

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan.	:	Case No. 12-426-EL-SSO
	:	
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs.	:	Case No. 12-427-EL-ATA
	:	
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority.	:	Case No. 12-428-EL-AAM
	:	
In the Matter of the Application of The Dayton Power and Light Company for the Waiver of Certain Commission Rules.	:	Case No. 12-429-EL-WVR
	:	
In the Matter of the Application of The Dayton Power and Light Company to Establish Tariff Riders.	:	Case No. 12-672-EL-RDR
	:	

**PREFILED TESTIMONY
OF
PATRICK DONLON
RATES AND TARIFFS/ENERGY & WATER DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

March 11, 2013

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

2 A. My name is Patrick Donlon and my business address is 180 East Broad
3 Street, Columbus, Ohio, 43215.

4

5 2. Q. By whom and in what capacity are you employed?

6 A. I am employed by The Public Utilities Commission of Ohio as Rates
7 Division Administrator in the Utilities Department.

8

9 3. Q. How long have you been in your present position?

10 A. I assumed my present position in August 2012.

11

12 4. Q. What are your responsibilities in your current?

13 A. In my current position, I am responsible for managing several Staff
14 members and actively participating in investigations of assigned phases of
15 rate case applications and other financial audits of public utility companies
16 subject to the jurisdiction of the PUCO and actively.

17

18 5. Q. Will you describe briefly your educational and business background?

19 A. I received a Bachelor of Science degree in Accounting with a minor in
20 Economics Management from Ohio Wesleyan University in 2000. In 2010
21 I earned a Master of Business Administration degree from Franklin
22 University.

1 From January 2001 to July 2001 I worked as Director of Accounts Payable
2 for Joshua Homes. In July 2001, I joined American Electric Power (AEP)
3 as an Accountant in the Generation Accounting Department. In this role I
4 was responsible for general ledger accounting, which included preparation
5 of the income statement and balance sheets of the generation portion of
6 AEP subsidiaries, accounting for all the sales, purchases and usage of EPA
7 Emission allowances, as well as the accounting and billing of POLR
8 subsidiaries in the ERCOT market. I was also extensively involved in the
9 creation and implementation of a new computer system to track emissions.
10 I was involved with the creation of invoices used for divesting AEP's
11 generation units within the ERCOT market. I spent nine months as an
12 Hourly Energy Trader for AEP focusing in the Southwestern Power Pool
13 (SPP) market. I was responsible for optimizing energy cost for AEP within
14 the SPP market and ensuring that AEP was able to fulfill its load
15 requirements hourly.

16
17 From July 2006 through January 2008, I worked for Time Warner Cable
18 (TWC) as a Financial Analyst.

19
20 In 2008, I rejoined AEP as a Fuel, Emissions and Logistics (FEL)
21 Coordinator. In this role, I was responsible for Coal Forecasting, analysis
22 of fuel inventories, emission tracking, quality and generation performance

1 as well as other ad hoc analysis. I was also the FEL coordinator for all IT
2 projects evolving the coal forecasting system. In 2010, I accepted a
3 position within the Commercial Operations division of AEP. In this new
4 role, my main responsibility was developing dispatch cost for AEP's
5 generation fleet, calculating daily estimated off-system sales revenue,
6 tracking market conditions and assisting in optimization of the generation
7 fleet. I also served as AEP's representative on PJM's Cost Development
8 Subcommittee.

9
10 6. Q. Have you testified in prior proceedings before the Commissions?

11 A. No
12

13 7. Q. What is the purpose of your testimony in this proceeding?

14 A. The purpose of my testimony in this proceeding is to support Staff's
15 recommendation for the treatment of the Reconciliation Rider (RR).
16

17 8. Q. Please summarize Dayton Power and Light's (the Company) proposal
18 regarding the Reconciliation Rider (RR)?

