BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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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

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PROCEEDINGS

before Mr. Gregory A. Price and Mr. Bryce A. McKenney, Hearing Examiners, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-A, Columbus, Ohio, called at 10:00 a.m. on Monday, March 18, 2013.

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On behalf of the staff of the Public Utilities Commission of Ohio.

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Monday Morning Session,
March 18, 2013.

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EXAMINER McKENNEY: The Public Utilities Commission of Ohio calls at this time and place Case No. 12-426-EL-SSO, being in the matter of the application of The Dayton Power & Light Company to establish a standard service offer in the form of an. Electric security plan.

My name is Bryce McKenney, with me today is Gregory Price, and we are the Attorney Examiners assigned by the Commission to hear this case.

At this time we'll go ahead and start with taking the appearances of counsel, beginning with The Dayton Power & Light Company.

MR. FARUKI: Good morning, your Honors. My name is Charlie Faruki from Faruki, Ireland & Cox in Dayton on behalf of The Dayton Power & Light Company. With me is my partner Jeffrey Sharkey, and also, Judi Sobecki who is counsel with The Dayton Power & Light Company.

EXAMINER McKENNEY: Thank you. Let's just go ahead and work our way around the table, then.

MR. YURICK: Mark Yurick and Zach

Kravitz, Taft, Stettinius & Hollister on behalf of the Kroger Company. Thank you.

MR. SHERMAN: Steve Sherman on behalf of the Wal-Mart Stores East and Sam's East, Incorporated. I'd also like to enter the appearance of Joshua Hague from the firm of Kreig DeVault.

MR. BOEHM: Good morning, your Honor, I'm David Boehm from the law firm of Boehm, Kurtz & Lowry and I'm here on behalf of the Ohio Energy Group. I'd also like to enter the appearance of Jody Kyler-Cohn.

MR. SATTERWHITE: Thank you, your Honor. Matthew Satterwhite on behalf of Ohio Power Company, also Steve Nourse, One Riverside Plaza in Columbus, Ohio, 43215.

MR. WHITT: On behalf of Interstate Gas Supply, Mark Whitt. I will also be entering appearances for Andrew Campbell and Gregory Williams from the law firm of Whitt Sturtevant.

MR. JACOBS: Good morning, your Honor. On behalf of the Edgemont Neighborhood Coalition of Dayton, Ellis Jacob from the law firm of Advocates for Basic Legal Equality in Dayton.

MS. YOST: Good morning, your Honors. Melissa Yost on behalf of the Office of Ohio Consumers' Counsel, Bruce J. Weston Consumers'

Counsel, 10 West Broad Street, Columbus, Ohio, 43215. In addition, the appearance of Maureen R. Grady and Edmund Berger.

MR. PETRICOFF: Thank you, your Honor. Howard Petricoff and Gretchen Petrucci from the law firm of Vorys, Sater, Seymour & Pease on behalf of the Retail Energy Supply Association, Exelon Generation, LLC, Constellation New Energy.

MR. O'BRIEN: Good morning, your Honors. On behalf of the Ohio Hospital Association, Richard L. Sites, 155 East Broad Street, Columbus, Ohio, and Thomas J. O'Brien, Bricker & Eckler, LLP, 100 South Third Street, Columbus. Thank you.

EXAMINER McKENNEY: Thank you.

MS. MOONEY: On behalf of Ohio Partners for Affordable Energy, 231 West Lima Street, Findlay, Ohio, I'm Colleen L. Mooney.

MR. MILLER: On behalf of the City of Dayton, Chris Miller and Chris Michael of the law firm of Ice Miller, 250 West Street, Columbus, Ohio, 43215.

MS. MOHLER: On behalf of SolarVision, LLC, the law firm of Carpenter, Lipps & Leland, Kimberly W. Bojko and Joel Sechler and I'm Mallory Mohler, 280 North High Street, Columbus, Ohio, 43215.

EXAMINER McKENNEY: Thank you.

MR. SIWO: Good morning, your Honor. On behalf of the OMA Energy Group, J. Thomas Siwo, Matthew W. Warnock, Bricker & Eckler, LLP, 100 South Third Street, Columbus, Ohio, 43215.

MR. McMAHON: Good morning, your Honor. On behalf of Duke Energy Ohio, I'm Bob McMahon of the law firm of Eberly McMahon, LLC.

MR. SINENENG: Good morning. On behalf of Duke Energy Retail Sales and Duke Energy Asset Management, Amy Spiller, Jeanne Kingery, and I am Philip Sineneng of Thompson Hine.

MS. CHMIEL: On behalf of Border Energy Electric Services, Inc., Stephanie Chmiel and Michael Dillard, Jr., Thompson Hine.

MR. DOUGHERTY: Good morning, your Honor. On behalf of the Ohio Environmental Council, Trent Dougherty and Cathryn Loucas, 1207 Grandview Avenue, Columbus, Ohio, 43212.

MS. CHRISTENSEN: Good morning, your Honor. On behalf of People Working Cooperatively, Mary W. Christensen, the law firm of Christensen Law Office, LLC, address, 8760 Orion Place, Suite 300, Columbus, Ohio, 43240.

MR. McNAMEE: On behalf of the staff of

the Public Utilities Commission of Ohio, Mike DeWine, Attorney General of the State of Ohio, I am Thomas McNamee, Assistant Attorney General, and with me would be Werner Margard, also Assistant Attorney General. The address is 180 East Broad Street, Columbus, Ohio.

MR. HAQUE: Good morning, your Honors. On behalf of Honda of America Manufacturing, Inc., M. Anthony Long and Asim Z. Haque.

MR. POULOS: Good morning, your Honors. On behalf of EnerNOC, Greg Poulos.

MR. OLIKER: Good morning, your Honors. On behalf of the Industrial Energy Users of Ohio, Sam Randazzo, Frank Darr, Joseph Oliker, and Matthew Pritchard from the law film of McNees, Wallace & Nurick, 21 East State Street, Columbus, Ohio, 43215.

MR. HAYDEN: Good morning, your Honors. On behalf of FirstEnergy Solutions, Mark Hayden, from the law firm of Calfee, Halter & Griswold, Jim Lang and Trevor Alexander.

MR. CLARK: Good morning, your Honors. On behalf of Direct Energy Services, LLC and Direct Energy Business, LLC, Joseph M. Clark and Jennifer Lause.

MAJOR THOMPSON: Good morning, your

Honors. Major Chris Thompson representing the Federal Executive Agencies.

EXAMINER McKENNEY: Are there any other parties that need to make an appearance this morning?

Seeing none, we'll go ahead and proceed. A couple of housekeeping matters. There will be portions of this hearing that will need to be maintained on the confidential transcript. If at any time a party needs, we need to move to a confidential transcript, please notify the Bench and we will do so. When we move to a confidential transcript, we will ask that anyone who does not have an agreement will step out of the room and at that time we will close the door for the confidential portion of the transcript.

We also have a couple of pending motions. There are motions to strike filed by The Dayton Power & Light Company and also a number of motions for protective order.

At this time the Bench will deny the motions to strike filed by The Dayton Power & Light Company. We note that this finding is consistent with the Commission precedent and the Commission's traditional acceptance of testimony on legal and regulatory provisions so long as it does not include legal opinions, the testimony provided does not appear to us to consist of legal opinions.

To the extent that a witness is providing testimony on legal and regulatory provisions, the Commission will make the appropriate determination of the weight to be given to that testimony.

Furthermore, we have evaluated the motions for protective order and find that the motions for protective order should be granted as they are consistent with Rule 4901-1-24, and the testimony should be kept confidential under seal for 24 months from the date of the issuance of the Commission's opinion and order.

Are there any other matters that should be brought to the attention of the Bench before we proceed with the hearing?

Mr. Faruki.

MR. FARUKI: Yes, thank you, your Honor. Two points, really. One is with regard to our hours of the hearing and how long we would go, I would make the request that we have some longer days, you had already mentioned we're not going Thursday, and we have had a number of requests from various parties to accommodate their witnesses this week because I guess spring break is occurring and so forth, and we have a -- I'll turn to witness names in a minute, but we have several parties who say that their witnesses need to get in this week. I'm not sure we can accommodate everyone.

We have agreed with Mr. Petricoff that David Fein would be testifying on Friday because I know he has a travel schedule. We have our own witnesses, of course, flying in so we're going to have to do some juggling as it is.

