

EXHIBIT NO. _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Ohio Power Company for an)	Case No. 20-585-EL-AIR
Increase in Electric Distribution Rates.)	
 In the Matter of the Application of)	
Ohio Power Company)	Case No. 20-586-EL-ATA
for Tariff Approval.)	
 In the Matter of the Application of)	
Ohio Power Company for Approval)	Case No. 20-587-EL-AAM
to Change Accounting Methods.)	

DIRECT TESTIMONY OF
LISA O. KELSO
ON BEHALF OF
OHIO POWER COMPANY

Management Policies, Practices & Organizations

X Operating Income

X Rate Base

Allocations

Rate of Return

Rates and Tariffs

Other

Filed: June 15th, 2020

INDEX TO DIRECT TESTIMONY OF
LISA O. KELSO

I.	PERSONAL DATA.....	1
II.	PURPOSE OF TESTIMONY	2
III.	PREPARATION OF FORECASTED INCOME STATEMENTS.....	3
IV.	TOTAL OPERATING REVENUE	6
V.	OPERATION AND MAINTENANCE EXPENSE	8
VI.	DEPRECIATION AND AMORTIZATION	11
VII.	TAXES OTHER THAN INCOME TAXES	12
VIII.	INCOME TAXES	13
X.	STANDARD FILING REQUIREMENTS SCHEDULES	14
XI.	SCHEDULE C ADJUSTMENTS – OPERATING INCOME.....	15
XII.	PROJECTED DATA	16
XIII.	CONCLUSION	16

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
LISA O. KELSO
ON BEHALF OF
OHIO POWER COMPANY

1 **I. PERSONAL DATA**

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

3 A. My name is Lisa O. Kelso and my business address is 700 Morrison Road, Gahanna, Ohio
4 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 Business Operations Support.

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

10 A. I graduated magna cum laude with a Bachelor of Business Administration from Ohio
11 University in 2003. I began work in 2003 with the Ohio Legislative Service Commission
12 Fellowship Program. Upon completion of the Fellowship Program, I worked as an aide in
13 the Ohio Senate from January 2005 to August 2005. I left the Ohio Senate in August 2005
14 to pursue a Master of Accounting from The Ohio State University. I graduated in June
15 2006 and joined the PwC (formerly PricewaterhouseCoopers) accounting firm, where I
16 worked until 2008. I joined American Electric Service Corporation (“AEPSC”) in 2008 as
17 a Senior Auditor. In 2010, I was promoted to Audit Specialist and in 2012 I joined AEP
18 Transmission as a Business Operations Support Analyst. In 2013, I became a Senior
19 Financial Analyst and progressed through various positions before being promoted to

1 Manager – Transmission Business Planning & Analysis in 2015. In 2016, I became
2 Manager of Transmission Asset Strategy and Policy. In 2018, I was promoted to my
3 current position of Director – Business Operations Support at AEP Ohio. I am a Certified
4 Public Accountant licensed in Ohio.

5 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF BUSINESS**
6 **OPERATIONS SUPPORT?**

7 A. I am responsible for leading the financial planning and budgeting processes for AEP Ohio.
8 In such capacity, I review the assumptions for short and long-term financial planning
9 models used in the development of operating and capital expenditure forecasts for AEP
10 Ohio and monitor actual performance and review the preparation of forecasted information
11 for use in regulatory proceedings. I am also responsible for managing the business
12 operations support, project controls, and process improvement organizations. With respect
13 to this filing, I am responsible for the development of AEP Ohio's financial forecast.

14 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
15 **PROCEEDINGS?**

16 A. Yes, I have submitted written testimony before this Commission in AEP Ohio's 2018 and
17 2019 Significantly Excessive Earnings Test filings.

18 **II. PURPOSE OF TESTIMONY**

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

20 A. The purpose of my testimony is to sponsor or co-sponsor schedules that are required to be
21 filed as part of the Standard Filing Requirements for distribution base rate proceedings in
22 the state of Ohio. I will describe the methodologies and assumptions underlying the

1 Company's projected data for the test year (the 12-month period ending November 30,
2 2020) and support certain adjustments to test year operating income. I will also describe
3 the process used to develop such data and will describe how such forecasts are validated
4 for reasonableness. With respect to the Standard Filing Requirements, my area of
5 responsibility lies primarily with the forecasted total Company balance sheets and income
6 statements included in this filing.

7 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?**

8 A. Yes, I am sponsoring the following exhibits:

- 9 1) Company Exhibit LOK-1 – Test Year vs. 2019 Actual Calendar Year AEP Ohio
10 Income Statement.
11 2) Company Exhibit LOK-2 – Test Year vs. 2019 Actual Calendar Year AEP Ohio
12 Operation and Maintenance Expense.

13 **III. PREPARATION OF FORECASTED INCOME STATEMENTS**

14 **Q. PLEASE BRIEFLY DESCRIBE THE PROCESS USED TO DEVELOP THE**
15 **FORECASTED INCOME STATEMENTS PRESENTED IN SCHEDULE C-2.**

16 A. The forecasted income statements for the test year were developed consistent with the
17 methodology utilized by the Company for preparing its normal operating forecast. This
18 methodology requires input from a variety of groups within AEP and AEP Ohio. AEP
19 Ohio management also benefits from the AEP Corporate Planning & Budgeting ("CP&B")
20 group, which administers the financial model and incorporates inputs from other corporate
21 groups such as corporate finance, tax, economic forecasting, regulatory services and

transmission to provide an integrated total company forecast for AEP Ohio management's review and approval.

After an iterative review cycle that includes AEP Ohio management, CP&B, and other key stakeholders, the final result of the forecasting process is locked as a Control Budget and a Long Range Plan. The Control Budget represents the forecast for the next calendar year and the Long Range Plan represents the forecast for subsequent periods. The Control Budget and Long Range Plan are collectively referred to as the "forecast." The completion of the forecast also produces forward-looking financial statements similar to financial statements based on actual results.

The major components of a forecast are as follows: 1) load and demand forecast; 2) generation forecast; 3) retail and wholesale operating revenue projections; 4) operation and maintenance expense ("O&M") forecast; 5) construction expenditure forecast; and 6) financing plan.

Q. PLEASE DISCUSS EACH OF THESE MAJOR COMPONENTS OF THE FORECASTED INCOME STATEMENT IN MORE DETAIL.

A. Assumptions, such as growth in kilowatt-hour sales, purchased power expense, interest rates, and cost projections based on AEP Ohio's work plans, are made in advance of the preparation of the forecast. These assumptions are reviewed by AEP Ohio management and within AEPSC to determine the most reasonable set of assumptions to be incorporated into the forecast. As the year progresses, actual performance is tracked and monitored in order to compare to plan and adjust the plans as necessary. The major sequential steps are as follows:

1) Load and Demand Forecast - Because the AEP System is highly integrated, the

1 preparation of any individual company forecast requires an internal load forecast and an
2 off-system sales forecast for all the AEP System companies. The internal load projection
3 is developed by the Financial and Economic Forecasting Department in conjunction with
4 various groups across the AEP System including input from the operating companies and
5 reflects an analysis of the economy and the unique factors that influence individual
6 customers or customer classes in each of the regions that AEP serves.

7 2) Generation Forecast – AEP Ohio provides distribution and transmission service to
8 all of its customers and obtains power for customers who have not chosen a competitive
9 retail electric service provider via power auction. The cost of this auction is forecasted
10 using the most recent auction results with small forward increases. Other generation-
11 related costs are forecasted by the AEPSC Resource Planning department.

12 3) Retail and Wholesale Operating Revenue Projections - Revenues for most
13 customers are developed by customer class using base realizations under current rates and
14 purchased power clauses included in the appropriate filed tariffs or contracts. Projections
15 of base realizations reflect actual experience adjusted to be consistent with the projected
16 sales and usage levels. Revenues related to known off-system sales arrangements, such as
17 the Ohio Valley Electric Corporation, are developed in accordance with the terms of the
18 specific agreements related to such sales.

19 4) O&M Forecast – Operation and maintenance expenses, excluding energy costs, are
20 based upon current work plans for each of the functional groups. These plans include
21 expenditures for scheduled maintenance programs as well as the cost of operations. These
22 plans take into consideration staffing levels, including budgeted increases in salaries as
23 well as material costs necessary to perform the required work activities during the year.

1 5) Construction Expenditure Forecast - The various engineering and planning groups
2 in AEP Ohio and AEPSC develop the construction expenditure budget. It reflects
3 expenditures and in-service dates of major projects during the year as well as amounts
4 approved to fund blanket work (smaller projects grouped together) which is essential in
5 estimating both book and tax depreciation as well as the allowance for funds used during
6 construction (“AFUDC”).

7 6) Financing Plan - Company witness Messner is presenting the financing program to
8 meet the Company’s forecasted O&M and capital requirements. In determining the
9 Company’s financing program, consideration is given to regulatory requirements, access
10 to capital, credit metrics, capital structure, short-term debt limitations, and corporate
11 objectives and guidelines.

12 **Q. PLEASE DISCUSS THE REASONABLENESS OF THE COMPANY’S TEST**
13 **YEAR PROJECTIONS.**

14 A. As part of the normal validation process, AEP Ohio generally compares projected results
15 to a previously reported actual period. At the time this data was developed, the Company
16 compared the test year projections to the 2019 calendar year results. This comparison of
17 the test year to 2019 is shown on Company Exhibit LOK-1 on a total Company basis.

18 **IV. TOTAL OPERATING REVENUE**

19 **Q. WHAT ARE THE MAJOR COMPONENTS OF OPERATING REVENUES THAT**
20 **ARE INCLUDED IN THE FORECAST?**

21 A. The major components of Operating Revenues are Sales to Ultimate Customers, Sales for
22 Resale, and Other Operating Revenues.

Q. PLEASE DISCUSS THE LEVEL OF SALES TO ULTIMATE CUSTOMERS THAT ARE INCLUDED IN THE FORECAST.

A. As shown on Company Exhibit LOK-1, AEP Ohio's Sales to Ultimate Customers are projected to be \$2,624 million for the test year based on a total load of 43,320 GWh. Sales to Ultimate Customers are comprised of retail sales and other sales to public authorities.

Figure LOK-1

AEP Ohio Retail Load (GWH)					
Class	2019 Actual	2019 Normal	Test Year (Actual)	Test Year (Normal)	Normal Test Year vs 2019
Residential	14,411	14,119	13,830	13,924	-1.38%
Commercial	14,599	14,433	14,413	14,438	0.04%
Industrial	14,407	14,407	14,960	14,960	3.84%
Other	114	114	116	116	1.58%
	43,531	43,072	43,320	43,438	0.85%

Q. HOW DO THE PROJECTED SALES TO ULTIMATE CUSTOMERS AND LOAD COMPARE TO THE ACTUAL REVENUE AND NORMAL LOAD FOR 2019?

A. The projected retail load is relatively flat compared to the actual load for 2019. In 2019, the actual Sales to Ultimate Customers was \$2,547 million based on a load of 43,531 GWh.

Q. PLEASE DISCUSS THE LEVEL OF SALES FOR RESALE THAT IS INCLUDED IN THE FORECAST.

A. Sales for Resale primarily represent the Company's off-system sales arrangements. Sales for Resale are projected to be \$103 million for the test year compared to \$101 million in the actual period.

Q. PLEASE DISCUSS THE LEVEL OF OTHER OPERATING REVENUES THAT IS INCLUDED IN THE FORECAST.

A. The major components of Other Operating Revenues are forfeited discounts, miscellaneous

service revenues, rent from electric property and other electric revenues. As shown below, Other Operating Revenues are projected to be \$129 million in the test year. This compares to 2019 Other Operating Revenues of \$142 million. The change from the actual period is primarily due to the completion of the amortization of the Deferred Asset Phase-In Rider unrecognized equity.

Figure LOK-2

AEP Ohio Other Operating Revenues (in \$M)			
Description	Test Year	2019	Change
(450) Forfeited Discounts	\$ 2.7	\$ 2.5	\$ 0.2
(451) Misc. Service Revenues	\$ 8.4	\$ 10.1	\$ (1.7)
(454) Rent from Electric Property	\$ 42.6	\$ 41.0	\$ 1.6
(456) Other Electric Revenues	\$ 75.7	\$ 88.3	\$ (12.6)
Total Other Operating Revenues	\$ 129.4	\$ 141.9	\$ (12.5)

Q. IS THE LEVEL OF TOTAL OPERATING REVENUE INCLUDED IN THE TEST YEAR REASONABLE?

A. Yes, it is.

V. OPERATION AND MAINTENANCE EXPENSE

Q. PLEASE DISCUSS THE LEVEL OF OPERATION AND MAINTENANCE EXPENSE INCLUDED IN THE TEST YEAR PROJECTIONS.

A. As shown on Company Exhibit LOK-2, AEP Ohio's O&M is projected to be \$1,723 million for the test year. This testimony will focus on the level of distribution O&M expense.

Q. HAVE YOU REVIEWED THE LEVEL OF PROJECTED DISTRIBUTION O&M EXPENSE FOR REASONABLENESS?

A. Yes. I have compared the projected level of distribution O&M expense to 2019 actual

1 expense as shown on Company Exhibit LOK-2. The test year level of distribution O&M
2 expense is projected to be \$435 million.

3 As shown in Company Exhibit LOK-2, distribution O&M are projected to be higher
4 in the test year due to increased expenses of \$5 million from gridSMART®, \$8 million due
5 to increases in PIPP costs, and \$42 million of expenses associated with EE/PDR customer
6 assistance and deferred costs. In total, these three items represent approximately \$56
7 million of the \$45 million increase in distribution O&M, that is offset by slightly lower
8 costs in the other line items. Each of these three items is addressed in separate proceedings
9 before the Commission. The level of distribution expense included in the test year is further
10 supported by Company witness Kratt.

11 **Q. ARE THERE SIGNIFICANT COMPONENTS OF DISTRIBUTION O&M THAT**
12 **CAN VARY YEAR TO YEAR?**

13 A. Yes, similar to major storm expenses, our costs related to non-major storm event restoration
14 can fluctuate based on weather in a particular year. Company witness Kratt discusses in
15 his testimony that as the Company makes improvements to the resiliency of the grid and
16 enhances its facilities' design and operational limits, the impact of storms is diminished,
17 resulting in a decrease in the number of Major Event Days (MEDs). Storms that would
18 have been MEDs and recovered through the Storm Damage Recovery Rider become sub-
19 MEDs and are included in non-major storm event restoration costs and recovered through
20 base rates.

21 **Q. PLEASE DISCUSS THE LEVEL OF MAJOR AND NON-MAJOR STORM EVENT**
22 **RESTORATION O&M OVER THE PAST FIVE YEARS.**

23 A. Over the past five years we have seen an overall trend of non-major storm expenses

increasing as illustrated in Figure LOK-3 below. However, major storm expenses have been decreasing on average as illustrated in Figure LOK-4. As Company Witness Moore discusses in her testimony, the Company proposes that the baseline for major storm O&M expenses be set at \$3.341 million. This is below the current established base of approximately \$5.120 million.

Figure LOK-3

AEP Ohio Non-Major Storm Restoration O&M (\$ in M)					
2010	2011	2012	2013	2014	5 Year Average
\$ 1.302	\$ 1.615	\$ 0.358	\$ 0.407	\$ 3.653	\$ 1.467
2015	2016	2017	2018	2019	5 Year Average
\$ 0.841	\$ 1.902	\$ 1.742	\$ 3.791	\$ 3.179	\$ 2.291

Figure LOK-4

AEP Ohio Storm Major Storm Restoration O&M (\$ in M)					
2010	2011	2012 ¹	2013	2014	5 Year Average
\$ 8.200	\$ 12.084	\$ 3.254	\$ 8.706	\$ 2.060	\$ 6.861
2015	2016	2017	2018	2019	5 Year Average
\$ 3.903	\$ 1.011	\$ 3.955	\$ 0.050	\$ 7.785	\$ 3.341

(1) 2012 excludes the impact from the Derecho event.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO HOW NON-MAJOR STORM EVENT RESTORATION O&M IS RECOVERED?

A. Yes. As illustrated above, the fluctuation in non-major storm event costs are both increasing and significant. The Company requests it be allowed to defer non-major storm costs in a regulatory asset and recover costs that exceed a baseline amount.

Q. PLEASE EXPLAIN THE METHODOLOGY FOR THE PROPOSED DEFERRAL AND RECOVERY.

A. The Company proposes that a baseline be set at the 5-year average O&M cost of \$2.291 million for non-major storm event restoration O&M. Any costs exceeding the baseline of

1 \$2.291 million would be deferred and the Company would subsequently make a filing with
2 the Commission to recover the incremental costs that were deferred as a regulatory asset.

3 **Q. IS THE LEVEL OF O&M EXPENSE INCLUDED IN THE TEST YEAR**
4 **REASONABLE?**

5 A. Yes, with the caveats discussed above, it is.

6 **VI. DEPRECIATION AND AMORTIZATION**

7 **Q. WHAT ARE THE MAJOR COMPONENTS OF DEPRECIATION AND**
8 **AMORTIZATION EXPENSES THAT ARE INCLUDED IN THE FORECAST?**

9 A. The major components of Depreciation and Amortization Expenses that are included in the
10 forecast are Depreciation Expense, Asset Retirement Obligation Depreciation Expense,
11 Amortization of Plant, and Regulatory Debits & Credits.

12 **Q. PLEASE DISCUSS THE LEVEL OF DEPRECIATION EXPENSE THAT IS**
13 **INCLUDED IN THE FORECAST.**

14 A. As shown on Company Exhibit LOK-1, Depreciation Expense is projected to be \$250
15 million for the test year. This projection was developed by applying approved depreciation
16 rates to projected monthly plant in service balances. The projected test year depreciation
17 expense is approximately \$47 million higher than the depreciation expense actually
18 incurred in 2019. This increase is primarily due to the expected increased investment in
19 Plant in service during the test year and changes in the Distribution Investment Rider
20 (“DIR”) over/under recorded in depreciation expense. Company witness Yoder also
21 supports an adjustment to remove the DIR over/under from depreciation expense.

1 **Q. DOES THE DEPRECIATION EXPENSE FORECAST INCLUDE THE**
2 **PROPOSED NEW DEPRECIATION RATES?**

3 A. No. Typically new depreciation rates are not incorporated into the financial forecast until
4 such rates have been approved by the Commission.

5 **Q. PLEASE DISCUSS THE LEVEL OF AMORTIZATION OF PLANT EXPENSE**
6 **THAT IS INCLUDED IN THE FORECAST.**

7 A. As shown on Company Exhibit LOK-1, Amortization of Plant Expense is projected to be
8 \$32 million or \$6 million above the actual level in 2019. This increase is primarily due to
9 higher capitalized software plant balances.

10 **Q. PLEASE DISCUSS THE LEVEL OF REGULATORY DEBITS & CREDITS THAT**
11 **ARE INCLUDED IN THE FORECAST.**

12 A. As shown on Company Exhibit LOK-1, net amortization of Regulatory Debits & Credits
13 is projected to be \$1 million in the test year, or \$66 million lower than in 2019. This
14 decrease is primarily due to the completion of the amortization expense related to the Retail
15 Stability Rider and Phase-in Recovery Rider.

16 **Q. IS THE LEVEL OF DEPRECIATION AND AMORTIZATION EXPENSES**
17 **INCLUDED IN THE FORECAST REASONABLE?**

18 A. Yes, it is.

19 **VII. TAXES OTHER THAN INCOME TAXES**

20 **Q. WHAT ARE THE MAJOR COMPONENTS OF TAXES OTHER THAN INCOME**
21 **TAXES THAT ARE INCLUDED IN THE FORECAST?**

22 A. The major components of Taxes Other than Income Taxes that are included in the forecast

are property taxes, revenue taxes, and payroll taxes. The projected test year expenses are further supported by Company witness Multer.

Q. PLEASE DISCUSS THE LEVEL OF TAXES OTHER THAN INCOME TAXES INCLUDED IN THE FORECAST.

A. As shown on Company Exhibit LOK-1, Taxes Other than Income Taxes are projected to be \$459 million. These projected test year expenses are approximately \$25 million higher than the expenses actually incurred in 2019. The main driver is higher Property Taxes, which are projected to be \$297 million for the test year versus \$269 million in the 2019 actual period. The variance is primarily due to increased Plant in service. This variance and other forecasted values for Taxes Other than Income Taxes are further supported by Company witness Multer.

Q. IS THE LEVEL OF TAXES OTHER THAN INCOME TAXES INCLUDED IN THE FORECAST REASONABLE?

A. Yes.

VIII. INCOME TAXES

Q. WHAT ARE THE MAJOR COMPONENTS OF INCOME TAXES THAT ARE INCLUDED IN THE FORECAST?

A. The major components of income taxes that are included in the forecast are state income taxes and federal income taxes (both current and deferred), as well as the credit to customers of the Protected and Unprotected ADIT. The projected test year expenses are further supported by Company witness Multer.

1 **Q. PLEASE DISCUSS THE LEVEL OF INCOME TAXES THAT IS INCLUDED IN**
2 **THE FORECAST.**

3 A. As shown on Company Exhibit LOK-1, Income Taxes are projected to be \$33 million for
4 the test year. The projected test year expense is approximately \$11 million lower than the
5 expense actually incurred in 2019.

6 **Q. IS THE LEVEL OF INCOME TAXES INCLUDED IN THE FORECAST**
7 **REASONABLE?**

8 A. Yes, it is.

9 **IX. RIDERS AND TRACKERS**

10 **Q. HAVE YOU INCLUDED REVENUES AND EXPENSES ASSOCIATED WITH**
11 **ANY OF THE RIDERS AND TRACKERS PROPOSED BY THE COMPANY IN**
12 **THE PROJECTED TEST YEAR?**

13 A. Yes, the total Company forecast does contain revenues and expenses associated with the
14 Company's significant riders and trackers. However, these values were removed from the
15 forecast via adjustments that Company witnesses Yoder, Roush, and I support.

16 **X. STANDARD FILING REQUIREMENTS SCHEDULES**

17 **Q. PLEASE IDENTIFY THE SCHEDULES YOU ARE SPONSORING OR CO-**
18 **SPONSORING?**

19 A. I am sponsoring or co-sponsoring total Company projected balance sheet, income
20 statement data, a payroll and payroll tax adjustment to the 12-months ending September
21 2020 test year, and all other forecasted data on a total Company basis on Schedules A, B,
22 C, D, and S. Excluding adjustments, the data is shown on Schedules A-2, B-5, B-5.1, C-

2.1, C-7, C-9, C-9.1, C-10.2, C-11.1, C-11.2, C-11.3, C-11.4, C-12 and D-5. I am sponsoring data on supplemental schedules S-1 and S-2. The data on the C schedules relating to federal income taxes is sponsored by Company witness Multer and the actual total Company amounts are sponsored by Company witness Yoder.

