

**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
DAVID M. LIPTHRATT
ACCOUNTING AND ELECTRICITY DIVISION
UTILITIES DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

March 11, 2013

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

2 A. My name is David M. Liphtratt. My address is 180 East Broad Street,
3 Columbus, Ohio, 43215-3793.
4

5 2. Q. By who are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).
7

8 3. Q. What is your current position with the PUCO and what are your duties?

9 A. I am an Administrator in the Accounting and Electricity Division within the
10 Utilities Department. My duties include organizing and directing cost
11 recovery proceedings, alternative regulation or other Commission
12 investigations or audits of utility companies' compliance with minimum
13 service standards, codes of conduct, and accounting procedures and
14 practices.
15

16 4. Q. Would you briefly state your educational background?

17 A. I earned a Bachelor of Arts Degree that included a Major in Political
18 Science and a Minor in History from the University of Georgia in 2003. In
19 2006 I earned a Masters in Public Administration Degree with a focus on
20 public budgeting and finance and policy analysis from the University of
21 Georgia. In addition, I earned a post-baccalaureate Certificate of
22 Accounting Concentration at Columbus State Community College in 2009.

1 I am Certified Public Accountant (Ohio License # CPA.48876). Moreover,
2 I have attended various seminars and rate case training programs sponsored
3 by this Commission, professional trade organizations, and the utility
4 industry community.

5
6 5. Q. Please outline your work experience.

7 A. After earning my Master's Degree from the University of Georgia, I joined
8 the Ohio Office of Budget and Management where I served from June of
9 2006 to June of 2008 as a Budget/Management Analyst 2 assigned to
10 various health and human services related agencies, including Medicaid,
11 Ohio Department of Health, Ohio Department of Aging, and Bureau of
12 Worker's Compensation.

13
14 In June of 2008, I accepted a position with the Ohio Department of
15 Commerce where I served as Fiscal Officer 2 until July 2011. During my
16 tenure at the Department of Commerce, I served as the financial officer for
17 the Division of State Fire Marshal where I was responsible for accounting
18 and budgetary functions, financial reporting, financial systems and records
19 ensuring compliance with applicable laws, policies and regulations.

1 In July 2011, I accepted my current position as a Public Utilities
2 Administrator 1 with the Public Utilities Commission of Ohio ("PUCO" or
3 the "Commission").
4

5 6. Q. Have you previously provided testimony before the PUCO?

6 A. No. I have not.
7

8 7. Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to address issues pertaining to the Storm
10 Damage Recovery Rider proposed by Staff and the Competitive Bid True-
11 up ("CBT").

12 **Storm Damage Recovery Rider**

13 8. Q. Currently how does DP&L defer and recover Operation and Maintenance
14 ("O&M") costs associated with destructive or major storms?

15 A. The Company had a storm rider in place from August 2006 through July
16 2008 to recover storm costs associated with ice storms that occurred in the
17 winter of 2004 - 2005. This storm rider was established in Case No. 05-
18 1090-EL-ATA. The Company has not had any type of storm rider in place
19 since the repair costs from the storm were fully recovered.
20

1 Currently if the Company experiences a storm that it determines to be
2 major and incurs a high level of O&M for repairing damages as a result of
3 the storm, the Company will file an application with the Commission
4 requesting approval of accounting authority to defer as a regulatory asset
5 these expenses.

6
7 For example, On December 26, 2008 DP&L filed an application, Case No.
8 08-1332-EL-AAM, requesting authority to defer expenses associated with
9 restoration associated with Hurricane Ike. The Commission authorized
10 deferral authority for the portion of the O&M expenses that exceeded the
11 three-year average service restoration O&M expenses for major storm
12 repairs. On December 21, 2012 DP&L filed an application, Case No. 12-
13 3062-EL-RDR, to recover the deferred expenses associated with Hurricane
14 Ike plus associated carrying charges.

15
16 Another example of how the Company currently defers and recovers O&M
17 associated with major storms is with the 2011 ice storms. On December
18 21, 2012 DP&L filed an application, Case No. 12-3062-EL-RDR, seeking
19 authority to defer and recover expenses incurred a year earlier for the 2011
20 ice storms.

1 9. Q. What is Staff's proposal regarding the establishment of a Storm Damage
2 Recovery Rider?

3 A. I am recommending that a Storm Damage Recovery Rider be established to
4 be used by the Company on a going-forward basis to defer O&M costs
5 associated with destructive or major storms over an annual baseline. This
6 rider mechanism would mitigate delays in seeking deferral authority such
7 as the 2011 ice storm referenced above. Additionally, such a mechanism
8 would mitigate against deferrals being carried on the Company's Balance
9 Sheets for extended periods of time resulting in extensive carrying charges.
10

11 10. Q. How much does Staff conclude should be established as the Storm Damage
12 Recovery Rider baseline?