In addition, I have a long-planned and already-paid-for trip that begins, I fly out on April 6th out of the country and am very desirous of finishing, so I'm not sure what your thinking is with regard to hours that we would go, but my suggestion would be that we would start at 8:30 in the morning and then we would go as late as necessary to finish witnesses on the stand. Obviously, not till 9 or 10 at night, but I'd rather have long days than short ones.

EXAMINER McKENNEY: We will take that under advisement. From here on out we'll start the hearings at 9:00 a.m. as opposed to 8:30 which was proposed. And we will go as long as we need to and we'll decide that at the time -- as those days approach.

MR. FARUKI: I understand.

Let me mention a couple of witness -- a couple of witness items that I wanted to mention. Our first witness, of course, is Craig Jackson who's here, but down the road as we looked at the witness list there were a couple of the company witnesses whose testimony seems not to be very much contested, if at all, and I want to ask not for an instant response but to try to shorten the witness list, we had no request for depositions of these two witnesses and I would like to get an indication from the parties, say by close of business tomorrow, as to whether we need to bring them to Columbus.

One is Claire Hale, and the other is Bob Lee, and if they -- if parties are desirous of cross-examining them, we will bring them, obviously. If not, then I would like to, after we've heard from the parties, offer their testimony.

We also have no questions for OCC Witness Kathy Hagans. And I believe Jeff Sharkey has another --

With regard to Mr. Wilson, do you want to speak to that?

MR. SHARKEY: Yes, your Honor. OCC Wilson we are working on trying to get an agreement that his testimony would come in and his deposition testimony would come in, and I believe that Melissa Yost and I have worked that out.

So in lieu of him traveling to Columbus, we'll simply designate portions of his testimony, it will be five or six questions from his deposition that we'll designate for your consideration.

MR. FARUKI: And then, finally, with regard to some pending requests that we have to work people in for this week, we'll sit down tonight and see what we can do with that and report to the parties tomorrow.

I'm not asking your Honors for any rulings, obviously, on this housekeeping matter, I'm just trying to make sure, since many of these conversations were with just a few parties, that both the Bench and the parties know where we are on things.

EXAMINER PRICE: And we appreciate that.

As to the company witnesses, at least for the first week, your witnesses will be prepared to go one after the other; is that correct?

MR. FARUKI: You're correct, yes, your Honor.

EXAMINER PRICE: And then, Mr. McNamee, I assume that next week, to the extent that we have date-certain witnesses and we can fill in some time, that staff witnesses will be available here and there.

MR. McNAMEE: Yes, I have lists of their availability, they should be here next week with one exception.

EXAMINER PRICE: Great. You need Mr. --

MR. McNAMEE: Mr. Mahmud would be good to go first, that would save time and, perhaps, re-calling staff witnesses.

EXAMINER PRICE: And you need to do him this week.

MR. McNAMEE: It kind of depends on how long the company takes. He's out next week is the problem.

EXAMINER PRICE: Okay. I think the company is going to take this week.

MR. McNAMEE: I suspect we may well be here all that time.

EXAMINER PRICE: Okay.

MR. BOEHM: Excuse me, your Honor. With respect to the Witness Wilson, we'd like to take a look at that witness testimony. We have an issue, as you may know, between OEG and the OCC, and I need to review his testimony to see if it touches on that.

Also, we'd like to get together with the company or whoever else wants to talk about it and we need to try to get a date certain for our witness who's coming up from Atlanta, next week would be fine. Sometime next week.

MR. FARUKI: We'll be happy to talk with Dave about that.

MR. BOEHM: Thank you.

MR. FARUKI: The only other point I believe I had, your Honor, was our company representative at trial is Dona Seger-Lawson who's also a witness, so if we should be pleasantly surprised that one of the company witnesses finishes earlier than we believe or expect, and the other one isn't here, we'll just put Dona on the stand to keep things rolling so we use our time well.

EXAMINER PRICE: Thank you.

Thank you for volunteering, Ms. Seger-Lawson.

MS. YOST: Just one clarification, Mr. Sharkey, about the potential stipulation regarding the testimony of James Wilson, it was OCC's understanding that the entire deposition transcript and the errata would be moved into evidence, is that --

MR. SHARKEY: No objection, your Honor. I had a misunderstanding as to our agreement, but that's fine too.

MS. YOST: In addition I would say that to the extent that Ms. Seger-Lawson is put in out of the order, that we have enough notice to get the proper attorney here who does the cross-examination and just have the exhibits here. We've kind of got everything laid out in the order the company has proposed.

EXAMINER PRICE: We'll do our best.

MS. YOST: Thank you.

MR. OLIKER: Excuse me, your Honor.

EXAMINER PRICE: Yes.

MR. OLIKER: I just want to bring to your attention we have a slight scheduling problem with Mr. Bowser. We can be flexible in general, but Mr. Bowser's out next week. We can work with the company to try to rearrange that, though.

EXAMINER PRICE: Is he going to be available the following week, as painful as that thought might be?

MR. OLIKER: Yes, he is, your Honor.

EXAMINER PRICE: I suspect that might be

the best way.

MR. OLIKER: I do too.

EXAMINER PRICE: Even if we come back and that will be our only witness next week, that will be fine.

MR. SHERMAN: Your Honor, I'm sorry, Steve Sherman, also, I will talk to the company, but my witness will be coming in from Arkansas and so we'd like to try to schedule him next week if possible.

EXAMINER PRICE: I don't normally stand on format, but I'm going to ask everybody to stand up on objections and things today because I'm really struggling with the crowd and who's speaking when. I don't normally ask for that, but today at least until the crowd thins down we'll ask for that.

MR. FARUKI: Your Honors, with regard to these various scheduling issues, what we'll do is talk to the parties that have out-of-town witnesses or scheduling conflicts and we'll try to assemble an overall schedule or reserve days for certain people such as Steve's witness who's coming from Arkansas and let the Bench know about that.

EXAMINER PRICE: That will be very helpful, thank you.

MR. PETRICOFF: And, your Honor, may I tell Mr. Fein he has a date certain for Friday?

EXAMINER PRICE: You may.

MR. PETRICOFF: Thank you.

EXAMINER McKENNEY: Anything further?

(No response.)

EXAMINER McKENNEY: At this time, Dayton Power & Light Company, you may call your first witness.

MR. FARUKI: Thank you, your Honors. We'll call Craig Jackson.

Your Honors, while he's taking the stand, we have, as you know, both a confidential version and a redacted version of the testimony. What I would propose to do, if this is agreeable to the Bench, as we call our witnesses, those like Mr. Jackson that have both confidential and redacted, I would designate his prefiled redacted testimony as Exhibit -- as DP&L Exhibit 1 and then his prefiled confidential testimony as DP&L Exhibit 1A and so on with the next witness, and I think it will be easy to keep track of that way.

(EXHIBIT MARKED FOR IDENTIFICATION.)

EXAMINER PRICE: That will be very helpful. Thank you.

Mr. Jackson.

(Witness sworn.)

EXAMINER PRICE: Please state your name and business address for the record.

THE WITNESS: My name is Craig L. Jackson, business address 1065 Woodman Drive, Dayton, Ohio, 45432.

EXAMINER PRICE: Please proceed, Mr. Faruki.

MR. FARUKI: Thank you, your Honor.

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CRAIG L. JACKSON

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Mr. Faruki:

Q. Mr. Jackson, you have before you a copy of your prefiled testimony.

A. Yes, I do.

Q. All right. And I'll refer to your prefiled confidential testimony as Exhibit, DP&L Exhibit 1A. And would you tell me that -- do you have any corrections or changes to make to it?

A. I do not have any corrections or changes.

Q. If I were to ask you each of the

questions contained in that testimony, would your answers be as they appear in the exhibit?

A. Yes.

MR. FARUKI: Your Honor, I tender the witness for cross-examination and I move the admission of Exhibits 1 and 1A.

EXAMINER PRICE: Thank you.

Mr. Lang.

MR. LANG: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Lang:

Q. Good morning, Mr. Jackson.

A. Good morning.

Q. As stated in your testimony, you are a Dayton Power & Light Company employee; is that correct?

A. I am employed by Dayton Power & Light. I am also the Senior Vice President and CFO of DPL, Inc.

Q. You're jumping ahead on me, but so you're employed by Dayton Power & Light as Senior VP and Chief Financial Officer?

A. Yes.

Q. And then by DPL, Inc., you're also a

Senior VP and Chief Financial Officer; is that right?

