



Legal Department

American Electric Power  
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May 12, 2023

Ms. Tanowa Troupe, Secretary  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215-3793

**Michael J. Schuler**  
Senior Counsel  
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Re: *In the Matter of the Application of Ohio Power Company for  
Administration of the Significantly Excessive Earnings Test for 2022 under  
Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio  
Administrative Code; Case No. 23-535-EL-UNC*

Dear Ms. Troupe:

Rule 4901:1-35-10, Ohio Administrative Code, provides that an electric utility operating under an Electric Security Plan is to make a separate annual filing with the Commission demonstrating whether or not any rate adjustments authorized by the Commission as part of the electric utility's Electric Security Plan resulted in significantly excessive earnings during the review period, as measured by division (F) of section 4928.143 of the Revised Code (referred to as the "Significantly Excessive Earnings Test" or "SEET"). With this letter, Ohio Power Company ("AEP Ohio" or the "Company") is filing the supporting testimony of Lisa O. Kelso, Vice President – Regulatory & Finance, Carrie M. Luedtke, Staff Analyst in Corporate Finance for American Electric Power Service Corporation ("AEPSC"), and Jason M. Yoder, Director of Regulatory Accounting Services for AEPSC.

Regarding the requirement that an electric utility must also provide the latest Securities and Exchange Commission Form 10-K in its entirety and the Federal Energy Regulatory Commission Form 1 in its entirety for the period under review, the testimony of Lisa O. Kelso references the website links that suffice to meet those filing requirements.

The information (including testimony) that AEP Ohio has included in its filing demonstrates that its 2022 earnings are not significantly excessive. Using a methodology based on the Commission's guidelines established in Case No. 09-786-EL-UNC, the 2022 SEET threshold is 13.66% (10.14% mean earned ROE for the comparable group plus an adder of 2.15% based on 1.64 standard deviations). Through this filing, AEP Ohio submits that it has met its burden of proving that its 2022 return on equity is not significantly excessive under the statute. Indeed, the Company's 2022 earned ROE of 9.88% is below the "safe harbor" threshold of 12.14% in this case.

Accordingly, the Company should not be required to issue a customer refund as a result of this proceeding. Thank you for your attention to this matter.

Respectfully submitted,

*/s/ Michael J. Schuler*

Michael J. Schuler

cc: Tamara Turkenton, Director, Rates and Analysis

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Power Company for Administration of the	)	
Significantly Excessive Earnings Test for 2022	)	Case No. 23-535-EL-UNC
Under Section 4928.143(F), Revised Code,	)	
and Rule 4901:1-35-10, Ohio Administrative	)	
Code.	)	

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

Filed: May 12, 2023

#3046539v1

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LISA O. KELSO

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

1    **PERSONAL DATA**

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

3    A.     My name is Lisa O. Kelso. 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 Vice  
7           President—Regulatory & Finance.

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. After completing 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  
14           2005 to pursue a Master of Accounting from The Ohio State University. I graduated in  
15           June 2006 and joined the PwC (formerly PricewaterhouseCoopers) accounting firm,  
16           where I worked until 2008. I joined American Electric Power Service Corporation  
17           (“AEPSC”) in 2008 as a Senior Auditor. In 2010, I was promoted to Audit Specialist and  
18           in 2012 I joined AEP Transmission as a Business Operations Support Analyst. In 2013, I  
19           became a Senior Financial Analyst and progressed through various positions before being  
20           promoted to Manager – Transmission Business Planning & Analysis in 2015. In 2016, I

1 became Manager of Transmission Asset Strategy and Policy. In 2018, I became Director  
2 – Business Operations Support at AEP Ohio. In March 2021, I moved to the Director –  
3 Regulatory Services position, and in August 2021, I was promoted to my current position  
4 of Vice President – Regulatory & Finance. I am a Certified Public Accountant licensed in  
5 Ohio.

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

8 A. I am responsible for leading the regulatory and financial activities of AEP Ohio. I supervise  
9 the Regulatory Services Department, which is responsible for rate and regulatory matters.  
10 I also direct and oversee the Business Operations Support Department which develops  
11 operating and capital expenditure forecasts for AEP Ohio as well as the short-term and  
12 long-term financial plans and forecasts used by AEP Ohio management to monitor and  
13 maintain the Company's financial health and condition.

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 ("SEET") filings (Case Nos. 19-1098-EL-  
18 UNC and 20-1006-EL-UNC), the 2020 base rate case (Case No. 20-585-EL-AIR), and  
19 the gridSMART Phase 3 Project (Case No. 19-1475-EL-RDR).

20 **PURPOSE OF TESTIMONY**

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

22 A. My testimony addresses the Company's capital investment and other considerations for  
23 Significantly Excessive Earnings Test ("SEET") purposes. In addition, I am sponsoring the

1 AEP 2022 SEC Form 10K annual report and the Federal Energy Regulatory Commission  
2 Form 1 for AEP Ohio<sup>1</sup>.

3 **Q. ARE YOU SPONSORING ANY EXHIBITS AS A PART OF YOUR TESTIMONY?**

4 A. Yes. I am sponsoring Exhibit LOK-1, which sets forth AEP Ohio's actual capital  
5 investments for January 2017 through December 2022 and projected capital investments  
6 for January 2023 through May 2024, the remaining term of the Company's approved  
7 Amended Electric Security Plan in Case No. 16-1852-EL-SSO, *et al.* ("ESP IV").

8 **CAPITAL INVESTMENTS AND OTHER CONSIDERATIONS**

9 **Q. WHAT ARE SOME ADDITIONAL FACTORS, BESIDES THE EARNED ROE**  
10 **CALCULATIONS DISCUSSED BY COMPANY WITNESS YODER, THAT THE**  
11 **COMMISSION HAS INDICATED THAT IT WILL CONSIDER IN EVALUATING**  
12 **WHETHER EARNINGS ARE SIGNIFICANTLY EXCESSIVE?**

13 A. In the Commission's June 30, 2010 Finding and Order in Case No. 09-786-EL-UNC, at  
14 page 29, the Commission provided the following guidance:

15 The Commission notes that within Ohio's electric utilities, there is significant  
16 variation, including, for example, whether the electric utility provides  
17 transmission, generation, and distribution service or only distribution  
18 service. For this reason, the Commission will give due consideration to  
19 certain factors, including, but not limited to, the electric utility's most  
20 recently authorized return on equity, the electric utility's risk, including the  
21 following: whether the electric utility owns generation; whether the ESP  
22 includes a fuel and purchased power adjustment or other similar adjustments;  
23 the rate design and the extent to which the electric utility remains subject to  
24 weather and economic risk; capital commitments and future capital  
25 requirements; indicators of management performance and benchmarks to  
26 other utilities; and innovation and industry leadership with respect to meeting  
27 industry challenges to maintain and improve the competitiveness of Ohio's  
28 economy, including research and development expenditures/investments in

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<sup>1</sup>Both reports for 2022 can be found at the following sites:

<http://www.aep.com/investors/financial/sec>

<http://www.aep.com/investors/financial/ferc>

advanced technology, and innovative practices; and the extent to which the electric utility has advanced state policy. We, therefore, direct the electric utilities to include this information in their SEET filings.

**Q. HOW IS AEP OHIO ADVANCING STATE POLICY?**

A. AEP Ohio's gridSMART® projects are advancing electric infrastructure development by testing and implementing advanced smart grid technologies. gridSMART® Phases 1 and 2 resulted in the installation of approximately 894,000 Advanced Metering Infrastructure ("AMI") meters, installation of Distribution Automation Circuit Reconfiguration ("DACR") on approximately 325 circuits, and installation of Volt Var Optimization technology ("VVO") on approximately 177 circuits. As approved by the Commission on December 1, 2021, gridSMART® Phase 3 will build upon AEP Ohio's successful Phase 1 and 2 experience and includes planned investment of more than \$223 million in smart grid equipment in AEP Ohio's service territory. The investment will include approximately 475,000 additional AMI meters, VVO technology on an additional 255 circuits, and an Incremental VVO ("IVVO") pilot through the installation and evaluation of 340 Dynamic Voltage Controller units on 20 circuits. The gridSMART® investments enable technologies to assist customers in taking a more proactive approach to managing their electric bills and increasing reliability compared to what would occur without those investments. The approved stipulation also promotes competition and customer choice by improving access to customer AMI interval data and the settlement use of that data through electronic data interchange ("EDI") enhancements and upgrades to systems and processes. The Company also expended additional capital on further consumer data protection enhancements. In addition, the Company is offering a \$500,000 competitively neutral incentive program for smart thermostats funded through shareholder dollars.



1 In the ESP IV case, the Commission approved the Smart City Rider. The Smart  
2 City Rider promoted the installation of Level 2 charging stations and DC Fast charging  
3 stations over four years. By the end of 2022, AEP Ohio provided \$9.3 million in customer  
4 rebates for the installation of over 350 stations, and 604 charging ports. The program was  
5 a success, and the associated findings and report is publicly filed.<sup>2</sup> AEP Ohio's Smart City  
6 has helped to advance local initiatives associated with the Smart Columbus and facilitated  
7 Ohio's effectiveness in the global economy.

8 AEP Ohio and its employees are productive members of the communities we serve.  
9 AEP employees volunteer their time and expertise to various charities within Ohio, like  
10 Habitat for Humanity, LifeCare Alliance, Mid-Ohio Food Bank, Scouts, and Columbus  
11 Arts Festival, to name a few.

12 Not only is AEP Ohio investing capital assets and facilities within the state of Ohio,  
13 but during 2022, AEP Ohio also paid approximately \$480 million in Ohio state and local  
14 taxes. AEP Ohio and its parent company, AEP, along with their respective Foundations  
15 made over \$25 million in philanthropic donations in the state of Ohio during 2022. These  
16 amounts do not include expenditures for purchases of Ohio goods and services.

17 **Q. HOW DOES AEP AND AEP OHIO MAINTAIN ENERGY INDUSTRY**  
18 **LEADERSHIP?**

19 A. AEP Ohio has deployed infrastructure and technology enhancements as part of the  
20 gridSMART® programs and projects. As previously discussed, these projects include the  
21 installation of smart meters, distribution automation equipment, demand dispatch, and  
22 integrated VVO control circuits to enhance the distribution grid. Additionally, meeting

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<sup>2</sup> [EVSE Final Report - 16-1853-EL-AAM](#)

1 certain project requirements, obligations, and data collection criteria allowed AEP Ohio to  
2 obtain 50 percent of gridSMART® Phase 1 project funding through the Department of  
3 Energy, thus delivering energy savings to customers at a lower cost.

4 AEP is leading by example to advance electric transportation. AEP played a key  
5 role in forming the National Electric Highway Coalition (“NEHC”), a consortium of over  
6 60 U.S. power companies that serve more than 120 million customers in 48 states and  
7 Washington DC. The NEHC members are committed to enabling EV fast charging  
8 stations along major U.S. travel corridors, so the public can drive EVs with confidence.  
9 In September 2020, AEP announced its plan to electrify its fleet. Initially, the goal was  
10 restricted to the light duty fleet, but as the market has evolved and more options have  
11 become available, AEP has increased its goal to electrify 40% of its highway fleet and  
12 50% of its forklifts by 2030. Moreover, with recent federal investments in transportation  
13 electrification, AEP has engaged with state and local government, stakeholders, and  
14 customers to inform them of available federal funds, especially for electric school and  
15 transit buses and charging infrastructure, and to offer assistance with transportation  
16 electrification planning.

17 Indoor agriculture is an expanding market that has the potential to impact the grid  
18 and energy use on a broad scale. In fact, AEP Ohio has had multiple inquiries from large  
19 indoor agriculture companies to locate and bring jobs to the service territory. Indoor  
20 agriculture’s global growth is being driven by potential benefits like the reduction of fossil-  
21 fuel-powered farm equipment as well as other environmental negative pollution effects. To  
22 that end, AEP Ohio alongside of Electric Power Research Institute and Mid-Ohio Food  
23 Collaborative is piloting an Indoor Agriculture pilot in a large container to produce kale

1 and other types of greens. AEP Ohio's Pilot container was delivered and installed at the  
2 Mid-Ohio food collaborative headquarters in Grove City in December 2021. We are  
3 currently growing kale, lettuce varieties, basil, cilantro, and Swiss chard which is  
4 harvesting approximately 35 pounds per week. This year we have harvested approximately  
5 500 pounds of produce that was re-distributed to the community through the Mid-Ohio  
6 Food Collaborative recipients and those communities who needed the most. We are  
7 monitoring the electric use, approximately 125.8 kWh/day, which is 881 kWh each week.

8 AEP Ohio is beginning to replace over 225,000 street and area lights throughout its  
9 service territory over a five-year period. The Company will install new LED fixtures and  
10 networked controllers to enhance their capability and make them Smart street and area  
11 lighting systems. This will provide our customers more operability and customization and  
12 help to lower their energy consumption. The resulting networked lighting systems will also  
13 provide AEP Ohio a real time view of the systems' lighting inventory and operating  
14 condition.

15 **Q. WHAT IS THE CURRENTLY APPROVED ROE FOR AEP OHIO?**

16 A. The approved ROE for distribution assets is 9.7%, approved in Case No. 20-0585-EL-AIR.

17 **Q. DID THE ESP IV DECISION INCLUDE A FUEL AND PURCHASED POWER**  
18 **ADJUSTMENT RIDER?**

19 A. No. SSO supply is procured through SSO auctions and recovered through the GEN-C,  
20 GEN-E, and ACRR riders.

1 **Q. DOES THE COMPANY'S RATE DESIGN SUBJECT THE COMPANY TO**  
2 **WEATHER AND ECONOMIC RISK?**

3 A. Yes. The Company had a Pilot Throughput Balancing Adjustment Rider ("PTBAR")  
4 mechanism through November of 2021 for residential and small commercial customers.  
5 This mechanism helped limit the weather impact on revenues on these classes but did not  
6 insulate the Company from the effects of weather, in part, because larger commercial and  
7 industrial customers were not included in the PTBAR mechanism, and any weather effect  
8 on these customers impacted AEP Ohio's earnings. As part of the Commission's order in  
9 Case No. 20-585-EL-AIR, the PTBAR was discontinued effective December 1, 2021.  
10 Without the PTBAR mechanism, the Company is subject to greater exposure going forward  
11 related to the effects of weather for the residential and small commercial classes because  
12 the rate design for these two classes collects fixed costs via volumetric rates. As such,  
13 without the PTBAR, the Company will be exposed to greater weather exposure going  
14 forward. Additionally, the Company is subject to risk from changes in economic  
15 conditions like recessions, pandemics, supply chain disruptions, and inflation in the form  
16 of reductions in customer usage.

17 **Q. WHAT INFORMATION HAS AEP OHIO PROVIDED TO IDENTIFY THE**  
18 **CAPITAL REQUIREMENTS OF FUTURE INVESTMENTS?**

19 A. AEP Ohio's actual annual capital expenditures for 2017 through 2022 and those projected  
20 for the remainder of the ESP IV term are contained in Exhibit LOK-1 attached to my  
21 testimony. Exhibit LOK-1 shows that AEP Ohio invested approximately \$861 million  
22 during 2022. The Company forecasts spending approximately \$1.4 billion from 2023  
23 through the remainder of the ESP IV period – a tremendous amount of capital to invest.

1           These factors should be taken into consideration by the Commission when making its  
2           decision regarding the Company's 2022 SEET filing.

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

4   **A.    Yes.**

**AEP Ohio Capital Expenditures**

Historical Actual Expenditures						Forecasted Expenditures	
2017	2018	2019	2020	2021	2022	2023	2024 ( Jan-May)
\$568M	\$726M	\$803M	\$745M	\$728M	\$861M	\$962M	\$439M

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Power Company for Administration of the	)	
Significantly Excessive Earnings Test for 2022	)	Case No. 23-535-EL-UNC
Under Section 4928.143(F), Revised Code,	)	
and Rule 4901:1-35-10, Ohio Administrative	)	
Code.	)	

DIRECT TESTIMONY OF  
CARRIE M. LUEDTKE  
ON BEHALF OF  
OHIO POWER COMPANY

Filed: May 12, 2023

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CARRIE M. LUEDTKE

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
DIRECT TESTIMONY OF  
CARRIE M. LUEDTKE  
ON BEHALF OF  
OHIO POWER COMPANY

1    **PERSONAL DATA**

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

3    A.     My name is Carrie M. Luedtke, and my business address is 1 Riverside Plaza, Columbus,  
4           Ohio 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 Staff  
7           Analyst of Corporate Finance.  AEPSC supplies engineering, regulatory, financing,  
8           accounting, and planning and advisory services to the electric operating companies of the  
9           American Electric Power System, one of which is Ohio Power Company (“AEP Ohio” or  
10          the “Company”).

