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July 29, 2020

The Honorable Sarah Parrot
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Re: In the Matter of the Application of Ohio Power Company for an Increase in Electric Distribution Rates, Case No. 20-585-EL-AIR; In the Matter of the Application of Ohio Power Company for Tariff Approval, Case No. 20-586-EL-ATA; In the Matter of the Application of Ohio Power Company for Approval to Change Accounting Methods, Case No. 20-587-EL-AAM

Dear Examiner Parrot:

On June 15, 2020, Ohio Power Company (the "Company") filed its testimony in support of its Application in this case. Two of the Company's witnesses, Douglas R. Buck and Teresa A. Caudill, recently announced their retirement from employment with AEP. Consequently, each their pre-filed testimony will be adopted by another witness. The testimony of Mr. Buck will be adopted by another existing witness, David M. Roush, who already filed his background and credentials in his June 15, 2020 Direct Testimony in these dockets. The testimony of Ms. Caudill will be adopted by a new witness, Jenifer L. Fischer. Accordingly, I am enclosing the Direct Testimony of Jenifer L. Fischer as a substitute for the Direct Testimony of Teresa A. Caudill that was filed on June 15, 2020. The only changes made to Ms. Caudill's testimony were to change the witness's name throughout and to replace the educational and professional background statements, job title, description of job responsibilities, and testimony experience statement, from those of Ms. Caudill to those of Ms. Fischer. Aside from those changes related to the new witness adopting the testimony, all of the substantive questions and answers remains identical to the June 15, 2020 version of the Caudill testimony.

Thank you for your attention to this matter.

Respectfully Submitted,

//s/ Steven T. Nourse

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
JENIFER L. FISCHER
ON BEHALF OF
OHIO POWER COMPANY

Management Policies, Practices & Organizations

X Operating Income

X Rate Base

X Allocations

Rate of Return

Rates and Tariffs

Other

Filed: July 29th, 2020

INDEX TO DIRECT TESTIMONY OF
JENIFER L. FISCHER

I.	PERSONAL DATA.....	1
II.	PURPOSE OF TESTIMONY.....	3
III.	JURISDICTIONAL ALLOCATION	5
IV.	SCHEDULES SPONSORED	8
V.	CONCLUSION.....	12

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
JENIFER L. FISCHER
ON BEHALF OF
OHIO POWER COMPANY

1 **I. PERSONAL DATA**

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

3 A. My name is Jenifer L. Fischer. My business address is 1 Riverside Plaza, Columbus, Ohio
4 43215.

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

6 A. I am employed by the American Electric Power Service Corporation (“AEPSC”) as a
7 Manager in Regulated Pricing and Analysis. AEPSC supplies engineering, financing,
8 accounting, planning, advisory, and other services to the subsidiaries of the American
9 Electric Power (“AEP”) system, one of which is Ohio Power Company (“Ohio Power” or
10 “Company”).

11 **Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL AND**
12 **PROFESSIONAL BACKGROUND?**

13 A. I earned a Bachelor of Business Administration degree with a double major in accounting
14 and finance from Mount Vernon Nazarene University in 1993. I have been a Certified
15 Public Accountant since 1999.

16 I joined AEPSC in 2001 as an Accounting Analyst in Natural Gas Settlements and
17 spent the next seven years in ledger accounting and financial analysis roles in Commercial
18 and Investment Accounting. In 2008, I entered a Finance Rotation Program, completing a
19 one-year rotation in Audit Services and one year in Corporate Planning and Budgeting. I

1 then took a permanent position in Corporate Planning and Budgeting as a Budget Analyst
2 responsible for capital improvement project request review and capital budget analysis. I
3 left Corporate Planning and Budgeting in 2014 as a Senior Budget Analyst for a promotion
4 to Fuel Accounting Supervisor in Utility and Energy Accounting. My responsibilities there
5 included managing month-end accounting close as well as various reporting requirements
6 and regulatory fuel filings. In 2017, I transferred to the Regulated Pricing and Analysis
7 Department as Regulatory Consultant Staff where my responsibilities included preparing
8 cost of service studies for regulatory filings and providing regulatory support and analysis
9 for pricing matters associated with AEP electric utility operating companies. I was
10 promoted in March 2020 to a Manager position within this department.