19 A. The Company proposed in the Revised Electric Security Plan, that the RR
20 will include costs associated with administering and implementing the CBP
21 auction costs, CBP consultant fees, PUCO consultant fees, audit costs,
22 supplier default costs and carrying costs at the cost of long-term debt. The

1 Company will include certain competitive retail enhancements projects
2 once those projects are used and useful. The Company proposes 6
3 enhancements with an approximate capital cost of \$2.5 million, per the
4 Company's filing. The Company also seeks to recover any deferred
5 balance that exceeds 10% of the base recovery rate associated with any of
6 the following riders: FUEL, RPM, TCRR-B, AER and CBT. If the deferral
7 piece of any of the above true-up riders exceeds 10% of the base recovery
8 rate, then the portion that exceeds 10% will be included in the next seasonal
9 quarterly true up of the RR. Further, when the FUEL, RPM, and TCRR-B
10 riders are eliminated, any remaining deferral balance or credit will be
11 included in the RR at the time. The Company proposes that the RR would
12 be trued-up on a seasonal quarterly basis. The Company proposes that the
13 RR would be a non bypassable rider.

14
15 9. Q. Please summarize Staff's recommendation for the Reconciliation Rider.

16 A. Staff recommends the following:

- 17 • The CBP auction cost be recoverable through a new proposed
18 bypassable Reconciliation Rider (RR-B)
- 19 • The Competitive Enhancements should be recoverable through a
20 non-bypassable Reconciliation Rider (RR-N) as described below
- 21 • For the proposed bypassable riders, that the Company requested to
22 be rolled into the RR (FUEL, RPM, TCRR-B, AER and CBT), the

1 portion that exceeds 10% should not roll into a non-bypassable rider
2 quarterly; however, the Company should be allowed to petition the
3 Commission at the end of the ESP term to true-up any over or under
4 recovery of those riders at that time.

5
6 10. Q. Why is it recommended that the CBP auction costs are to be recovered
7 through a bypassable rider?

8 A. Staff recommends that the CBP auction cost should be recoverable in a new
9 proposed bypassable reconciliation rider, because the CBP auction is
10 intended to procure generation cost for SSO service. Shopping customers
11 do not receive any benefit or services from the auction process and thus
12 should not have to pay for those costs.

13
14 11. Q. What are the requirements surrounding the Competitive Enhancements
15 recovery through the RR?

16 A. Staff recommends that the Commission determine the Competitive
17 Enhancements that should be developed by the Company and if a cap
18 should be placed on the competitive enhancements, based on the
19 Company's proposal and interveners' comments and testimony. Staff does
20 not have a position on which Competitive Enhancements should be adopted
21 by the Commission. Following the Commission order, the Company

1 should submit the following to the Commission for the Competitive
2 Enhancements:

- 3 • The RFP and/or internal cost estimate for each Competitive
4 Enhancement issued
- 5 • The bids and/or internal cost estimate received from each RFP and
6 which bid won
- 7 • Actual expenses to date (planning, budgeting, etc.) and any
8 forecasted payments outside of the RFP
- 9 • Project timeline

10
11 Staff recommends that the cost of the competitive enhancements be split
12 between CRES providers, the Company and the customers. Staff
13 recommends that the CRES providers are assessed sixty percent (60%) of
14 the approved cost, the Company is assessed fifteen percent (15%) and the
15 customers be assessed twenty-five percent (25%). The cost assessed
16 through the RR-N to customers will be recoverable once the project meets
17 the used and useful standard; used and useful will be determined by the ‘Go
18 Live Date’. DP&L will file the cost associated with a project on the first
19 day of the quarter following the in-service date with rates becoming effect
20 on the last day of that filing quarter, with Staff’s approval. An annual true-
21 up for the Competitive Enhancements in service will be submitted by

November 15th of each year with the rates going into effect January 1st the following year, with Staff's approval.

12. Q. What cost are to be included in the Competitive Enhancements?

A. It is recommended that all cost associated with the creation of the new competitive enhancements that are presented to the Commission under the guidelines expressed above be included. However, once the systems 'Go Live', the maintenance cost incurred will not be able to be recovered through the Reconciliation Rider. If the system(s) is installed in phases, each phase will be recoverable when it 'goes live'. If the Company implements the systems in phases, it should be part of the original requirements documentation and timeline submitted to the Commission.