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

13   A.     Yes.  I earned a Bachelor of Science in Business Administration with a major in Finance  
14          from The Ohio State University in 2004.  I earned a Master of Business Administration  
15          from Capital University in 2020.

16           Upon graduation from The Ohio State University, I was employed by Zomax where  
17          I worked as an accountant.  I began employment with AEPSC as an accountant in  
18          September 2008.  Since then my primary roles have been in the areas of accounting,  
19          financial analysis, and forecasting.  In April 2023, I was named Staff Analyst in Corporate  
20          Finance.

1 **Q. WHAT ARE YOUR RESPONSIBILITIES AS STAFF ANALYST OF**  
2 **CORPORATE FINANCE?**

3 A. I am responsible for planning and executing the corporate finance programs of the  
4 regulated AEP System operating companies, including Ohio Power Company. My  
5 responsibilities also include preparing recommendations for the payment of dividends by  
6 those companies, maintaining capitalization targets, and managing the relationships of  
7 AEP and its subsidiaries with the credit rating agencies.

8 **PURPOSE OF TESTIMONY**

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

10 A. My testimony reviews the history of the Significantly Excessive Earnings Test (“SEET”),  
11 describes the accepted SEET methodology, and supports the position that AEP Ohio passes  
12 the statutory SEET for 2022 and that no refund is necessary.

13 **Q. ARE YOU SPONSORING ANY EXHIBITS AS A PART OF YOUR TESTIMONY?**

14 A. Yes. I am sponsoring Exhibit CML-1, which presents the 2022 return on common equity  
15 (“ROE”) for the companies comprising the Utilities Select Sector SPDR (“Comparable  
16 Group”), employing the same methodology the Company has presented to the Commission  
17 in the Company’s 2010 through 2021 SEET filings. Exhibit CML-2 presents the 2022  
18 ROE for the Comparable Group after the removal of four companies whose ROEs were  
19 deemed to be outliers. The Company’s calculation of the 2022 SEET ROE threshold of  
20 13.66% is provided in Exhibit CML-2.

1 **OVERVIEW OF THE SEET**

2 **Q. PLEASE BRIEFLY DESCRIBE THE SEET PROCESS.**

3 A. Senate Bill 221 (“SB 221”) required electric distribution utilities (“EDUs”), beginning  
4 January 1, 2009, to provide consumers with a standard service offer (“SSO”) including a  
5 firm supply of electric generation service, consisting of either an Electric Security Plan  
6 (“ESP”) or a market rate offer (“MRO”). Section 4928.143(F), Ohio Revised Code,  
7 requires EDUs operating under an ESP to demonstrate that their earned return on common  
8 equity is not significantly in excess of the ROE earned during the same period by publicly  
9 traded companies that face comparable business and financial risk. I have been advised by  
10 counsel that the SEET filing requirements, as detailed in Rule 4901:1-35-03(C)(10)(a),  
11 O.A.C., state that an EDU with an established ESP shall provide testimony and analysis  
12 that includes: 1) the EDU’s ROE earned during the annual review period as compared to  
13 the ROE earned by the Comparable Group during the same period; 2) the EDU’s FERC  
14 Form 1 in its entirety for the annual review period; 3) the EDU’s latest SEC Form 10K;  
15 and 4) the EDU’s capital budget requirements for future committed investments in Ohio  
16 for each annual period remaining in the ESP.

17 **Q. DID THE COMPANY FOLLOW THE SAME METHODOLOGY IN**  
18 **DETERMINING THE 2022 SEET ROE THRESHOLD AS COMPARED TO ITS**  
19 **PREVIOUS SEET FILINGS?**

20 A. Yes. Utilizing the methodology based on the approach established by the guidance  
21 presented in Case No. 09-786-EL-UNC and subsequent Commission orders, the Company  
22 calculated the SEET ROE threshold to be 21.25%, as demonstrated in Exhibit CML-1,  
23 which was deemed as an invalid result. Consequently, the Company removed four outliers

1 from the calculation, resulting in a final SEET ROE threshold of 13.66%, as demonstrated  
2 in Exhibit CML-2. This methodology used by the Staff and the Company in previous  
3 SEET filings.

#### 4 **CALCULATION OF THE SEET THRESHOLD**

##### 5 **Q. WHAT IS A SEET ROE THRESHOLD?**

6 A. As described by the Commission's Opinion and Order in Case No. 11-4751-EL-UNC, the  
7 SEET ROE threshold is the level above the average ROE of the Comparable Group where  
8 the earned ROE may become significantly excessive.

##### 9 **Q. PLEASE EXPLAIN THE COMPANY'S INITIAL STEP IN CALCULATING THE** 10 **2022 SEET ROE THRESHOLD.**

11 A. To calculate the earnings of the companies in the Comparable Group, the Company started  
12 with their per books earnings and then made adjustments to remove the effect of  
13 impairments and other one-time adjustments booked in 2022. This is comparable to the  
14 adjustments that Company witness Yoder made to AEP Ohio's earnings to exclude any  
15 non-recurring items, special items, and extraordinary items. The calculation of the  
16 Comparable Group ROEs and the associated standard deviation are provided in Exhibit  
17 CML-1.

##### 18 **Q. PLEASE EXPLAIN THE COMPANY'S SECOND AND FINAL STEP IN** 19 **CALCULATING THE 2022 SEET ROE THRESHOLD.**

20 A. The second and final step the Company performed was to identify companies within the  
21 Comparable Group that experienced business activities that resulted in their earnings not  
22 being representative of the business risks faced by AEP Ohio or whose calculated ROEs

1 were deemed to be an outlier. After review of the Comparable Group ROEs, the Company  
2 removed AES Corp. (“AES”), Dominion (“D”), First Energy (“FE”), and NRG.

3 **Q. EXPLAIN WHY YOU CHOSE TO REMOVE AES.**

4 A. AES was excluded due to having large impairments over the last several years that resulted  
5 in an adjusted 2022 ROE of 25.40%, which was deemed as an outlier.

6 **Q. EXPLAIN WHY YOU CHOSE TO REMOVE D.**

7 A. D was excluded due to a contracted assets impairment that was larger than 2022 earnings.

8 **Q. EXPLAIN WHY YOU CHOSE TO REMOVE FE.**

9 A. FE was excluded due to a large investigation and strategic sale adjustments.

10 **Q. EXPLAIN WHY YOU CHOSE TO REMOVE NRG.**

11 A. The average equity balance of 2021 and 2022 was \$3,714 million. Applying NRG’s 2022  
12 adjusted earnings of \$1,282 million to the average equity balance of \$3,714 million, the  
13 ROE was 34.51% which was deemed as an outlier.

14 **Q. WITH THE REMOVAL OF AES, D, FE, AND NRG WHAT IS THE 2022 SEET**  
15 **ROE THRESHOLD?**

16 A. After removing AES, D, FE, and NRG from the Comparable Group, the 2022 SEET ROE  
17 threshold is 13.66%. As shown in Exhibit CML-2, the average ROE for the Comparable  
18 Group is 10.14% and the standard deviation is 2.15%.

1 **AEP OHIO'S EARNED ROE FOR 2022**

2 **Q. WHAT IS AEP OHIO'S EARNED ROE FOR 2022 FOR THE SEET?**

3 A. Company witness Yoder has determined that AEP Ohio's SEET ROE for 2022 is 9.88%.  
4 For details on the 2022 SEET earnings calculation, please see the direct testimony of  
5 Company witness Yoder.

6 **Q. HOW DOES AEP OHIO'S SEET ROE FOR 2022 COMPARE TO THE**  
7 **COMPARABLE GROUP'S THRESHOLD ROE?**

8 A. AEP Ohio's earned ROE for 2022 of 9.88% is well below the Comparable Group's SEET  
9 ROE threshold of 13.66%.

10 **Q. DID THE COMMISSION ESTABLISH OTHER THRESHOLD GUIDANCE IN**  
11 **THE 09-786-EL-UNC CASE REGARDING SEET CALCULATIONS FOR EDUs?**

12 A. Yes. The Commission also concluded that for SEET purposes, any Ohio electric utility's  
13 earnings found to be less than 200 basis points above the average ROE of the comparable  
14 risk group of companies would not be significantly excessive.<sup>1</sup> This 200 basis point  
15 threshold is what is referred to as a "safe harbor."

16 **Q. DOES THE 200 BASIS POINT "SAFE HARBOR" APPLY TO AEP OHIO FOR**  
17 **2022?**

18 A. Yes. AEP Ohio's 2022 earned ROE of 9.88% is within the "safe harbor" established by  
19 the Commission. AEP Ohio's earned ROE is below 12.14%, which is 200 basis points  
20 above the 10.14% average earned ROE of the Comparable Group.

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<sup>1</sup>Case No. 09-786-EL-UNC, Opinion and Order at 29 (June 30, 2010); Case No. 11-4571-EL-UNC, Opinion and Order at 27-28 (Oct. 23, 2013).

1    **CONCLUSION**

2    **Q.     WAS THE COMPANY’S 2022 EARNED ROE SIGNIFICANTLY EXCESSIVE?**

3    A.     No. The Company’s 2022 earned ROE of 9.88% is below both the SEET ROE threshold  
4           of 13.66% and the safe harbor of 12.14%. As a result, AEP Ohio did not have significantly  
5           excessive earnings in 2022 and no refund is necessary.

6    **Q.     DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

7    A.     Yes.

## Exhibit CML-1

Company	Ticker	2022 GAAP Net Income	Adjustments	2022 Non-GAAP Net Income	2022 Total Common Equity	2021 Total Common Equity	Average Equity	Return on Common Equity
NextEra	NEE	4,147	674	\$ 4,821	\$ 39,229	\$ 37,202	\$ 38,216	12.62%
Duke	DUK	2,444	1,216	\$ 3,660	\$ 47,360	\$ 47,334	\$ 47,347	7.73%
Dominion Energy	D	994	3,532	\$ 4,526	\$ 26,098	\$ 25,525	\$ 25,812	17.54%
Southern	SO	3,524	350	\$ 3,874	\$ 30,408	\$ 27,874	\$ 29,141	13.29%
American Electric Power	AEP	2,307	351	\$ 2,658	\$ 23,893	\$ 22,433	\$ 23,163	11.48%
Exelon	EXC	2,170	184	\$ 2,354	\$ 24,744	\$ 34,393	\$ 29,569	7.96%
Sempra	SRE	2,094	199	\$ 2,293	\$ 26,226	\$ 25,092	\$ 25,659	8.94%
Xcel	XEL	1,736	0	\$ 1,736	\$ 16,675	\$ 15,612	\$ 16,144	10.75%
WEC	WEC	1,408	0	\$ 1,408	\$ 11,377	\$ 10,913	\$ 11,145	12.63%
Eversource	ES	1,405	(15)	\$ 1,390	\$ 15,473	\$ 14,600	\$ 15,036	9.24%
Consolidated Edison	ED	1,660	114	\$ 1,774	\$ 20,687	\$ 20,037	\$ 20,362	8.71%
Public Service Enterprise Group	PEG	1,031	25	\$ 1,056	\$ 13,729	\$ 14,438	\$ 14,084	7.50%
FirstEnergy	FE	406	761	\$ 1,167	\$ 10,166	\$ 8,675	\$ 9,421	12.38%
Edison International	EIX	612	1,620	\$ 2,232	\$ 13,643	\$ 13,911	\$ 13,777	16.20%
Entergy	ETR	1,103	258	\$ 1,361	\$ 12,967	\$ 11,637	\$ 12,302	11.06%
PPL	PPL	756	262	\$ 1,018	\$ 13,884	\$ 13,723	\$ 13,804	7.37%
American Water Works Company	AWK	820	0	\$ 820	\$ 7,693	\$ 7,298	\$ 7,496	10.94%
DTE	DTE	1,083	2	\$ 1,085	\$ 10,401	\$ 8,713	\$ 9,557	11.35%
Ameren	AEE	1,074	0	\$ 1,074	\$ 10,637	\$ 9,829	\$ 10,233	10.50%
CMS	CMS	827	(4)	\$ 823	\$ 7,595	\$ 7,188	\$ 7,392	11.13%
Evergy	EVRG	753	0	\$ 753	\$ 9,439	\$ 9,242	\$ 9,341	8.06%
Alliant Energy	LNT	686	0	\$ 686	\$ 6,276	\$ 5,990	\$ 6,133	11.19%
Atmos Energy	ATO	774	0	\$ 774	\$ 9,419	\$ 7,907	\$ 8,663	8.93%
AES Corp	AES	(546)	1,698	\$ 1,152	\$ 4,504	\$ 4,567	\$ 4,536	25.40%
Centerpoint	CNP	1,008	(80)	\$ 928	\$ 10,042	\$ 9,415	\$ 9,729	9.54%
Pinnacle West	PNW	484	0	\$ 484	\$ 6,160	\$ 6,021	\$ 6,090	7.95%
NiSource	NI	749	(130)	\$ 619	\$ 7,902	\$ 7,273	\$ 7,587	8.16%
NRG	NRG	1,221	61	\$ 1,282	\$ 3,828	\$ 3,600	\$ 3,714	34.51%
Total		36,730.0	11,078.2	47,808.2	440,455.0	430,442.0	435,448.5	
							Average	11.90%
							Safe Harbor	13.90%
							Standard Deviation	5.70%
							Standard Deviation Multiplier (95% Confidence)	1.64
							SEET Threshold	21.25%



Exhibit CML-2

Company	Ticker	2022 GAAP Net Income	Adjustments	2022 Non-GAAP Net Income	2022 Total Common Equity	2021 Total Common Equity	Average Equity	Return on Common Equity
NextEra	NEE	4,147	674	\$ 4,821	\$ 39,229	\$ 37,202	\$ 38,216	12.62%
Duke	DUK	2,444	1,216	\$ 3,660	\$ 47,360	\$ 47,334	\$ 47,347	7.73%
Dominion Energy	D							
Southern	SO	3,524	350	\$ 3,874	\$ 30,408	\$ 27,874	\$ 29,141	13.29%
American Electric Power	AEP	2,307	351	\$ 2,658	\$ 23,893	\$ 22,433	\$ 23,163	11.48%
Exelon	EXC	2,170	184	\$ 2,354	\$ 24,744	\$ 34,393	\$ 29,569	7.96%
Sempra	SRE	2,094	199	\$ 2,293	\$ 26,226	\$ 25,092	\$ 25,659	8.94%
Xcel	XEL	1,736	0	\$ 1,736	\$ 16,675	\$ 15,612	\$ 16,144	10.75%
WEC	WEC	1,408	0	\$ 1,408	\$ 11,377	\$ 10,913	\$ 11,145	12.63%
Eversource	ES	1,405	(15)	\$ 1,390	\$ 15,473	\$ 14,600	\$ 15,036	9.24%
Consolidated Edison	ED	1,660	114	\$ 1,774	\$ 20,687	\$ 20,037	\$ 20,362	8.71%
Public Service Enterprise Group	PEG	1,031	25	\$ 1,056	\$ 13,729	\$ 14,438	\$ 14,084	7.50%
FirstEnergy	FE							
Edison International	EIX	612	1,620	\$ 2,232	\$ 13,643	\$ 13,911	\$ 13,777	16.20%
Entergy	ETR	1,103	258	\$ 1,361	\$ 12,967	\$ 11,637	\$ 12,302	11.06%
PPL	PPL	756	262	\$ 1,018	\$ 13,884	\$ 13,723	\$ 13,804	7.37%
American Water Works Company	AWK	820	0	\$ 820	\$ 7,693	\$ 7,298	\$ 7,496	10.94%
DTE	DTE	1,083	2	\$ 1,085	\$ 10,401	\$ 8,713	\$ 9,557	11.35%
Ameren	AEE	1,074	0	\$ 1,074	\$ 10,637	\$ 9,829	\$ 10,233	10.50%
CMS	CMS	827	(4)	\$ 823	\$ 7,595	\$ 7,188	\$ 7,392	11.13%
Evergy	EVRG	753	0	\$ 753	\$ 9,439	\$ 9,242	\$ 9,341	8.06%
Alliant Energy	LNT	686	0	\$ 686	\$ 6,276	\$ 5,990	\$ 6,133	11.19%
Atmos Energy	ATO	774	0	\$ 774	\$ 9,419	\$ 7,907	\$ 8,663	8.93%
AES Corp	AES							
Centerpoint	CNP	1,008	(80)	\$ 928	\$ 10,042	\$ 9,415	\$ 9,729	9.54%
Pinnacle West	PNW	484	0	\$ 484	\$ 6,160	\$ 6,021	\$ 6,090	7.95%
NiSource	NI	749	(130)	\$ 619	\$ 7,902	\$ 7,273	\$ 7,587	8.16%
NRG	NRG							
Total		34,655.0	5,026.5	39,681.5	395,859.0	388,075.0	391,967.0	
							Average	10.14%
							Safe Harbor	12.14%
							Standard Deviation	2.15%
							Standard Deviation Multiplier (95% Confidence)	1.64
							SEET Threshold	13.66%