11 Prior to joining AEPSC, I worked in accounting roles for an insurance company
12 and a retirement center. I also worked in a small public accounting firm where my
13 responsibilities included tax preparation, financial statement compilation and audits.

14 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER, REGULATED**
15 **PRICING AND ANALYSIS?**

16 A. My responsibilities include the oversight and the preparation of cost-of-service and rate
17 design analyses for the AEP System operating companies, and the oversight and
18 preparation of special contracts and pricing for customers.

19 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
20 **PROCEEDINGS?**

21 A. Yes. I have submitted testimony before the Public Service Commission of West Virginia
22 and the Virginia State Corporation Commission on behalf of Appalachian Power
23 Company.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. The purpose of my testimony is to describe and support the allocation to the Company's
4 retail jurisdiction of the total Company distribution rate base, revenues, and expenses. The
5 allocations were based upon functional information. I am supporting functionalization of
6 forecast total Company amounts. Functionalization of historic total Company amounts is
7 supported by Company witness Yoder.

8 **Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?**

9 A. Yes. I am sponsoring or co-sponsoring the following schedules included in the Standard
10 Filing Requirements for the Company:

- 11 • A-1 Overall financial summary
- 12 • B-1 Jurisdictional rate base summary
- 13 • B-2 Plant in service summary by major property groupings
- 14 • B-2.1 Plant in service by accounts and subaccounts
- 15 • B-2.2 Adjustments to plant in service (gridSMART)
- 16 • B-3 Reserve for accumulated depreciation
- 17 • B-3.1 Adjustments to the reserve for accumulated depreciation (gridSMART)
- 18 • B-3.2 Depreciation accrual rates and jurisdictional reserve balances by accounts
- 19 • B-5 Allowance for working capital
- 20 • B-5.1 Miscellaneous working capital items
- 21 • B-6 Other rate base items summary
- 22 • B-7 Jurisdictional allocation factors
- 23 • B-7.1 Jurisdictional allocation statistics

- 1 • B-7.2 Explanation of changes in allocation procedures
- 2 • C-1 Jurisdictional pro forma income statement
- 3 • C-2 Adjusted test year operating income
- 4 • C-2.1 Operating revenue and expenses by accounts - jurisdictional allocation
- 5 • C-3 Summary of jurisdictional adjustments to test year operating income
 - 6 ○ C-3.1 Universal Service Fund Rider
 - 7 ○ C-3.2 KWh Tax Rider
 - 8 ○ C-3.3 Energy Efficiency/Peak Demand Reduction Rider
 - 9 ○ C-3.4 Economic Development Recovery Rider
 - 10 ○ C-3.5 Enhanced Service Reliability Rider
 - 11 ○ C-3.6 Adjust Incentive Compensation
 - 12 ○ C-3.7 Annualize Payroll/Labor Expense
 - 13 ○ C-3.8 Energy Efficiency & Peak Demand Reduction Labor
 - 14 ○ C-3.9 Annualize Pension Expense
 - 15 ○ C-3.10 Annualize OPEB Expense
 - 16 ○ C-3.11 Amortize Rate Case Expense
 - 17 ○ C-3.12 Annualize Depreciation Expense
 - 18 ○ C-3.13 Depreciation Rate Adjustment
 - 19 ○ C-3.14 State, Local, and Federal Income Taxes
 - 20 ○ C-3.15 gridSMART Phase II Rider
 - 21 ○ C-3.16 Distribution Investment Rider
 - 22 ○ C-3.17 Pilot Throughput Balancing Adjustment Rider
 - 23 ○ C-3.18 Storm Expense Adjustment
 - 24 ○ C-3.19 Tax Savings Credit Rider
 - 25 ○ C-3.20 Smart City Rider
 - 26 ○ C-3.21 Credit Card Processing Fees
 - 27 ○ C-3.22 Demand Side Management Program
 - 28 ○ C-3.23 Communication Plan Expense
 - 29 ○ C-3.24 Bad Debt Expense
- 30 • C-9 Operation and maintenance payroll costs

1 **III. JURISDICTIONAL ALLOCATION**

2 **Q. PLEASE DESCRIBE THE PURPOSE OF JURISDICTIONAL COST-OF-**
3 **SERVICE ALLOCATION AND WHAT IT IS DESIGNED TO ACCOMPLISH.**

4 A. The purpose of jurisdictional cost-of-service allocation is to determine the Company's cost
5 of providing service to a particular regulatory jurisdiction. This is accomplished by
6 comparing the Company's revenue requirement associated with the cost of serving the
7 customers in a regulatory jurisdiction to the revenues received from that jurisdiction. In
8 order to accomplish this comparison, the costs associated with providing service to
9 customers in each of the regulatory jurisdictions that the Company serves must be
10 functionalized, classified, and allocated. There are three basic steps to achieve this process.
11 First, costs are functionalized into production, transmission, and distribution functions.
12 The next step is to classify these costs as demand, energy, or customer-related. The third
13 step is to directly assign or allocate the costs on the basis of an appropriate allocation
14 methodology.

15 For the Company, there are no other retail or wholesale jurisdictions. Therefore,
16 the purpose of the cost-of-service allocation was to identify the distribution function.

17 In this case, the Company's functional ledger, sponsored by Company witness
18 Yoder, and the forecast, sponsored by Company witness Kelso, were utilized to identify
19 the distribution and distribution-related accounts and their balances. Since there were no
20 wholesale requirement customers, all customers and accounts were retail-related. The
21 allocation of the distribution-related amounts for all accounts was 100%.

1 **Q. WHAT IS THE DATE CERTAIN AND THE TEST YEAR?**

2 A. The date certain is December 31, 2019 for account balances related to plant in service,
3 accumulated depreciation, and other rate base. Revenues, expenses, and taxes other than
4 income were based on a twelve-month period ending November 30, 2020 test year. The
5 total Company amounts were based on one month of actual data (December 2019) provided
6 by Company witness Yoder and eleven months of forecast data (January 2020 through
7 November 2020) provided by Company witness Kelso.

8 **Q. HOW WERE DISTRIBUTION-RELATED RATE BASE BALANCES**
9 **DETERMINED?**

10 A. For account balances related to plant in service and accumulated depreciation and
11 amortization, the Company's functional ledger was utilized to determine distribution plant,
12 distribution-related general plant, and distribution-related intangible plant balances as of
13 December 31, 2019.

14 For account balances related to other rate base, the Company's functional ledger as
15 of December 31, 2019 was utilized. Other rate base was direct assigned or was distribution-
16 related based upon the functionalization and nature of the accounts.

17 The thirteen-month average balances for the test year were utilized to determine
18 distribution-related working capital. The account balances of working capital items were
19 analyzed and were direct assigned or entirely distribution-related based upon the
20 functionalization and nature of the accounts.

1 **Q. HOW WERE DISTRIBUTION-RELATED REVENUES DETERMINED?**

2 A. Total Company revenues were based on one month of actual and eleven months of forecast
3 data provided by Company witnesses Yoder and Kelso. Company witness Roush
4 determined distribution sales revenues.

5 To determine distribution-related forfeited discounts, miscellaneous service
6 revenues, rent, and other electric revenues, the 2019 historic distribution-related amount
7 for each account was determined and the distribution-related amount as a percentage of the
8 total Company historic amount was calculated. The resulting percentage was applied to
9 the amount of the applicable total Company test year account to determine the distribution-
10 related test year amount.

11 **Q. HOW WERE DISTRIBUTION-RELATED OPERATING EXPENSES AND**
12 **OTHER ITEMS DETERMINED?**

13 A. Total Company operating expenses were based on one month of actual and eleven months
14 of forecast data provided by Company witnesses Yoder and Kelso.

15 Power production expense was not included and transmission expense was
16 determined to be non-jurisdictional. Distribution expense, customer accounts expense,
17 customer service and informational expense, and sales expense were determined, by their
18 nature, to be 100% distribution-related expenses. Distribution-related amounts for
19 accounts classified as administrative and general expense, depreciation and amortization
20 expense, regulatory debits and credits, other taxes, and factoring were determined using
21 the 2019 historic distribution as a percentage of total Company methodology previously
22 described.

1 **IV. SCHEDULES SPONSORED**

2 **Q. PLEASE DESCRIBE SCHEDULE A-1.**

3 A. Schedule A-1 is the overall financial summary of Ohio Power's electric distribution
4 operations. Multiple witnesses provided information for this schedule. The data presented
5 shows that the Company will earn a -2.15% overall rate of return for the test year. To earn
6 the requested 7.90% rate of return specified by Company witness Messner, an increase of
7 \$402.1 million, which is \$42.3 million net of changes in riders as discussed by Company
8 witness Roush, over current electric distribution revenue is required.

9 **Q. PLEASE DESCRIBE SCHEDULE B-1.**

10 A. Schedule B-1 is the jurisdictional rate base summary for the Company. The rate base
11 components listed on the summary are supported by various schedules in Section B. The
12 plant in service, reserve for accumulated depreciation, working capital, and other rate base
13 items were summarized from Schedules B-2, B-2.1, B-2.2, B-3, B-3.1, B-3.2, B-5, B-5.1,
14 and B-6, which I am co-sponsoring with other Company witnesses. The total jurisdictional
15 rate base, as shown on Schedule B-1 is \$3,105 million at the date certain of December 31,
16 2019.

17 **Q. PLEASE DESCRIBE SCHEDULE B-2.**

18 A. Schedule B-2 is the total Company plant in service summary by major property groupings.
19 The schedule reflects total Company property groupings by amount in Column C and the
20 allocation of each grouping in Column D. Applicable adjustments from Schedule B-2.1
21 are summarized in Column F to arrive at the adjusted jurisdictional total for each property
22 grouping.

1 **Q. PLEASE DESCRIBE SCHEDULE B-2.1 AND SCHEDULE B-2.2.**

2 A. Schedule B-2.1, lists the unadjusted date certain total Company plant in service by account
3 and sub account. Also shown on Schedule B-2.1 is the jurisdictional allocation of each
4 plant in service account to electric distribution and a summary of the adjustments from
5 Schedule B-2.2. Schedule B-2.2 reflects total Company and jurisdictional allocation of
6 adjustments related to plant in service.

7 **Q. PLEASE DESCRIBE SCHEDULE B-3 AND SCHEDULE B-3.1.**

8 A. Schedule B-3 reflects total Company reserve for accumulated depreciation and
9 amortization by major property groupings and account titles. It reflects that amounts
10 related to production and transmission have been excluded from this case and also reflects
11 the jurisdictional allocation of distribution plant, general plant, and intangible plant.
12 Schedule B-3.1 reflects total Company and jurisdictional allocation of adjustments related
13 to accumulated depreciation and amortization.

14 **Q. PLEASE DESCRIBE SCHEDULE B-3.2.**

15 A. Schedule B-3.2 reflects adjusted jurisdictional plant in service and related reserve account
16 balances from Schedule B-2.1 and then reflects applicable depreciation accrual rates.

17 **Q. PLEASE DESCRIBE SCHEDULE B-5 AND B-5.1.**

18 A. Schedule B-5 is a summary of total Company and allocated jurisdiction allowance for non-
19 cash working capital. Additional detail for each item included is shown on Schedule B-
20 5.1, including the average thirteen-month balance as of December 31, 2019 and the
21 December 31, 2019 date certain balance along with the jurisdictional allocation.