13 A. Staff has determined that an appropriate baseline amount would be
14 \$4,000,000. The rider would be used to collect those amounts of major
15 storm O&M cost that exceeds the baseline or to refund the difference
16 between the amount expensed for major storm O&M restoration and the
17 baseline should the annual expense be less than the baseline.
18

19 11. Q. How did you calculate the baseline amount?

20 A. Commission precedent regarding deferrals and recovery of O&M costs
21 associated with destructive or major storm is to reduce the deferral/recovery

1 by the three-year average of service restoration O&M expenses at the time
2 the deferral is requested.

3
4 As illustrated on Attachment A, for the time period ranging from 2002 to
5 2011 the 10 year average of service restoration O&M expenses associated
6 with major events is \$3,977,641. Additionally, for the time period ranging
7 from 2009 to 2011 the three year average of service restoration O&M
8 expenses associated with major events is \$3,704,352. Given the 10 year
9 historical spending and the most recent three year average, a \$4 million
10 baseline seems appropriate and reasonable. Additionally, a \$4 million
11 baseline is consistent with other utilities' storm recovery rider baselines
12 (Ohio Power Company's baseline is \$5 million¹ and Duke Energy Ohio's
13 baseline is \$4.4 million²).

14
15 12. Q. How would a determination be made as to what constitutes a major storm
16 for recovery purposes?

17 A. The determination of whether a storm is deemed to be "major" or not is
18 determined by the methodology outlined in the IEEE Guide for Electric

¹ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan, Case Nos. 11-346-EL-SSO, et al.*

² As proposed in Case No. 12-1682-EL-AIR, *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Distribution Rates.*

Power Distribution Reliability Indices, as set forth in Rule 4901:1-10-10(B), O.A.C.

13. Q. Would the Storm Damage Recovery Rider allow the Company to defer and/or recover annual major storm expenses?

A. The Storm Damage Recovery Rider is recommended to allow for the Company to defer annual major expenses. More specifically, it is recommended that through the Storm Damage Recovery Rider, DP&L would begin deferral of any incremental distribution O&M expenses associated with a major storm.

14. Q. What mechanism is recommended for recovery of deferred major storm expenses?

A. It is recommended that during the term of the ESP, DP&L shall maintain a detailed accounting of all storm expenses within its storm deferral account, including detailed records of all incidental costs and capital costs. The capital costs should be recorded separately and is not to be recovered through the Storm Damage Recovery Rider, but rather to be reviewed and considered as part of future base distribution rate cases. DP&L shall provide this information annually for Staff to audit to determine if additional proceedings are necessary to establish recovery levels or refunds as necessary.

1 It is recommended that DP&L open a new docket and file an application by
2 December 31 each year throughout the term of the ESP wherein DP&L
3 shall bear the burden of proof of demonstrating all the costs were prudently
4 incurred and reasonable. Staff and any interested parties may file comments
5 on the application within 90 days after DP&L docket and application. If
6 any objections are not resolved by DP&L, it is recommended that an
7 evidentiary hearing be scheduled, and parties have the opportunity to
8 conduct discovery and present testimony before the Commission.
9

10 15. Q. Should DP&L incur annual major storm O&M expenses less than the
11 \$4 million baseline, would the Company be required to issue a refund?

12 A. Yes. If DP&L incurs annual major storm O&M expenses less than the
13 \$4 million baseline, then the Company would be required to refund the
14 difference between the major storm O&M expenses and the \$4 million. For
15 example, assuming annual major storm O&M expenses are \$3 million, then
16 DP&L would issue a refund for \$1 million.
17

18 16. Q. Would the Storm Damage Recovery Rider include deferral and/or recovery
19 of capital expenditures?

20 A. No. Any capital costs that would be incurred due to a major storm would
21 addressed in a future distribution rate case.
22

1 17. Q. Is the deferral and recovery mechanism recommended similar to those used
2 by the other utilities?

3 A. Yes. The proposed mechanism is the same used by The Ohio Power
4 Company. The only difference is the baseline amount. The mechanism is
5 also similar to the one being proposed by Duke Energy Ohio (DEO) in its
6 Distribution rate case currently being reviewed by Staff; however, with
7 DEO the Staff's audit and the Company's recovery is not done on an
8 annual basis, but rather performed during base rate proceedings. In other
9 words, deferred major storm O&M expenses are deferred and audited
10 during the base rate case whereupon the expenses are amortized over a
11 period.

12
13 18. Q. Would the DEO mechanism model be an option for use with DP&L's
14 Storm Damage Recovery Rider?

15 A. Yes. Should the Commission decide to do so, the major storm O&M
16 expenses could be deferred and reviewed as part of the Company's next
17 base rate case. Recovery would then be amortized as part of the base rate
18 case revenue requirement.