13. Q. Why is it appropriate for the CRES providers to pay for the largest percentage of the Competitive Enhancements cost?

A. The competitive enhancements are designed to improve the competitive shopping process for customers and CRES providers. Since the CRES providers will gain the most from the competitive enhancements they should pay for the majority of the cost. In Staff data request #15, the Company, states that there are currently twenty-nine (29) registered CRES providers in DP&L territory. In the Company's proposal, the Company stated that with all six of the proposed competitive enhancements, the

1 estimated cost could be two million, five hundred thousand dollars
2 (\$2.5M). Sixty percent (60%) of the two point five million would be one
3 million, five hundred thousand (\$1.5), that split between all the current
4 CRES providers would result in an approximately a fifty-two thousand
5 dollar (\$52,000) fee to each CRES provider. This cost mostly likely would
6 be spread over multiple years as the Company would not be able to
7 implement all the competitive enhancements at one time.

8
9 14. Q. Why is it appropriate for the Company to pay a percentage of the
10 Competitive Enhancements cost?

11 A. The Company should absorb some of the cost to ensure that the project
12 stays on track and is done economically and the company will receive a tax
13 benefit from the depreciation of the asset. By providing enhanced system
14 interactions between the Company and CRES providers it should reduce
15 costs and time the Company spends on billing issues, complaints and other
16 items that occur with the CRES providers. The Company should receive
17 the lowest percentage of fifteen percent (15%), due to the fact that while
18 having the lowest percentage they will pay the largest dollar amount of any
19 single entity. Using the same estimate as the answer above at two million,
20 five hundred thousand dollars (\$2.5M) the Company would be responsible
21 for three hundred and seventy-five thousand dollars (\$375,000) in
22 competitive enhancement costs.

1 15. Q. Why is it appropriate for the customers to pay a percentage of the
2 Competitive Enhancements cost?

3 A. Increased competition should reduce overall costumer cost. The
4 competitive enhancements are changes that are designed to allow a better
5 and more fluid competitive market. Through these enhancements all
6 customers should benefit in the long-term through reduced costs. Since the
7 customers benefit, they should share a portion of the cost. It is appropriate
8 for these costs to be in a non by-passable rider since all customers benefit
9 from a fluid competitive market, particularly those customers that have
10 already switched.

11
12 16. Q. Why is it not appropriate for the balance over 10% of the RPM Rider, CBT
13 Rider, FUEL Rider, TCRR-B and the AER not to be rolled into the
14 Reconciliation Rider quarterly?

15 A. The reconciliation rider, as proposed by the Company, is a non by-passable
16 rider, while the RPM, FUEL, TCRR-B and AER are all by-passable riders.
17 These bypassable riders should not be rolled into a non by-passable rider.
18 If they should be non by-passable, then they should have originally been
19 submitted as non by-passable. In Case No. 11-3549-EL-SSO Commission
20 Opinion and Order, page 20, it states, "Rider AER-R shall remain avoidable
21 for customers taking generation service from a CRES Provider." Staff
22 believes that consistency is the best course for these riders.

1 17. Q. If the balance over 10% of the RPM Rider, CBT Rider, FUEL Rider,
2 TCRR-B and the AER is not appropriate to be rolled into the Reconciliation
3 Rider during the SSO, why would it be appropriate to let the Company
4 apply for recovery after the SSO is complete?

5 A. While by-passable riders should not automatically be rolled into a non by-
6 passable rider at any threshold there is some uncertainty involved with
7 transitioning customers to market. While the Commission encourages and
8 promotes an open market, it should not be done at the detriment of the
9 Company. If at the end of the SSO the Company has a significant balance
10 in the stated riders and/or they are experiencing the “death spiral”, the
11 Company should be able to apply for recovery of those costs, as determined
12 by the Commission, at that time.

13
14 18. Q. Doe this conclude your testimony?

15 A. Yes, it does. However, I reserve the right to submit supplemental testi-
16 mony as described herein, as new information subsequently becomes avail-
17 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Patrick Donlon, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the parties listed below, this 11th day of March, 2013.

/s/ Thomas W. McNamee

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Summary: Testimony electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO