THE WORK ON**
6 **LARGE PROJECTS UNDERSTAND ITS WORK AND SAFETY**
7 **REQUIREMENTS. WHAT IS AEP OHIO'S POSITION ON THIS**
8 **RECOMMENDATION?**

9 A. The Company believes that employee and business partner safety are of the highest
10 importance. However, AEP Ohio disagrees with Blue Ridge's position that the
11 Company's existing practices fail to adequately emphasize work plan work and safety
12 requirements.

13 The Company takes safety very seriously and has already implemented its
14 Contractor Oversight Program to make sure the contractors understand the work
15 requirements and job safety. The program is composed of Onboarding, Jobsite
16 Observation, and Performance Data. The Onboarding process ensures the Company to
17 screen and hire qualified contractors. The Jobsite Observation is conducted once a week
18 to inspect contractors' safety, performance and billing records. The Company reviews
19 monthly Performance Data, including DART rate target, Standard Build and work order
20 cost information. Negative trend reports, and incidents and injuries can result in
21 disciplinary actions including a discussion and follow up with contractor management or
22 further discipline up to and including termination of the contract. The Company's action
23 to remove the contractors shows that it is placing a great emphasis on ensuring the work

1 plan is complete and that the contractors performing the work understand the
2 requirements from both work and safety perspectives.

3 The Company also works diligently to ensure that all work plan requirements are
4 identified and communicated prior to work being performed. Although Blue Ridge
5 correctly observed that contractor work orders did not detail every work task required for
6 a project, AEP Ohio's distribution line inspectors inspect contractors' plans prior to work
7 being performed to ensure that the work a contractor will perform is appropriately
8 planned and consistent with the overall project scope and requirements.

9 **Q. DOES AEP OHIO AGREE WITH 2016 AUDIT REPORT RECOMMENDATION**
10 **11?**

11 A. Yes. Company agrees with Blue Ridge's recommendation that AEP Ohio continue to
12 monitor inactive work orders that appear on the report, striving to resolve outstanding
13 issues within a reasonable time frame of six months to reduce the total dollar value of
14 inactive work orders. The Company already actively tracks and addresses inactive work
15 orders.

16 **Q. WHAT IS AEP OHIO'S POSITION REGARDING 2017 AUDIT REPORT**
17 **RECOMMENDATION 1?**

18 A. The Company strongly disagrees with Blue Ridge's recommendation regarding the
19 Company's vegetation management capitalization policy. Blue Ridge has criticized the
20 Company's definition of "initial clearing" inside of its rights-of-way for capitalization
21 purposes. The Company's policy is to use 18 inches in diameter as a proxy to determine
22 if a tree within right-of-way was removed when the right-of-way was originally cleared.
23 Specifying a diameter to use is a method to distinguish between "original" trees and those

1 that have grown since a power line was constructed. If a tree's diameter is equal or
2 greater than eighteen inches, then it is assumed not to have been cut during the original
3 right-of-way clearing, and its removal thus is capitalized. Based on samples of a variety
4 of different species, an 18-inch diameter for many species of trees reflects that the tree is
5 at least 22 years old. If a tree's diameter is less than eighteen inches, it is considered to
6 have been cut during the original clearing, and its removal would be charged to
7 maintenance expense. Often times customers will not grant permission to remove trees
8 on private property even though those trees are in danger of falling on the Company lines
9 or equipment or growing in the lines; in those circumstances, a tree may be trimmed
10 rather than removed.

11 In its reply comments, Staff stated that the Company's passing reference to
12 obtaining a private property owner's permission to remove a tree was reflective of AEP
13 Ohio not maintaining its rights-of-way. Staff opined that after 22 years, the Company
14 would have been through four maintenance cycles and would have yet to maintain that
15 tree by removing it when it was much smaller. However, as the Commission has most
16 recently observed in Case No. 17-2344-EL-CSS, there are often challenges for an electric
17 utility to obtain a property owner's permission to remove trees. These challenges then
18 lead to constant trimming to keep the vegetation out of the line rather than removing the
19 obstacle. This situation is not an example of a utility not maintaining its right-of-way, as
20 indicated in Staff's comments. Rather, it reflects the challenge of balancing customer
21 and property owner concerns with diligent efforts to maintain and improve reliability.

1 **Q. WHAT WOULD BE THE POTENTIAL NEGATIVE IMPACTS OF ACCEPTING**
2 **2017 AUDIT REPORT RECOMMENDATION 1?**

3 The Commission and Ohio electric utilities are in a unique situation when it
4 comes to the vast amount of vegetation in the State. The Commission has the authority to
5 determine if the policies of the utilities are appropriately aligned with customer costs and
6 benefits. This includes the impacts of changing the Company’s current policy from
7 capitalizing trees inside of right-of-way to expense. Accepting Blue Ridge’s proposed
8 change will have a customer bill impact that would immediately recognize the full cost of
9 the expense in rates rather than a smaller amount over time. A change in the
10 capitalization policy would also ignore the long-term benefit of a tree removal to the
11 system with a tree removal. Capital removal provides long-term benefits as once the tree
12 is gone, there is no longer a threat to outage and property. Capitalized assets reflect long-
13 term system improvement, and the system is certainly improved when the threat is
14 permanently removed – in the same manner as if it were removed as part of the original
15 clearing.