A. That's correct.

Q. And you have a group of individuals that report to you called the Financial Planning and Analysis Group; is that right?

A. Yes.

Q. And is that part of DP&L or DPL?

A. That group does work on behalf of DPL, Inc. and DP&L.

Q. Are they DP&L employees or DPL, Inc. employees?

A. It would be similar to me so, again, they do work on behalf of DP&L, so employees of DP&L, and then also do work on behalf of DPL, Inc. So employees of DPL, Inc.

Q. Do they get paid by both companies or is there one paycheck from one company, do you know?

A. I believe it's one paycheck.

Q. And do you know which company it comes from?

A. I believe it is Dayton Power & Light.

Q. In addition to the financial planning and analysis group parts of your testimony rely on data that comes from another group that you refer to as the commercial team; is that right?

A. Yes.
Q. And that group is headed up by DP&L witness Mr. Hoekstra; is that right?
A. That's correct.
Q. And among other things your team, the financial planning and analysis group, tracks gross margin for the T and D function and for DP&L's generation function; is that correct?
A. The FP and A group does track gross margin, yes, for the T and D and for the generation function.
Q. And that group also tracks gross margin for the competitive generation company called DPLER, D-P-L-E-R; is that right?
A. Yes.
Q. And then it also tracks gross margin on a consolidated basis up to DPL, Inc.; is that right?
A. That's correct.
Q. Now, when you talk about gross margin for generation, for you that means revenues less the fuel and purchased power costs; is that right?
A. Yes, it would be revenue less fuel and purchased power costs.
Q. Now, with respect to the transmission and distribution functions of DP&L, is it correct that

you do not track return on equity or perform a return on equity calculation specific to those functions?

A. That's correct.

Q. And the same would be true, that you don't track or do a calculation of return on equity for the generation function of DP&L.

A. That's correct.

Q. Now, so on a business function basis, looking at T and D or looking at generation, you do not know what the projected return on equity would be for 2013 through 2017 for those functions; is that correct?

A. That's correct.

Q. Now, you are aware that DP&L's T and D functions, transmission and distribution, are regulated by the Public Utilities Commission of Ohio where we are today, yes?

A. Yes.

Q. DP&L's generation function is deemed to be competitive and not regulated by the Public Utilities Commission; is that your understanding?

A. Yes.

Q. Within your finance area is it fair to say that you are not aware of efforts to determine whether there are cross-subsidies that flow between the T and D function and the generation function of DP&L?

A. Can you repeat that question, please?

Q. Within your finance area, so talking about your group, is it fair to say that you are not aware of an effort to track cross-subsidies or to identify whether there are cross-subsidies between the T and D function and the generation function of DP&L?

A. Within the FP and A group there is not an effort. Again, I would -- not "again," but I do not believe there are any subsidies between those two entities.

Q. But just -- and a similar question, outside of your finance area is it also fair to say that you're not aware of an effort to track or identify cross-subsidies between the DP&L T and D function and the DP&L generation function?

A. One of the areas that reports in to me is called our Middle Office, it's a risk management function, and part of their role is a confirmation process, and that confirmation ensures that the price that DP&L believes they sold to DPLER and the price that DPLER believes they bought from DP&L, that there is an agreement that, a confirmation that that price exists. That is the function that exists within Middle Office that reports to me.

Q. Okay. Now, is that Middle Office part of financial planning and analysis or is it a separate group?

A. It's a separate group.

Q. Other than that are you aware of any effort outside of your group to track or identify cross-subsidies between T and D and generation?

A. Outside of that group, no.

EXAMINER PRICE: Mr. Jackson, that Middle Office, are they DP&L employees or are they employees of DPL, Inc.?

THE WITNESS: The Middle Office, they are employees of DP&L.

EXAMINER PRICE: Thank you.

MR. LANG: Your Honor, at this time I'd like to mark an exhibit, and to your earlier suggestion, this is marked as -- it was marked by DP&L as a document that is, well, it was marked as "Highly Confidential, Outside Counsel's Eyes Only," so it is a confidential document of the company. It's actually the workpapers that support his forecast and income statement so we're going to spend some time this morning going through these workpapers.

EXAMINER PRICE: At this time, then, we will go off to the confidential portion of our transcript. We would ask any party that does not have a confidentiality and protective agreement with the companies to please exit at this time.

So marked as FES 1.

MR. LANG: Thank you, your Honor.

(EXHIBIT MARKED FOR IDENTIFICATION.)

(Confidential portion excerpted.)

(Open record.)

Q. (By Mr. Lang) Now, Mr. Jackson, this shows on the left side of the page of CLJ-1, it shows DP&L combined return on equity for years 2010, 2011, and 2012, correct?

A. Yes, that's correct.

Q. And for 2012 it's 8 months' actual, 4 months' projected.

A. Yes, that was -- I believe, yes, that's correct, 8 months' actual, 4 months' projected.

Q. And what was the -- now that we're past 2012, what was the actual for 2012?

A. I might have looked at that just within the last week and I assume the -- recall we had the impairment charge at the DP&L level, so it was an $80 million pretax charge, if you exclude that from the calculation, I'm showing approximately 10.5 percent ROE.

Q. Now, going back one year before this table, the DP&L return on equity for 2009 was approximately 18 percent, correct?

A. I don't have the calculation in front of me so I would not be able to confirm that.

Q. We can do this a simple way if I can take you to your deposition. Page 103. There's a question starting on line 20 on page 103. Rather my statement on line 20, the question starts on line 21. Are you there yet?

A. Yes, I am.

Q. I asked you now what the combined ROE was for, say, the previous two years, 2008 and '9, and you did not know what the 2008 number was, but you said that 2009 it was approximately 18 percent, correct?

A. That's correct, and actually I did just look and I did find where I actually do have it with me and that's correct, 18 percent is right.

Q. Great.

Now, was the -- do you have in front of you the return on equity for DP&L prior to 2009?

A. I do not. I only have back to 2009 forward.

Q. Okay. Is the return on equity for DP&L for, say, any of the time period in the 2000s between 2000 and 2009, is that something that you've looked at in the past?

A. Yes, I have looked at that in the past.

Q. Is it something that, well, is it fair to say that you did not take into consideration what the return on equity was during that earlier decade of 2000 to 2009 in preparing your testimony?

A. Yes. My testimony is for the proposed ESP period which is 2013 through '17, so that's what we had focused on.

Q. Was the return on equity for DP&L during the 2000s consistently in the range of 18 to 20 percent per year?

A. I believe that it was in that range.

Q. Now, the right side of CLJ-2, that shows what is -- or, that's intended by you to show what is causing the downturn in the return on equity; is that fair?

A. Yes, that's correct.

Q. And that would be declining energy prices both -- well, declining energy and capacity prices as well as increased customer shopping, correct?

A. Yes, that's correct.

Q. And what you show on Exhibit CLJ-1 is why DP&L needs the service stability rider, correct?

A. The service stability rider, this is a filing for DP&L, and we have indicated that these are the driving factors causing us the need for the SSR.

Q. Now, your pro forma statements prepared for purposes of this proceeding do not take into account what DP&L's earnings were prior to 2013, correct?

A. Yeah, I think as I just indicated a few questions ago, this is a filing that covered the ESP term so we were looking at the ROE over that period. To that extent, the equity balance that you have going into a year, obviously, would be reflective of the equity from the prior year, so I guess to that extent you would have some impact from a prior year.

Q. Now, as part of the ESP DP&L is recommending a range of a return on equity that it believes to be reasonable, correct?

A. That was included in Mr., I think it was Chambers' testimony.

Q. And DP&L's testimony does not take into account that DP&L's return on equity through most of the 2000s was well above the range that is in his testimony, correct?

A. Again, I guess going back to my prior two answers, this is a filing that's based on a five-year term beginning in 2013 through '17, that's what -- we were looking at the ROEs over that period of time.

Q. Now, the pro forma statements that you prepared for purposes of this proceeding do not take into account what DP&L's earnings will be as a wires company following corporate separation; is that fair?

A. The pro forma statements reflect DP&L, which is the transmission, distribution, and generation in 2013 through '17. We have not included the effect of corporate separation in those projections. So it's as DP&L.

Q. And that's because DP&L intends not to complete corporate separation until the end of the ESP period, correct?

A. We have in our filing, we have submitted to filing a generation separation plan by 20 -- the end of 2013 where we currently expect to separate by the end of 2017.

Q. So at the end of 2017 is a target for corporate separation or structural separation, but it could occur beyond that date, correct?

A. Again, what we've indicated in the filing is we'll file a plan by the end of '13 where we currently expect to separate on or before December 31st, 2017.

Q. But what I'm asking is there's nothing in the ESP that says DP&L is making a hard commitment to separate by December 31, 2017, correct?

A. Yes. Again, we've made a commitment to making a filing by the end of the year where our current expectation is to separate by the end of 2017.

Q. So for 2018, assuming corporate separation does occur, is completed by the end of 2017, in 2018, then, DP&L would be a different company, it would have the generation outside and it would be kind of what's referred to as a wires company, right?

A. Yes, it would be a T and D company.

Q. The return on equity that would be generated by that wires company following corporate separation is not something that you took into consideration for purposes of your testimony you filed in this case, correct?

A. Correct. We, again, this is a DP&L filing which covered through the end of 2017, so it was transmission, distribution, and generation.

Q. Now, with regard to the distribution function of DP&L, you believe that distribution revenues are adequate today, right?

A. Yes.

Q. And you also believe that distribution revenues will be adequate over the proposed ESP period, correct?

A. Yes, I believe that the distribution revenues are adequate as we have laid out in our projections.

Q. And you understand that if DP&L believes its distribution revenues are inadequate, it can file a distribution rate case, correct?

A. Yes, that is my understanding.

Q. And there is -- there's no commitment being made by DP&L as part of the ESP not to file a distribution rate case during the ESP term, correct?

A. I don't believe we have indicated anything with regard to a distribution rate case.

Q. So with regard to a distribution rate case whether or not that might happen, certainly there's no impact of a distribution rate case that is reflected in your testimony or in your CLJ-2, correct?

A. I think, yeah, just as I had mentioned, we had not included any impact of a distribution rate case in my projections.

Q. Now, with regard to transmission revenues, you also believe that those are adequate today, correct?

A. Well, our transmission, obviously a portion of our transmission revenues are tied to the transmission cost recovery rider that's in effect today so that moves with costs, as costs go up or down, the revenue side of that changes as well. So that, yes, I believe that, that said, the recovery that we're getting on the transmission side would be adequate.

Q. And you believe the transmission revenues would be adequate over the five-year proposed ESP period, correct?

A. That is my expectation.

Q. Now, it's fair to say you also believe that generation revenues will be inadequate over the proposed ESP period without the $137.5 million service stability rider, correct?

A. Again, the 137-1/2 obviously is targeted to, it's a DP&L filing, and we've indicated the impact that we have seen relative to switching, market pricing, and capacity price, yes, that is tied into the generation side which certainly is part of DP&L.

Q. Now, there was a -- there was a merger between DPL and AES that happened two years ago now I think?

A. We closed in November of 2011.

Q. Okay. And that merger with AES did not affect DP&L's equity balance; is that right?

A. That's correct.

Q. And the merger did not have any impact on DP&L's shareholder's equity; is that right?

A. Yes, that's correct.

Q. Now, as you had said, sometime later this year DP&L intends to file a plan for corporate separation, right?

A. Yes.

Q. As part of that plan is it your understanding that DP&L intends to transfer its generating units at net book value?

A. That is the expectation, yes.

Q. For the corporate separation or the structural separation to be completed, that will require a refinancing of DP&L's existing long-term debt; is that correct?

A. That's correct.

MR. LANG: I'd like to mark another exhibit. Your Honors, if I could have this marked as FES Exhibit No. 5.

EXAMINER PRICE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Jackson, do you have FES Exhibit No. 5 in front of you?

A. Yes, I do.

Q. And is this one of your workpapers?

MR. LANG: Actually, that's a good question, I don't know if this is confidential or not. It doesn't say --

EXAMINER PRICE: It's marked at the bottom.

MR. LANG: Oh, my sticky was on top of it. I'm actually not going to ask him about any of the numbers, specific numbers in this exhibit I don't think, so I'm just going to talk about -- but I'm going to ask him about the issuances and the maturity dates, I don't know if those are confidential or not.

MR. FARUKI: No, your Honor. I think issuances and maturity dates, as opposed to the numbers, are fine.

EXAMINER PRICE: Feel free to object if we --

MR. FARUKI: Yes, sir.

EXAMINER PRICE: -- veer into confidential territory.

Q. (By Mr. Lang) All right. So is this your workpaper 12.2?

A. Yes, it is.

Q. And it says in the upper right-hand corner you're the witness responsible for this workpaper; is that right?

A. That's correct.

Q. And this shows a number of first mortgage bonds on lines 3 through 17 of this workpaper. Do you see that?

A. Yes, we have first mortgage bonds and pollution control bonds.

Q. And there are some of these that have a face amount outstanding, some do not. Can you explain the difference to me?

A. Yes, the items that have the face amount outstanding -- actually maybe I can go back the other way. The debt issuances no longer have a debt amount outstanding, there may still be an unamortized gain or loss on the debt so that's why we're still showing it on this schedule.

The remaining debt which we show in Column F, that's the, what I would normally indicate as our outstanding debt that we would show on our balance sleet.

Q. So, for example, on the first line, line 3, that's a bond issuance where the bonds are -- the bonds themselves are no longer outstanding.

A. That's correct.

Q. And then the lines that are highlighted that show a face amount outstanding on lines 4, 7, 8, 9, 16, and 17, those are actually long-term debt bonds that still are outstanding in the hands of bondholders, correct?

A. Yeah. I think that's -- on the last two lines you reference I think it's 16 and 17 instead of 17 and 18 but, yes, that's correct.

Q. Thank you.

So does this reflect that all of the currently outstanding long-term debt was issued after the year 2000?

A. Yes.

Q. And I guess it shows that all of -- it was actually all issued between the years 2003 and

2007; is that right?
A. Yes, that is correct.
Q. And so each of those bond issuances was issued after Ohio required corporate separation of generation assets, correct?
A. Yes. These were issued, obviously, in the years that we've shown here, and I would note that they were -- yes, that is correct.
Q. And DP&L no longer uses regulatory accounting for its generation assets, correct?
A. That's correct.
Q. And each of these bond issuances occurred after DP&L stopped using regulatory accounting for its generation assets; isn't that right?
A. Yes, that is correct.
Q. Now, where it says "PCB," are those pollution control bonds?
A. They are pollution control bonds, yes.
Q. And then "FMB" would be first mortgage bonds?
A. Yes.
Q. Are the pollution control bonds also first mortgage bonds?
A. The pollution control bonds are backed by the first mortgage of the company, so yes.

Q. All right. Taking the pollution control bonds that were issued in 2005 as an example, they have maturity dates of 2028 and 2034; is that right?
A. Yes, that is correct.
Q. Given those -- given that lengthy term of the bond, is it fair to say that DP&L would have expected that these would have to be refinanced upon corporate separation or structural separation?
A. At the time that these were issued, and again this -- I'm looking back at the dates, but at the time that these were issued I believe we were operating under the functional separation and do not recall that we were anticipating a full formal legal separation, I don't know if I'm saying the words correctly, but we were operating under a functional separation.
Q. Is it your understanding that DP&L has the option of operating under functional separation forever?
A. We have been operating under functional separation. Again, we have committed to, in our filing, filing a generation separation plan, again, where we expect to separate -- currently expect to separate by the end of 2017. You know, from a legality standpoint I guess, you know, I probably

would have to defer that question.

Q. Certainly, your understanding is that, say in 2005, 2006, 2007 when the pollution control bonds were issued -- let me ask you in a different way. So let me start over.

Was it DP&L's understanding at the time the pollution control bonds were issued in 2005, 2006, and 2007, that it would stay functionally separated through the maturity dates of those bond issuances?

A. You know, I was not part of the team that put those together. Again, at that point in time, yes, the assumption was we were functionally separated and those bonds were issued based on that assumption.

Q. Do any of these bonds have a no-call provision?

A. All of the pollution control bonds, with the exception of the variable rate that's shown on line 17, but the other pollution control bonds all have no-call provisions.

Q. And can you, for the larger record, people that read the transcript, can you explain what a no-call provision is in a bond?

A. So let's talk about a bond that doesn't have a no-call provision. At any point in time you could call those bonds, so basically you can bring those bonds back in. You would have to pay what we call a make-whole premium, it's generally looking at future interest payments that would be made obviously discounted back as well as some of the market value of the bonds. So there would be a premium to calling those bonds back in today.

Our no-call provision prevents us from calling those bonds, so to me that's the difference between a no-call and a call.

Q. Does a no-call -- I'm sorry.

A. I said the difference between a no-call and a call provision.

Q. Does the no-call provision in I guess it would be the four series of pollution control bonds, does it run through the maturity date?

A. No. The no-call provision on the bonds that were issued in 2005, so I believe that's lines 7, 8, and 9, they have a ten-year no-call provision, and then, likewise, the 2016 bonds which were issued in September of 2006, they also have a ten-year no-call provision.

Q. Now, you mentioned paying a premium to call bonds early or is another term for that to

defease the bonds?
A. You could terminate the first mortgage is how I think of defeasing or terminating the first mortgage, but in my view, and again I would have to push this off to more of a legal opinion, do not believe that we can defease that until when the no-call, the ten-year no-call would apply which would be in 2016 on the bonds that are shown in line 16.
Q. So just so I'm clear on the terminology, you would distinguish between calling a bond and defeasing the underlying mortgage?
A. Yes.
Q. Okay. So for calling the bonds early, that requires paying a premium to bondholders, correct?
A. For bonds that have a no-call provision, yes, you would have to pay a premium on those bonds that have a call provision; you can call them, you would have to pay a premium for calling them early.
Q. Now, for bonds that have a no-call provision, you can still negotiate with the bondholders to call them, but you would have to pay more of a premium, wouldn't you?
A. Yeah. We call that a tender, we can do a tender offer. You know, obviously, there's a

challenge with a tender offer, you know, as we've looked at tender offers in the past, you generally are not going to get a hundred percent of the bonds called in. You know, it can range pretty widely as to the amount that you're able to get in.

Q. Have you been involved in tender offers in the past?

A. I have -- no, I have not. My treasurer and our director of treasury have been involved in tender offers in the past.

Q. Do you have any experience with the premiums that have been paid to call bonds and how that's priced?

A. We have a -- let me even take a step back there. We have at the DPL, Inc. level, we have ran into negotiations, I can't remember which bond issuance it was, where we have brought in bonds early, some were just privately negotiated with the bondholder. So, yes, I am familiar with, you know, obviously we look at where the current market is for the bonds, but it is somewhat of a negotiated price when it is working directly with the bondholder.

Q. Now, with respect to the corporate separation that you have that target at the end of 2017, have you had discussions yet with your banking team as to what the refinancing costs will be to achieve corporate separation?

A. We have not had specific discussions around what the refinancing costs would be with -- when you say "our banking team," if you could just clarify. Are you referring to our outside banks that we generally work with?

Q. Thanks, that was a little unclear. Yes, and I should ask when you do refinancing of this type, do you have a group of -- a bank or group of banks that you work with?

A. We have a bank group that participates in a number of DP&L and DPL's, a lot of our short-term revolver facilities and some of these banks have led bond deals in the past for us. So, yes, we do have discussions with the various banks around market conditions and just around different rate of debt, what type of issuance, when I say issuance, what type of rate we can see on a bond.

Q. Is it fair to say that, since this is still several years off, that you have -- you do not have an estimate of what the refinancing costs will be to achieve corporate separation at the end of 2017?

A. That's correct, I do not have that.

Q. As part of that corporate separation there will have to be some separation of the debt that sits at the DP&L level between the generation business and the T and D business; is that right?

A. That's correct.

Q. And that will include, there's one debt issuance here on this Exhibit 5 that has a maturity date of September 30th, 2013, a little bit later this year, right?

A. That's correct.

Q. So assuming that is refinanced later this year, that will have to be refinanced again in 2017, correct?

A. Our expectation, you know, as we are looking at that debt issuance, again, that's still several months off, but it's something that we will look at to see if can it be directly assigned as we issue it here in the fall of this year or does it still have to be issued as a DP&L facility and then again in 2017 we have to refinance. So it's something that will be worked through in the coming months.

Q. Would the issue of assignment be that following corporate separation it's DP&L debt and following corporate separation there's still a DP&L,

right?

A. That's correct.

Q. So there won't have to be an assignment from the DP&L before corporate separation to the DP&L after corporate separation, right?

A. I guess I'm not understanding your question completely, but when we do separate, each entity will have its own, presumably would have its own level of debt. You know, where we sit today, none of the first mortgage bonds or the pollution control bonds are specific to any asset within DP&L, it's all backed, again, as I mentioned before, by the first mortgage. So at the time of separation that, obviously, that debt will have to be separated out between T, D, and G.

Q. And that's at issue because the first mortgage lien is on, today or many years in the past, is on all of the assets, T, D, and G.

A. That's correct.

Q. Now, to complete corporate separation at any time earlier than December 31, 2017, you're going to have to be refinancing these same debt issuances that we see on FES Exhibit No. 5, right?

A. Any corporate -- when we do corporate separation, we will have to deal what all the debt

that's listed here on workpaper 12.2.
Q. And if you were asked to complete structural separation, again, in 2014, it's the same debt that would have to be refinanced, correct?
A. Yes. We have to refinance the debt issuances that are shown on 12.2 upon separation.
Q. Have you had, with that group of banks that we've -- that you had mentioned earlier, have you had any discussions with them about completing corporate separation earlier than December 31, 2017?
A. We have had some, I would not call that -- with our existing bank group that we have we have not provided them with any financials, if you will; however, we have -- as you know, we do not believe that generation entity, you know, today would be able to have really any level of debt placed on them which means that you would still have all that debt to deal with and would be placed on the T and D business.
That's the challenge and what I believe is causing us to need the time for separation. So time to allow for a market recovery and, obviously, to realize the cash flows that we have included in the ESP filing.
Q. And I thank you for that but I'm not sure

you answered my question.

You had stated that you had not provided financials to that bank group. Have you had any discussions with that bank group about achieving corporate separation earlier than December 31, 2017?

A. Not that I recall.

Q. Now, you understand that both Duke Energy Ohio and AEP are achieving corporate separation by the end of 2014, right?

A. That's my understanding.

Q. Have you had any consultations or discussions with anyone at Duke or AEP about how they plan to achieve corporate separation by the end of 2014?

A. I have not.

Q. Do you know whether anyone else at DP&L has?

A. I would have to confirm, not that I'm aware of.

Q. But not that you're aware of.

A. Not that I'm aware.

Q. Now, for purposes of achieving corporate separation by the end of 2017 you are hoping for a rebound in the gas and power pricing, that commodity pricing, by 2017, correct?

A. That's correct.
Q. Another way to put that is, well, are you hoping that the forwards move higher?
A. Hoping that we see improvements in dark spreads so improvements in margin.
Q. Now, so the delay or, you know -- strike that and start over.
DP&L not achieving corporate separation until the end of 2017 allows the generation assets time to increase in value hopefully based on the increase in the dark spread, correct?
A. The tie in to the separation date, that's one piece of it looking for an improvement in the dark spread. Secondly, it's implementation of the ESP as we have filed which will allow us the opportunity to right size the debt at separation between T and D and generation.
Q. And that's the service stability rider, the revenue for that also plays a part, correct?
A. It plays a part. I'm looking at just our filing overall. So our ESP as we filed.
Q. Now, under the proposed ESP DP&L's generation assets are not, certainly not fully on their own in a competitive market, correct?
A. The generation is, today, is part of

DP&L. Our filing is based on -- it's a DP&L filing.

Q. So I guess would you say that DP&L is fully on its own in the competitive market?

A. So we have competition, obviously, that is occurring, we have customers that are shopping, however, we still have an SSO rate where customers remain on tariff, so they still pay the generation SSO rate.

So I look at it as somewhat of a, just in my mind, a quasi regulated because you have customer shopping, leaves customers paying the regulated rate.

Q. So it would be partly on their own in the competitive market but not completely. Is that fair?

A. When you say "they," you're referring to --

Q. DP&L.

A. Yes, we have customers that have shopped and some customers that have not.

Q. Given the analysis that you prepared for this case and the review that you've done, among other things the dark spreads, is it your belief that electric generation in general is under water, will have negative margin, until at least 2018?

A. What we have reflected, and again this kind of goes back to what are some of the drivers that were causing the ROE to decline over time, we indicated it's due to customer shopping, it's due to lower market prices, and then we had indicated capacity pricing as well. That is what's driving the change in the ROE. And, obviously, that is being reflected throughout the projections in my testimony.

Q. Based on the analysis you prepared and the numbers that you've run, if you were to take DP&L's generation assets today, move them into a separate company, would those assets be making money?

A. You know, again, and I've indicated to you I don't believe that the generation assets could support a level of debt, obviously, that's dependent upon, you know, an expectation of what the cash flows might look like for the generation business.

Q. Well, is it fair to say you haven't, you know, performed that analysis of looking at what the cash flows would be for the generation assets just as the generation assets over the next five years?

A. What we had talked earlier about the impairment test, so certainly there has been a look with regards to the impairment test as to what the cash flows would be by plant.

Q. And the impairment analysis reflected, actually now that you've taken the impairment of the two plants, it would show that cash flows would at least exceed the net book for all of the plants on your books, correct?

A. That's correct.

Q. Now, is the proposed ESP DP&L's effort to protect its generation assets from being fully on their own in the competitive market until 2018?

A. The ESP is a filing for DP&L and, again, as I had mentioned earlier, our ability to separate by 2017, in my opinion, is based on implementation of the filing as we have filed, and with that still an expectation that we would see, and I don't even know if it's an expectation but, you know, hope for a continued rebound in the market to see continuing improvement in the dark spreads.

So, again, our filing is based on DP&L as it exists today leading up to a separation date and then obviously by the end of 2017.

Q. All right. So when you're referring to "DP&L as it exists today," you're referring to DP&L with generation assets that are suffering from the problems that are what's reflected on your CLJ-1, declining energy and capacity values and increasing customer switching, correct?

A. That is what has driven the changes in the ROE as we discussed earlier, so yes, that is the indication.

MR. LANG: My co-counsel tells me that we're at 2 and I am moving to another topic.

EXAMINER PRICE: Well then why don't we go off the record. We will take our lunch at this time until 3:00 o'clock at which point we will resume with Mr. Lang's next topic.

(Luncheon recess taken.)

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Monday Afternoon Session,
March 18, 2013.

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EXAMINER PRICE: Let's go back on the record.

Mr. Lang.

MR. LANG: Thank you, your Honor.

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CRAIG L. JACKSON

CROSS-EXAMINATION (Continued)

By Mr. Lang:

Q. Mr. Jackson, DP&L today is providing safe and reliable distribution service, yes?

A. Yes, I believe so.

Q. Now, you believe, it's in your testimony, that a $137.5 million subsidy is necessary each year of the next five years in order to maintain DP&L's financial integrity, right?

A. That's correct.

Q. Define for me what you mean by "financial integrity," please.

A. Sure. Financial integrity is, how I define it is the ability to meet our financial operational objectives, have the ability to invest in capital, to attract capital, and then obviously to have the opportunity to earn a reasonable rate of return.

Q. Okay. So it's your position that if DP&L receives a subsidy of only 137 million in 2013, DP&L would not be able to maintain its financial integrity.

MR. FARUKI: I'm going to object to the form insofar as he's characterizing it as a subsidy; what the parties have been calling it is the SSR or nonbypassable charge, your Honor.

EXAMINER PRICE: Mr. Lang, would you care to rephrase that.

MR. LANG: I can rephrase.

Q. If DP&L receives the SSR in the amount of 137 million instead of 137.5 million, then your position is that DP&L would not be able to maintain its financial integrity, correct?

A. Our filing, which included $137-1/2 million, was to promote our financial integrity, so I believe it's $137-1/2 million.

Q. And it's exactly that same amount that is required each year for the next five years, correct?

A. We levelized the amount over the term of the ESP.

Q. That's what I was curious about, because your CLJ-2 shows a deteriorating financial picture through 2017, right?

A. That's correct.

Q. And so the SSR -- now, the SSR of 137.5 million plus 45 million in O&M reductions would result in an ROE on your CLJ-2 of close to 11 percent in 2013, correct?

A. I think that you're looking at just the first year. I think that's certainly as you do the calculation in that one year, I don't know what that particular number is for that first year but I think you have to look at this over the term of the ESP.

As I included in my deposition, yes, we have indicated potential savings of $45 million in year 1, $20 million in the second year, and then $30 million each year thereafter. If you look at that, the significant amount of $30 million per year, just saying on average, you would be looking at an ROE impact which would result in the lower end of the range which is discussed in Mr. Chambers' testimony.

Q. Now, do you agree that an SSR of exactly $137.5 million in 2013 is not needed in 2013 in order to provide adequate service in 2013?

A. Again, we levelized the level of the SSR, this is an ESP filing that we made over a five-year period, and I am looking at this over a five-year period, an ability to maintain our financial integrity over that period of time, over the term of the ESP.

Q. To my question, can you turn to the deposition transcript I put in front of you, please, page 96. It would be page 96, line 4. Are you there?

A. Yes, I am.

Q. Okay. And I asked you the question: "But in terms of the amount required to provide adequate service, you can't tell me that to provide adequate service in 2013 that you need that -- exactly $137.5 million, correct?"

And your answer was: "Correct."

Do you see that?

A. Yes, I do.

Q. Okay. Now, I have two more exhibits to mark.

MR. LANG: I'd like to have an exhibit marked as FES No. 6, your Honor.

EXAMINER PRICE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Jackson, do you recognize FES No. 6 as an interrogatory response that you provided?

A. Yes, I do.
Q. And the question was to provide the historical dividends paid by DP&L to its parent company and that would be to DPL, Inc.; is that right?
A. Yes, that is correct.
Q. And you identified dividends paid by DP&L to DPL, Inc. of 325 million, 300 million, and then 220 million, for the years 2009 through 2011 respectively, correct?
A. Yes.
Q. And this is accurate; that's truthful information?
A. Yes.
Q. All right. And those were dividends paid up to DPL, Inc. when the return on equity for DP&L was 18 percent, 20 percent, and 14 percent respectively, right?
A. Yes, that's correct.
Q. Tell me, when did DP&L determine that its financial integrity would be threatened if it did not receive the $137.5 million annual SSR payment from its ratepayers?
A. As we were preparing for our filing and ran through the results, we basically looked at

the -- the SSR was the, I would call it the last thing we had looked at, so we ran through our cash flows and our statements of income and the balance sheet, excluding that, and then layered in what level of SSR would we need to maintain a -- to maintain financial integrity.

Q. So the first time that DP&L looked at whether its financial integrity was threatened was as part of preparing its ESP filing in this case; is that right?

A. It was part -- leading into this case, yes.

Q. Was it also prior to that time?

A. No. As I've mentioned before, you know, we generally, when we budget -- we talked about our budget process throughout my deposition. When we budget, we typically budget at the DPL, Inc. level. That said, as we were preparing, again, for this case, as I just mentioned earlier, is when we began to look again at DP&L and the potential impacts from this case.

MR. LANG: One more exhibit. Your Honors, if I could have one more exhibit marked as FES No. 7, please.

EXAMINER PRICE: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Jackson, do you recognize what has been marked as FES Exhibit No. 7?

A. Yes, I do.

Q. And this is a response to actually an FES interrogatory No. 9-27.

A. Yes.

Q. And it was, the substantive part of it was prepared by you; the response.

A. That's correct.

Q. Now, you discuss in here that, in the last sentence it's talking about DPL, Inc. debt. And so in that last sentence when it makes the reference to "this debt," that would be DPL, Inc. debt, right?

A. That's correct.

Q. Okay. And you state here in the last sentence that the DPL, Inc. debt "cannot be tied back to a specific asset but has been a general source of financing for DP&L," and you had stated in your deposition that you would have to revisit this answer and possibly update. I'm just curious as to whether you have an update.

A. Yes. And, in fact, I believe I had given an update in the deposition, I can't remember if it was the second or the third day, but you can't -- you have to read the entire answer. I think you were just isolating that last sentence. And what we're trying to indicate here is if you look at the equity that sits at DP&L relative to the equity at DPL, Inc., you have a higher equity balance at the utility.

In our view that suggests, as it says in the second-to-last sentence, from an economic perspective a portion of the debt at some point was attributed to DP&L. That would indicate to me that, you know, at some point, and I can't recall when that would have been, but at some point in time, whether there was cash that would have been assigned down to the utility, but it does give an indication that a portion of that debt, the DPL, Inc. debt, is attributable to DP&L.

Q. Okay. So, as an example, DPL, Inc. has a short-term revolver, right?

A. DPL, Inc. has a short-term revolver, yes.

Q. And so that short-term revolver at the DPL, Inc. level is also a general source of financing for DP&L; is that right?

A. DPL, Inc. can draw on its revolver. The utility cannot draw on that revolver. To the extent that DPL, Inc. draws on it and they want to make an equity infusion down into DP&L, they can certainly do that. So in that vein, yes, then I would view that as a general source of financing.

Q. And what is the -- what is the amount of that revolver at the DPL, Inc. level?

A. I believe it is $75 million.

Q. Okay. So what you're saying is that DPL, Inc. can draw on that 75 million and use it to infuse equity into DP&L, correct?

A. They could do that. Or if they wanted to set up a intercompany loan between the two entities, they can do that as well.

Q. Is it fair to say that your projections of income and balance sheets on CLJ-2 and 3 do not reflect injections of equity either from DPL or from AES?

A. Into DP&L?

Q. Correct.

A. There is no cash moving from DPL down to DP&L.

Q. Yeah, the only cash in your CLJ-2 and 3 is cash moving from DP&L up to DPL, correct?

A. That is correct.

EXAMINER PRICE: Mr. Jackson, sitting here today can you testify as to any cash infusion from DPL down to the utility DP&L?

THE WITNESS: Historically has there ever been?

EXAMINER PRICE: I'm asking if you can testify today whether you know of any.

THE WITNESS: I am not aware of any.

EXAMINER PRICE: Thank you.

MR. LANG: Thank you, Mr. Jackson.

And, your Honors, I'm done.

EXAMINER PRICE: Thank you.

Mr. Oliker.

MR. OLIKER: Your Honor, could I have one minute to try to --

EXAMINER PRICE: You may.

MR. OLIKER: -- look through my questions here.

EXAMINER PRICE: Let's go off the record a minute.

(Off the record.)

EXAMINER PRICE: Let's go back on the record.

Mr. Oliker.

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CROSS-EXAMINATION

By Mr. Oliker:

Q. Good afternoon, Mr. Jackson.

A. Good afternoon.

Q. My name is Joe Oliker, we met previously. I represent IEU-Ohio. I'll be asking you a few questions this afternoon, but thanks to Mr. Lang, that list has been greatly reduced.

Earlier you answered some questions about whether DP&L could possibly request an increase for distribution or transmission rates. Do you remember that discussion?

A. Yes, I do.

Q. Prior to filing your testimony did you investigate or inquire of anybody at DP&L whether or not DP&L could file a transmission or distribution rate case?

A. I don't recall that I have.

Q. Earlier you also answered some questions regarding the source of DP&L's financial integrity concern. Do you remember that discussion?

A. Yes, I do.

Q. And I believe you also identified that you believe DP&L could not transfer its generation assets at this point in time because of first

mortgage bonds, correct?
A. I had indicated, I said multiple reasons why I did not believe we could transfer the generation assets and one was related to just the financial aspects, so the ability of the generation business to be able to support a level of debt. But then secondly, yes, was structurally tied to the first mortgage bonds.
Q. My question is a little different. I guess in the event that DP&L were to transfer its generating assets to an unregulated affiliate, would you agree that the remaining transmission and distribution utility would not have a financial integrity concern?
A. I guess as I look at this, this is a filing for DP&L and that filing includes transmission, distribution, and generation, and we had discussed the rationale for the decreases in ROE over that period of time which was tied to market pricing, customer switching, and capacity pricing, obviously, which, yes, are tied on the generation side.
Q. So the answer is that the remaining distribution and transmission utility would not have a financial integrity concern?

A. Again, my answer is this is a DP&L filing, it's a filing for T, D, and G.

EXAMINER PRICE: Mr. Jackson, that was not responsive. If you could answer the question, I would appreciate it.

A. I believe that the T and D business has sufficient revenue included in it so I do not believe it would have a financial integrity issue for the T and D business.

Q. Thank you.

Turning to Exhibit CLJ-2, Mr. Jackson, would you agree that this exhibit was created or -- strike that.

Would you agree that the information compiled on Exhibit CLJ-2 was created exclusively for this case?

A. The financials that are shown here were prepared for this case. I guess I'm not -- I may ask you to restate that question. I'm not sure that I understood it correctly.

Q. Does this exhibit have any other purpose outside of this case, Mr. Jackson?

A. This exhibit is for this case.

Q. Could you please turn to the document that's been marked as FES Exhibit 1.

A. I am there.
Q. I think you said this earlier but this compilation of documents is meant to provide the workpapers so that we can see how you got to your numbers on CLJ Exhibit 2, correct?
A. That's correct.
Q. And could you turn to 53809 in FES Exhibit 1.
A. Okay.
Q. The top box, that provides a breakdown of the $337 million of wholesale revenues you projected for 2013, correct?
A. Yes. Similar to Mr. Lang's question earlier this morning on that, that does reflect the wholesale revenue, $337 million.
Q. And I think you said this earlier, but this isn't all of DP&L's wholesale revenues. This is a net revenue calculation, correct?
A. So let's -- the revenue, you have to look at this in the three components, so there's three line items listed there. The 113 million is a net number and that's the net of our generation and load expense, so for a particular hour that is how I would define that as a net number. The on-system DP&L to DPLER transfer price revenue, that there is a gross

transfer price revenue between DP&L and DPLER for the on-system sales. And then there's, obviously, there's a small number on the portfolio optimization.

Q. Maybe I can state my question differently.

Would you agree that you have excluded revenues in this calculation, Mr. Jackson?

A. Yes, I would. And similar to the questions that Mr. Lang had earlier this morning, the revenue that we excluded is related to the projected off-system sales from DP&L to DPLER, and on the flip side, we have also excluded the load cost or load expense related to those transactions.

Q. Mr. Jackson, do you help assist in the preparation of SEC filings?

A. I review the SEC filings. The actual preparation and development of them is within the accounting group and other areas within the company. But, yes, I do review them.

Q. Do you sign them as well?

A. Yes, I do.

Q. Would you agree that it's not appropriate to exclude revenues from SEC filings?

A. Similar to what, I think you may have asked that same question in the deposition, no, I do not. That said, you know, for purposes of this filing I am still very comfortable and confident in the numbers because the margin related to the off-system sales had a net impact of zero, therefore, I believe it is still an accurate representation of the forecast.

Q. Would you also agree that for purposes of creating CLJ-2 you also exclude expenses?

A. I think I just had mentioned that in my prior response, that the expenses were excluded as well, yes.

Q. And, likewise, in your SEC filings you would not exclude expenses, Mr. Jackson?

A. That is correct, on the SEC reports we would not exclude that. Again, I would just reiterate my prior answer: For purposes of this filing I'm comfortable with the way that it was presented because the net margin effect from those sales that we excluded has a zero impact.

Q. Mr. Jackson, would you agree that if you had included those expenses and those revenues -- let's take them one at a time.

Looking at CLJ-2, would you agree that those revenues would be included on line 4 for wholesale sales?

A. Yes, the revenue would have been included in the line item No. 4, wholesale sales.

Q. And the expenses would have been included under line 11 for purchased power?

A. That's correct.

Q. Now, looking at line 10 regarding fuel costs, would you agree that you have not excluded any fuel cost? You've included the fuel cost for all of DP&L's generation output, correct?

A. Yes. Yes, we have included all the fuel costs.

Q. Mr. Jackson, would you agree that your testimony provides the statistical foundation for William Chambers' testimony?

A. Yes.

Q. Would you agree that you did not inform Mr. Chambers that you excluded revenues from your calculations?

A. I don't recall if I -- I don't recall if I did or not.

Q. Do you recall if you told him you excluded expenses from your calculations?

A. I do not recall. If I would have told him one, I would have told him the other.

Q. Could you please turn to FES Exhibit 2, Mr. Jackson. I just want to try to flesh out some things on this first page first.

A. Sure.

Q. Did you prepare either the top box or the bottom box, Mr. Jackson?

A. Yes. The top box reflects the gross margin that we see coming out of the commercial model so we reflected that on this schedule here. The bottom box, yes, we prepared because that shows the adjustments that we make to gross margin coming out of the commercial model that we reflect in the financial model.