1 **Competitive Bid True-up Rider**

2 19. Q. Is the Company proposing to implement a CBT Rider?

3 A. Yes. According to Company Witness Nathan Parke, the Company is
4 proposing a CBT Rider that is “a true-up mechanism intended to recover
5 the difference between amounts paid to suppliers for the delivery of SSO
6 supply, as a result of the CBP auction(s), and amounts billed to customers
7 through the Competitive Bidding (“CB”) Rate.”³

8
9 20. Q. From your understanding, how does the Company propose CBT to be
10 reconciled?

11 A. My understanding, based upon Nathan Parke’s testimony, the Company
12 proposes that “the CBT Rider will be reconciled on a seasonal quarterly
13 basis. The rate will initially be set at zero on January 1, 2013. The
14 Company is proposing that the first true-up filing will be made by May 1,
15 2013, effective June 1, 2013. On a typical seasonal quarterly true-up
16 schedule, filings will be made no later than February 1st, May 1st, August
17 1st, and November 1st of each year, with effective dates of March 1st, June
18 1st, September 1st, and December 1st. The Company is proposing the initial
19 5-month period with a filing by May 1, 2013 because a typical February 1st

³ Direct testimony of Nathan C. Parke at 5, lines 8-11.

1 filing does not allow enough time to reconcile any data. After the May 1,
2 2013 filing, the filings will follow the typical seasonal quarterly schedule.”⁴
3

4 21. Q. Does Staff support the Company’s proposal regarding CBT and how it is to
5 be reconciled?

6 A. Generally, yes. However, given the current status of this proceeding, Staff
7 proposes a different timeline for the reconciliation of the CBT. Staff
8 proposes that the CBT Rider will be assessed on a bills-rendered basis and
9 will be reconciled on a seasonal quarterly basis. On a typical seasonal
10 quarterly true-up schedule, filings will be no later than February 1st, May
11 1st, August 1st, and November 1st of each year, with effective dates of
12 March 1st, June 1st, September 1st, and December 1st. The first true-up
13 should be made January 1, 2014, effective February 1, 2014.
14

15 22. Q. Are you aware of any changes to the CBT rates?

16 A. Yes. According to the testimony of Nathan Parke, the Company is
17 proposing a CBT balance greater than 10% of the forecasted rate be added
18 to the Reconciliation Rider.
19

⁴ Direct testimony of Nathan C. Parke at 5, lines 4-12.

1 23. Q. Does Staff support the Company's proposal to allow for a CBT balance
2 greater than 10% of the forecasted rate be added to the Reconciliation
3 Rider?
4

5 24. A. No. Please refer to Staff witness Donlon's testimony regarding this issue.

6 Q. Do you have any other recommendations regarding the CBT Rider?
7

8 25. A. Yes. In regards to Staff annual reviews of the CBT, it is recommended that
9 the Company work with Staff to develop an audit timeline and process.
10

11 26. Q. Doe this conclude your testimony?

12 A. Yes, it does. However, I reserve the right to submit supplemental testi-
13 mony as described herein, as new information subsequently becomes avail-
14 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 David M. Lipthrott, 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

Thomas W. McNamee
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Attachment A			
	<u>Major Events</u>	<u>Non-Major Events</u>	
<u>Year</u>	<u>O&M</u>	<u>O&M</u>	<u>Total O&M</u>
2002	\$ 926,958	\$ 315,272	\$ 1,242,230
2003	\$ 1,386,639	\$ 134,632	\$ 1,521,270
2004	\$ 1,717,105	\$ 482,516	\$ 2,199,622
2005	\$ 6,094,093	\$ 924,015	\$ 7,018,108
2006	\$ 872,528	\$ 1,690,965	\$ 2,563,493
2007	\$ 1,715,226	\$ 1,165,959	\$ 2,881,184
2008	\$ 15,950,806	\$ 1,285,178	\$ 17,235,984
2009	\$ 774,841	\$ 741,626	\$ 1,516,467
2010	\$ 302,919	\$ 1,728,304	\$ 2,031,223
2011	\$ 10,035,297	\$ 1,228,529	\$ 11,263,825
Total	\$ 39,776,412	\$ 9,696,995	\$ 49,473,407
10 Year Avg.	\$ 3,977,641		
2009 - 2001 Avg.	\$ 3,704,352		
Source: Case No. 12-2281-EL-AAM. 6th Supplemental response, DP&L's response to OCC Int. 2 (e), "service restoration O&M expenses" associated with major events for the past 10 years.			

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in

Case No(s). 12-0426-EL-SSO, 12-0427-EL-ATA, 12-0428-EL-AAM, 12-0429-EL-WVR, 12-0672-EL-RDR

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