XI. SCHEDULE C ADJUSTMENTS – OPERATING INCOME

Q. PLEASE DISCUSS THE ADJUSTMENT TO TEST YEAR OPERATING INCOME MADE TO ANNUALIZE LABOR AND PAYROLL EXPENSES.

A. Schedule C-3.7 adjusts payroll and related payroll tax expense to recognize in test year expense a full year's salary and wage increases for the 2020 test year. The adjustment increases test year O&M labor by \$1.4 million and an additional \$0.2 million for benefits and payroll tax expense. These adjustments are necessary because salary and wage increases are granted in April of each year, as Company witness Carlin discusses further. Without this adjustment, the test year amounts would not reflect a full twelve months of approved salary and wage increases for all employees. I sponsor the total value of the adjustment while Company witness Caudill sponsors the allocation factors.

Q. PLEASE IDENTIFY THE OTHER ADJUSTMENTS YOU ARE CO-SPONSORING TO TEST YEAR OPERATING INCOME.

A. I am co-sponsoring the following C adjustments: C-3.1, C-3.2, C-3.3, C-3.4, C-3.5, C-3.6, C-3.14, C-3.17, C-3.19, C-3.21, and C-3.22.

Q. PLEASE DISCUSS THE PROCESS USED TO DEVELOP THE ADJUSTMENTS INCLUDING THE USE OF FORECASTED DATA.

A. Company witness Yoder developed the analysis and calculations for the adjustments based

on the appropriate accounting treatment for each adjustment, and he further supports the calculations in the adjustments. Generally, Mr. Yoder provided the data for the actual period, while I provided the data for the forecasted period.

Q. ARE THE PROJECTED VALUES THAT YOU HAVE PROVIDED FOR THE ADJUSTMENTS REASONABLE?

A. Yes, they are.

XII. PROJECTED DATA

Q. PLEASE DESCRIBE SCHEDULE S-1.

A. Schedule S-1 is a capital expenditures projection for distribution for the years 2020-2024. The schedule shows capital expenditure information exceeding five percent of the annual budget for the years 2020-2024.

Q. PLEASE DESCRIBE THE SUPPLEMENTAL FILING REQUIREMENTS SCHEDULE S-2.

A. Supplemental Filing Requirement S-2 contains a five-year projected Income Statement, Balance Sheet, and Statement of Changes in Financial Position, as well as the associated assumptions underlying the forecasted values. The financial statements represent a proxy for the Company's Distribution business within total AEP Ohio.

XIII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

AEP Ohio
Total Company Revenues and Expenses
\$ in Millions

Line No.	Description	Test Year	2019	Change
1	Operating Revenues			
2	Sales to Ultimate Customers	\$ 2,624	\$ 2,547	\$ 77
3	Sales for Resale	\$ 103	\$ 101	\$ 2
4	Other Operating Revenues	\$ 129	\$ 142	\$ (12)
5	Total Operating Revenues	<u>\$ 2,857</u>	<u>\$ 2,790</u>	<u>\$ 67</u>
6				
7	Operation and Maintenance Expenses	\$ 1,723	\$ 1,609	\$ 114
8				
9	Depreciation and Amortization Expenses			
10	Depreciation	\$ 250	\$ 203	\$ 47
11	Depreciation - ARO	\$ (0)	\$ -	\$ (0)
12	Amort. & Depl. of Utility Plant	\$ 32	\$ 26	\$ 6
13	Amort. of Utility Plant Acq. Adj.	\$ -	\$ -	\$ -
14	Net Amortization of Regulatory Credits/Debits	<u>\$ 1</u>	<u>\$ 66</u>	<u>\$ (66)</u>
15	Total Depreciation and Amtz. Expenses	<u>\$ 282</u>	<u>\$ 296</u>	<u>\$ (13)</u>
16				
17	Taxes Other Than Income Taxes			
18	Property Taxes	\$ 297	\$ 269	\$ 28
19	Revenue Taxes	\$ 152	\$ 154	\$ (1)
20	Payroll Taxes	\$ 7	\$ 7	\$ (0)
21	Other	<u>\$ 3</u>	<u>\$ 5</u>	<u>\$ (1)</u>
22	Total Taxes Other Than Income Taxes	<u>\$ 459</u>	<u>\$ 434</u>	<u>\$ 25</u>
23				
24	Income Taxes			
25	Income Taxes - Federal	\$ 32	\$ 41	\$ (9)
26	Income Taxes - State & Other	\$ 2	\$ 4	\$ (3)
27	Investment Tax Credit Adj - Net	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 0</u>
28	Total Income Taxes	<u>\$ 33</u>	<u>\$ 45</u>	<u>\$ (11)</u>
29				
30	Loss/ (Gain) from Disp. Of Utility Plant	\$ -	\$ (2)	\$ 2
31				
32	Accretion Expense	\$ -	\$ -	\$ -
33				
34	Total Utility Operating Expenses	\$ 2,498	\$ 2,381	\$ 117
35				
36	Net Utility Operating Income	\$ 359	\$ 409	\$ (49)
37				
38	Other Income & Deductions			
39	Total Other Income & Deductions	\$ (20)	\$ (16)	\$ (4)
40	Total Taxes on Other Income and Deductions	<u>\$ (14)</u>	<u>\$ (10)</u>	<u>\$ (4)</u>
41	Net Other Income and Deductions	<u>\$ (6)</u>	<u>\$ (6)</u>	<u>\$ 0</u>
42				
43	Net Interest Charges	\$ 117	\$ 105	\$ 11
44				
45	Net Income	\$ 237	\$ 297	\$ (60)

AEP Ohio
Total Company Operations and Maintenance Expense
\$ in Millions

Line No.	Description	Test Year	2019	Net Change
1	Power Production Expenses	\$ 771	\$ 772	\$ (1)
2	Transmission Exp	\$ 428	\$ 369	\$ 59
3	Distribution Exp	\$ 183	\$ 180	\$ 4
4	Customer Accounts Exp	\$ 147	\$ 145	\$ 2
5	Customer Service and Information Exp	\$ 105	\$ 65	\$ 40
6	Sales Expenses	\$ 1	\$ 3	\$ (2)
7	Administration & General	\$ 88	\$ 75	\$ 13
8	Total Operations and Maintenance Expenses	\$ 1,723	\$ 1,609	\$ 114

AEP Ohio
Distribution Operations and Maintenance Expense
\$ in Millions

Line No.	Description	Test Year	2019	Net Change
21	Distribution O&M Expense			
23	gridSMART® Over/Under Distribution Exp	\$ 12	\$ 6	\$ 5
24	Distribution Exp	\$ 172	\$ 173	\$ (2)
25	Uncollectible Accounts - PIPP/USF	\$ 106	\$ 98	\$ 8
26	Customer Accounts Exp	\$ 41	\$ 47	\$ (6)
27	EE/PDR Customer Assistance Exp. & Deferred Costs	\$ 98	\$ 56	\$ 42
28	Customer Service and Information Exp	\$ 7	\$ 10	\$ (3)
29	Total Distribution	\$ 435	\$ 390	\$ 45

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 *Direct Testimony of Lisa O. Kelso* was sent by, or on behalf of, the undersigned counsel to the following parties of record this 15th day of June 2020, via electronic transmission.

/s/ *Steven T. Nourse*_____

Steven T. Nourse

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Summary: Testimony -Direct Testimony of Lisa O. Kelso on Behalf of Ohio Power Company
electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company