1 **Q. PLEASE DESCRIBE SCHEDULE B-6 AND B-6.1.**

2 A. Schedule B-6 is a summary of total Company other rate base items and jurisdictional
3 allocation. Schedule B-6.1 is designated for adjustments to other rate base items, although
4 it was not necessary to make adjustments.

5 **Q. PLEASE DESCRIBE SCHEDULE B-7, B-7.1, and B-7.2.**

6 A. Schedule B-7 is a summary of the distribution jurisdictional allocation factors used in the
7 development of the revenue requirement. Schedule B-7.1 provides statistics used to
8 develop the jurisdictional allocation factors shown on Schedule B-7. The requirement for
9 Schedule B-7.2 is to provide an explanation of changes to allocation factors since the prior
10 case. The primary change is that in this case, all customers are retail and there is no need
11 for distribution allocation to wholesale requirement customers. As such, the use of
12 functional ledger information eliminates the need for most allocations.

13 **Q. PLEASE DESCRIBE SCHEDULE C-1.**

14 A. Schedule C-1 is the jurisdictional pro forma income statement. It reflects the Company's
15 income for the twelve months ended November 30, 2020. Current and proposed revenues
16 and expenses are reflected with the assumption that the total amount of the requested
17 increase calculated on the Company's Schedule A-1 is authorized in this proceeding. The
18 current adjusted operating revenues, expenses, and taxes income for the test year were
19 summarized from Schedule C-2.

20 **Q. PLEASE DESCRIBE SCHEDULE C-2.**

21 A. Schedule C-2 shows the Company's jurisdictional adjusted electric operating income
22 related to distribution operations for the test year at current rates. The schedule includes

unadjusted jurisdictional revenue and expense amounts from Schedule C-2.1 and a summary of the adjustments from Schedule C-3.

Q. PLEASE DESCRIBE SCHEDULE C-2.1.

A. Schedule C-2.1 lists, by account, the unadjusted test period total Company operating revenue and expenses as sponsored by other Company witnesses. Also shown on Schedule C-2.1 is the jurisdictional allocation of each cost to electric distribution.

Q. PLEASE DESCRIBE SCHEDULE C-3 AND THE ADJUSTMENTS SHOWN ON SCHEDULES C-3.1 THROUGH C-3.24.

A. Schedule C-3 is a summary of the jurisdictional adjustments to operating revenues and expenses shown on Schedules C-3.1 through C-3.24. The effect of each adjustment on net electric operating income is shown on the last line of each page of Schedule C-3. Schedule C-3, page 1, column C reflects the cumulative impact of the adjustments.

Q. PLEASE EXPLAIN WHY ADJUSTMENTS ARE NECESSARY.

A. The adjustments, as described by various Company witnesses in their direct testimonies, ensure that revenues and expenses are properly reflected in the test year. Not including the adjustments could impair each Company's ability to earn fair rates of return on electric distribution operations or could result in over-recovering costs.

Q. PLEASE DESCRIBE SCHEDULE C-9.

A. Schedule C-9 contains a summary of total Company payroll costs, related employee benefits, payroll taxes, and severance costs included in O&M expense for the test year. Jurisdictional allocation is also reflected along with applicable adjustments to arrive at the jurisdictional adjusted total.

1 **V. CONCLUSION**

2 **Q. HOW WERE THE RESULTS OF THE JURISDICTIONAL COST-OF-SERVICE**
3 **ALLOCATION USED IN THIS PROCEEDING?**

4 A. The results were utilized to support the computations included in Schedule A-1 and also
5 utilized by Company witness Buck to develop the Company's class cost-of-service study
6 in this proceeding.

7 **Q. DOES THIS CONCLUDE YOUR 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 *Direct Testimony of Jenifer L.*

Fischer was sent by, or on behalf of, the undersigned counsel to the following parties of record

This 29st day of July 2020, via electronic transmission.

/s/ Steven T. Nourse

Steven T. Nourse

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Summary: Testimony - Ohio Power Company Submits Direct Testimony of Jenifer L. Fischer electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company