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio	)	
Power Company for Administration of the	)	
Significantly Excessive Earnings Test for 202	)	Case No. 23-535-EL-UNC
Under Section 4928.143(F), Revised Code,	)	
and Rule 4901:1-35-10, Ohio Administrative	)	
Code.	)	

DIRECT TESTIMONY OF  
JASON M. YODER  
ON BEHALF OF  
OHIO POWER COMPANY

Filed: May 12, 2022

INDEX TO DIRECT TESTIMONY OF  
JASON M. YODER

PERSONAL DATA .....	1
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AEP OHIO 2022 PER BOOKS EARNINGS CALCULATION.....	3
ADJUSTMENTS TO DETERMINE AEP OHIO'S 2022 SEET EARNINGS .....	4
AEP OHIO ADJUSTED 2022 SEET EARNINGS CALCULATION.....	5

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
DIRECT TESTIMONY OF  
JASON M. YODER  
ON BEHALF OF  
OHIO POWER COMPANY

1    **PERSONAL DATA**

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

3    A.     My name is Jason M. Yoder. 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 American Electric Service Corporation (“AEPSC”) as Director of  
7           Regulatory Accounting Services. AEPSC supplies engineering, regulatory, financing,  
8           accounting, and planning and advisory services to the electric operating companies of the  
9           American Electric Power System, one of which is Ohio Power Company (“AEP Ohio” or  
10          the “Company”).

11   **Q.     PLEASE    DESCRIBE    YOUR    EDUCATIONAL    BACKGROUND    AND**  
12   **PROFESSIONAL EXPERIENCE.**

13   A.     I graduated with a Bachelor of Science Degree in Business Administration from The Ohio  
14          State University in 1998 with a major in accounting. I became a Certified Public  
15          Accountant (Inactive) in 2000 and I am currently a member of the American Institute of  
16          CPAs. I was employed by PricewaterhouseCoopers from 1998 through 2003 where I  
17          audited the books and records of various companies, prepared and reviewed financial  
18          statements and evaluated company controls. I joined AEPSC, in December 2003 as an  
19          Internal Auditor. I transferred to the Regulatory Accounting Services organization in 2010  
20          as a Staff Accountant. In 2015, I was promoted to Pricing and Analysis Manager in the

1 Regulatory Services organization. In this role, I was responsible for supporting wholesale  
2 and retail ratemaking including preparing filings and other projects related to regulatory  
3 issues and proceedings. In 2018, I was promoted to my current role as Director of  
4 Regulatory Accounting Services.

5 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF REGULATORY**  
6 **ACCOUNTING SERVICES?**

7 A. My primary responsibilities include providing the AEP electric operating subsidiaries, such  
8 as AEP Ohio, with regulatory and general accounting expertise in support of regulatory  
9 filings, including the preparation of cost-of-service adjustments, accounting schedules, and  
10 accounting testimony. Also, I monitor regulatory proceedings, settlements, orders, and  
11 legislation for accounting implications, and I participate in determining the appropriate  
12 regulatory accounting and financial reporting treatment of regulatory transactions.

13 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY?**

14 A. Yes. I have filed testimony before the Arkansas Public Service Commission, the Indiana  
15 Utility Regulatory Commission, the Virginia State Corporation Commission, the Public  
16 Utility Commission of Texas, and the Kentucky Public Service Commission. In addition,  
17 I filed testimony for AEP Ohio in the 2018 through 2021 Significantly Excessive Earnings  
18 Test (“SEET”) in Case Nos. 19-1098-EL-UNC, 20-1006-EL-UNC, 21-0541-EL-UNC and  
19 22-482-EL-UNC, respectively. I also filed testimony in AEP Ohio’s 2020 distribution  
20 rate case, Case No. 20-585-EL-AIR; and in AEP Ohio’s fifth Standard Service Offer in  
21 Case No. 23-23-EL-SSO.

1 **PURPOSE OF TESTIMONY**

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

3 A. My testimony explains the calculation of AEP Ohio's per books 2022 return on common  
4 equity ("ROE") (page 1 of Exhibit JMY-1) and AEP Ohio's adjusted 2022 ROE (page 2  
5 of Exhibit JMY-1). My testimony also describes necessary adjustments to my calculation  
6 of AEP Ohio's 2022 SEET earnings to exclude any non-recurring items, special items,  
7 and/or extraordinary items.

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

9 A. Yes, I am sponsoring the following exhibit:  
10 Exhibit JMY-1 – Per Books ROE and Adjusted ROE

11 **AEP OHIO 2022 PER BOOKS EARNINGS CALCULATION**

12 **Q. PLEASE DESCRIBE THE METHOD YOU USED TO CALCULATE AEP OHIO'S**  
13 **PER BOOKS ROE (PRIOR TO ANY ADJUSTMENTS FOR SEET PURPOSES) AS**  
14 **SHOWN IN EXHIBIT JMY-1.**

15 A. Consistent with prior SEET reviews, I calculated AEP Ohio's 2022 ROE based on AEP  
16 Ohio's 2022 per books (unadjusted) net earnings available to common shareholder (AEP)  
17 compared to the average of AEP Ohio's per books (unadjusted) equity balances as of  
18 December 31, 2022 and December 31, 2021. These per books net earnings and equity  
19 amounts were included in AEP Ohio's 2022 SEC Form 10-K. As shown on Line 6 of Page  
20 1 within Exhibit JMY-1, my calculation of AEP Ohio's per books ROE was 9.70%.

1 **Q. IS YOUR CALCULATION OF AEP OHIO'S 2022 PER BOOKS AVERAGE**  
2 **RETURN ON COMMON EQUITY PREPARED IN COMPLIANCE WITH**  
3 **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")?**

4 A. Yes, AEP Ohio's 2022 per books earnings attributable to common shareholder (\$287.8  
5 million, net-of-tax as shown on Line 6 of Page 1 within Exhibit JMY-1) and AEP Ohio's  
6 December 31, 2022 average common shareholder equity balance (\$2,967.2 million as  
7 shown on Line 15 of Page 1 within Exhibit JMY-1) were prepared in accordance with  
8 GAAP.

9 **ADJUSTMENTS TO DETERMINE AEP OHIO'S 2022 SEET EARNINGS**

10 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN THE COMPANY'S**  
11 **REPRESENTATION OF PER BOOKS EARNINGS AND SEET EARNINGS.**

12 A. Consistent with the Commission's direction and similar to ratemaking treatment, my  
13 analysis starts with per books earnings (prepared on a basis consistent with GAAP) and  
14 then makes any necessary adjustments to earnings to exclude any non-recurring items,  
15 special items and/or extraordinary items as defined on page 18 of the Commission's June  
16 30, 2010 Finding and Order in Case No. 09-786-EL-UNC.

17 **Q. WHAT ADJUSTMENTS DID YOU MAKE TO AEP OHIO'S PER BOOKS**  
18 **EARNINGS WHEN CALCULATING AEP OHIO'S 2022 SEET EARNINGS?**

19 A. As shown on page 2 of Exhibit JMY-1, I made an adjustment for the removal of the impact  
20 of the accrual in December 2022 of a capacity performance charge related to the December  
21 2022 winter storm Elliott. The removal of the impact of this net-of-tax adjustments of \$5.6  
22 million is shown on line 13.

1 **Q. PLEASE FURTHER DESCRIBE THE ADJUSTMENT TO REMOVE THE \$5.6**  
2 **MILLION NET-OF-TAX EXPENSE.**

3 A. In December 2002, winter storm Elliott caused extreme cold temperatures which caused  
4 PJM to declare an energy emergency event. The emergency event triggered PJM  
5 performance assessments for generating units located in the PJM region. During an  
6 emergency event, PJM evaluates the performance of the generating units and charges units  
7 that underperform while providing bonuses for overperformance. AEP Ohio recorded an  
8 estimated \$7 million pre-tax charge related to the PJM performance standards in December  
9 2022, which is not being flowed through the Legacy Generation Rider

10 **AEP OHIO ADJUSTED 2022 SEET EARNINGS CALCULATION**

11 **Q. AFTER MAKING THE ADJUSTMENT DISCUSSED ABOVE, WHAT WAS AEP**  
12 **OHIO'S ADJUSTED 2022 ROE FOR SEET PURPOSES?**

13 A. As shown on Line 15 of Page 2 within Exhibit JMY-1, AEP Ohio's ROE increased from  
14 9.70% (per books) to 9.88% after the adjustment.

15 **Q. DID YOU PROVIDE THE RESULTS OF YOUR CALCULATIONS OF AEP**  
16 **OHIO'S 2022 SEET ROE TO AEP OHIO WITNESS LUEDTKE?**

17 A. Yes I did.

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

19 A. Yes.



**Ohio Power Company (AEP Ohio)**  
**2022 SEET Filing**  
**Per Books ROE**  
**For the Twelve Months Ended December 31, 2022**

**Exhibit JMY - 1**  
**Page 1 of 2**

**Line  
Number:**

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**Step 1 - Per Books Return on Equity (ROE):**

<b>Calculation of Per Books ROE</b>		<b>(000's)</b>	<b>ROE</b>
Per Books 2022 Earnings Attributable to Common Shareholder		287,797 (A)	9.70%
Per Books 2022 Average Total Common Shareholder's Equity (line 15 below)		\$ 2,967,198	
<b>Calculation of Average Common Shareholder's Equity</b>		<b>(000's)</b>	
Total Common Shareholder's Equity - December 31, 2021		\$ 2,846,294 (A)	
Total Common Shareholder's Equity - December 31, 2022		3,088,102 (A)	
Per Books Average Common Shareholder's Equity		<u>\$ 2,967,198</u>	
<b>(A) December 31, 2022 SEC Form 10-K</b>			

Ohio Power Company (AEP Ohio)  
2022 SEET Filing  
Adjusted ROE  
For the Twelve Months Ended December 31, 2022

Exhibit JMY - 1  
Page 2 of 2

Line  
Number:

1

2

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**Step 2 - Adjusted Return on Equity:**

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**Calculation of Adjusted ROE**

Per Books 2022 Earnings Attributable to Common Shareholder - **Prior to Adjustments**

**Earnings**  
**(in thousands)**

\$ 287,797 (a)

**Average**  
**Equity**  
**(in thousands)**

\$ 2,967,198

**ROE**

9.70%

**Adjustment 1** - Removal of Capacity Performance Charge Due to December 2022 Winter Storm Elliott

- Pre-Tax Impact of 2022 Special Adjustments

PJM Capacity Performance Charge

7,236

- Total 2022 Adjustments

7,236

- Less: Income Tax Impact

1,590

- Net-of-Tax Exclusion of PJM capacity performance loss in 2022

5,646

2,823

**Adjusted** 2022 SEET Earnings Attributable to Common Shareholder

\$ 293,444

\$ 2,970,021

9.88%

(a) From December 31, 2022 SEC Form 10-K

**This foregoing document was electronically filed with the Public Utilities  
Commission of Ohio Docketing Information System on**

**5/12/2023 4:52:26 PM**

**in**

**Case No(s). 23-0535-EL-UNC**

Summary: Application Application of Ohio Power Company for Administration of the  
Significantly Excessive Earnings Test for 2022 electronically filed by Michael J.  
Schuler on behalf of Ohio Power Company.