16 **Q. ARE THERE OTHER IMPORTANT REASONS TO REJECT 2017 AUDIT**
17 **REPORT RECOMMENDATION 1?**

18 A. Yes. The Company urges the Commission to decline any change to AEP Ohio’s
19 vegetation management capitalization policy. If the Commission disagrees with the
20 Company’s interpretation of “initial clearing,” there are several additional considerations
21 that should be taken into account. First, the Commission should only apply such a
22 change in the Company’s policy on a prospective basis. Prior to 2018, the Company did
23 not track the capital dollars associated with trees inside versus outside of the right-of-

1 way, which would make it impossible to accurately quantify the historical values
2 attributable to the capital spending associated with trees inside of ROW. Second, Staff's
3 comments did not recommend that the Company not be able to collect for the capital
4 dollars spent; rather, Staff was only suggesting that the costs change from capital to
5 O&M. But the Company does not have an O&M tracker or similar mechanism through
6 which to collect the O&M. Third, no party, including the Company, has quantified the
7 impact of this change in policy on customer rates. As such, the policy change will
8 increase customer bill impacts in the future for the same level of work. Each of these
9 considerations weighs against making any change to the Company's capitalization policy
10 in the narrow context of this audit proceeding.

11 **Q. WHAT IS AEP OHIO'S POSITION REGARDING 2017 AUDIT REPORT**
12 **RECOMMENDATION 2?**

13 A. Blue Ridge continues to recommend a reconciliation between the DIR and the FERC
14 Form 1 filings. Although the Company can agree to implement this audit
15 recommendation, the Company disagrees with Blue Ridge's position that the Company is
16 out of compliance with the Commission's February 25, 2015 Opinion and Order in Case
17 No. 13-2385-EL-SSO, *et al.* (the "*ESP III* Order"). The Company worked with
18 Commission Staff prior to implementing the Staff's suggestions from the *ESP III* Order
19 to make ensure that AEP Ohio was accurately implementing Staff's recommendations.
20 The Company has always reconciled the DIR account balances to the FERC Form 1
21 during preparation of the quarterly DIR filings. When the Company finds a discrepancy
22 between the two, the Company follow up with AEP's Property Accounting group to fix
23 the discrepancy and uses correct DIR account balances at the time of the quarterly DIR

1 filing so the plant in service is included in the filing correctly. Blue Ridge's
2 recommendation is to state in the letter of the DIR filing if such differences occur;
3 currently the Company just provides the reconciled balance in the DIR. The Company's
4 current approach is sufficient and appropriate.

5 **Q. WHAT IS THE COMPANY'S RESPONSE TO 2017 AUDIT REPORT**
6 **RECOMMENDATION 3?**

7 A. The Company continues to disagree that payroll costs, including cost element 148, be
8 excluded but agrees that these issues are better addressed in AEP Ohio's next distribution
9 rate case.

10 **Q. DOES AEP OHIO AGREE WITH 2017 AUDIT REPORT RECOMMENDATION**
11 **4?**

12 A. No. Blue Ridge recommends that large projects be more closely scoped out in the field
13 to try to mitigate potential impediments that could increase the project estimate or
14 increase the schedule, delaying the project completions. The Company disagrees with
15 this recommendation. The Company would have to spend additional time and money on
16 every project in order to implement this change. This would not only increase the
17 amounts customers would have to pay for the same system but also delay the amount of
18 work the Company could complete in any year. Blue Ridge's recommendation would
19 essentially increase the cost of all projects in order to avoid very few projects that may
20 have a small cost overage from potential impediments. This recommendation would
21 increase costs to customer with no commensurate benefits. The Commission can
22 determine through comments and the population of projects and work orders selected by

1 Blue Ridge that the population risk does not indicate that this is an issue that merits such
2 a recommendation.

3 **Q. PLEASE DESCRIBE THE COMPANY'S RESPONSE TO 2017 AUDIT REPORT**
4 **RECOMMENDATION 5.**

5 A. AEP Ohio agrees with Blue Ridge's recommendation that the next DIR audit review the
6 compliance of the filing for tax reform.

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

8 A. Yes.

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing was sent by, or on behalf of, the undersigned counsel to the following parties of record this 17th day of May, 2019, via electronic transmission.

/s/ Christen M. Blend

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