Q. Mr. Jackson, my question is did you prepare either the top box or the bottom box?

A. That's on this schedule here?

Q. Yes.

A. No, I did not.

Q. Do you know -- I believe earlier you stated that Mr. Hoekstra's group prepared the top box?

A. Mr. Hoekstra's group provides the results that are reflected in that top box. I believe it was my -- someone within my FP and A group who showed the bridge between the gross margin from the commercial model and the gross margin that's in the FP and A model.

Q. Do you know what each of the FP and A adjustments stand for in the bottom box, Mr. Jackson?

A. Yes, I do.

Q. Could you tell me what's in the line "Variance Items"?

A. Yes. That is a subtotal of the four items that are noted above. So the O&M offset, the market to market, the CERT, and then the adjustment to the purchases and sales, the net of those four or the sum of those four equal the total variance items.

Q. Would you agree that the purpose of this workpaper, pages 1 through 4, is in part to explain how you calculated wholesale revenues on line 4 of CLJ-2?

A. Let's go page by page. So the first page, 53673, again, is designed to reconcile between the two models that I mentioned earlier, the commercial model and then what we reflected in the financial model which is reflected in my testimony.

Turning to 53674 and 53675 and then 53676 is meant to show the -- let's look at 53674 first. That is the gross generation sales to PJM, purchased power from PJM, and then the on-system DP&L to DPLER.

So it is showing the gross amounts which ultimately, again, as I had mentioned earlier, we then take this information on an hour-by-hour basis, we look at the net position.

But, yes, ultimately this information would drive the numbers that are reflected in wholesale revenue and in purchased power.

Q. Could you please go to page 2 of 4 and particularly the 218 million on page 2 under wholesale sales on-system DP&L to DPLER revenue. Is that number supposed to tie to 53809 on the second line under on-system DP&L to DPLER transfer price revenue?

A. Yes.

Q. Now, of that line there's $113 million listed for net on-system sales for PJM hourly market. Would you agree that I can't find that number anywhere in the workpaper that we were just discussing in FES Exhibit 2?

A. That's correct.

Q. I have some more questions about the RTO accounting, I think that's what you -- or, net accounting. How would you like to refer to it, Mr. Jackson?

A. Either-or works for me.

Q. You provided a hypothetical to us but I have one that has a few more variables in it and I think we talked about it earlier in the deposition, so hopefully it's not new information.

A. Can I get a sheet of paper just to mark these down? I don't want to write on the exhibit.

EXAMINER PRICE: You may.

Mr. Sharkey.

Let's go off the record.

(Discussion off the record.)

EXAMINER PRICE: Let's go back on the record.

We will go to the confidential portion of our transcript.

Mr. Oliker.

(Confidential portion excerpted.)

(Open record.)

EXAMINER PRICE: Mr. Oliker.

MR. OLIKER: Thank you.

Q. (By Mr. Oliker) Mr. Jackson, earlier you answered a series of questions regarding DP&L's ability to provide adequate service. Do you remember that?

A. Yes.

Q. I think we also touched on this group of questions in your deposition. If DP&L were to earn $1 of net income, would you agree that you could still provide adequate service to customers?

A. No, I believe that we would be -- we would be challenged. If we earned $1 of net income, I'm going back to my Exhibit CLJ-2, again, I'm looking at this in aggregate for DP&L, and I think the projections that we've laid out provide for the financial integrity.

Q. Mr. Jackson, you're familiar with economic dispatch, correct?

A. Yes, I am.

Q. Would you agree that even if DP&L's generating assets were not to operate, customers would still receive stable service because PJM would dispatch electricity to meet the load from other resources?

A. Yes. We -- if our units do not dispatch, we are procuring from the market to supply, so yes, that's correct.

Q. I think I can ask this question in the public domain. Mr. Jackson, earlier did you testify that DP&L is selling all of its generation into PJM and then buying it back on an hourly basis?

A. Our generation assets clear in PJM, they're paid, so yes, we are offering our generation assets in. Likewise, we are -- we have a load expense that's attributable to our load obligation.

Q. If your purchase -- strike that.

If you're selling your power into PJM and then buying it all back, why does DP&L have fuel costs?

A. Because the plant is actually running. So there's a fuel cost associated with running the plant.

Q. Mr. Jackson, my question is a little different. I guess I'm wondering why doesn't DP&L just record purchased power costs if you're selling all of your generation and then buying it back?

A. When you say why don't we, you're referring to why don't we record purchased power costs associated with what we are buying back from PJM? I guess I want to make sure I understand your question.

Q. I guess my question is: Why isn't DP&L just recording purchased power costs instead of fuel costs?

A. We have to record fuel costs because the plant is actually running. We have a cost associated with running that plant. And, in fact, the purchases -- the load expense that we referred to earlier, we are, in fact, recording that, however, it's being recorded on a net hourly basis.

Q. I'm sorry to jump around here but I'd like to talk about a slightly different topic.

To your knowledge, does the Public Utilities Commission of Ohio have rules regarding the sales of generation to an affiliate that require compensation to be based on fully loaded embedded costs?

A. That is my --

MR. FARUKI: I'll object. Isn't that a question of law whether there's rules that require a certain type of cost?

EXAMINER PRICE: He can answer if he knows. We understand he's not rendering a legal opinion.

MR. OLIKER: Thank you.

A. It's my understanding that if there is a sale between DP&L -- I'm just going to use DP&L and DPLER in this instance -- it has to be at a market rate to -- which we are doing.

In addition to that, when we talk about fully-embedded costs, my interpretation of what that is, again, I'm not a lawyer, but my interpretation is I have a cost associated with my time, a portion of my time is allocated to DPLER, to DP&L, and to other affiliates of DP&L. That cost would not be reflected in the transfer price between DP&L and DPLER, rather, it would be reflected in an O&M cost to DPLER.

Q. Mr. Jackson, my question was on generation sales.

A. And you said sales to DPLER.

Q. My question is whether or not generation sales to DPLER have to be based upon fully-embedded costs.

A. I guess I would -- I think the question is a little bit confusing because when you say "generation sales to DPLER," we have entered into an agreement to sell power from DP&L to DPLER.

MR. OLIKER: I'm sorry. Could I please have his answer read back?

A. I wasn't finished. I was waiting for you to finish talking.

MR. OLIKER: Thank you.

EXAMINER PRICE: Go ahead.

THE WITNESS: Keep going?

Your question is a little bit confusing because when we sell, when there's an agreement between DP&L and DPLER, it's an agreement to supply power. That can come from generation or it could come from DP&L buying in the market to supply that power.

So I guess I'm a little bit confused when you say a generation sale to DPLER.

Q. I understand that you have an agreement with DPLER and my question isn't about what the agreement requires. I'm trying to understand your knowledge of PUCO rules.

A. And, again, it's my understanding that a transaction between DP&L and DPLER should be at a market rate and there are fully -- or, embedded costs that we do not include in the transfer price, however, those costs are allocated to DPLER, not in the transfer price, but into their O&M. It's allocated based on a CAM methodology, or, there are direct costs assigned to them.

Q. Now, if I understand what you just said, are you saying that the O&M costs associated with your generating assets are assigned to DPLER?

A. No, I didn't say that. I said to the extent there are costs, and I gave an example. So my time, for example, a portion of my time is allocated to DPLER through the CAM process or, if I was working on a specific project related to DPLER, I can directly assign my costs. I didn't say that the generation costs are assigned to DPLER.

There is a market price that we enter into when we sell from DP&L to DPLER and then there are other costs, such as my time, that would be allocated outside of the transfer price.

Q. Mr. Jackson, your time, though, for

example, that's not related to the transfer price, is it?

A. I think that's what I said. It's not tied into the transfer price. It's allocated via the CAM or direct allocation through O&M. It's not part of the transfer price.

Q. So just so I can understand what you're saying, you believe -- strike that.

You don't have any personal knowledge whether Commission rules require the transfer price to be established based on fully-allocated costs that are incurred by DP&L.

A. Again, I can't speak to the legality of it. It's my understanding that it's -- there's a -- it's based on a market price and then to the extent there are other costs, again, I gave the example that those should be allocated to DPLER and I believe we're doing that.

Q. And similarly -- strike that.

To your knowledge, does Section 4928.17, which is the corporate separation statute, does that statute require sales to DPLER to be based on fully-allocated costs?

MR. FARUKI: Objection.

EXAMINER PRICE: I'm going to sustain the objection. I think we've moved beyond regulatory issues on to asking his legal opinion.

MR. OLIKER: Okay.

Q. Mr. Jackson, are you familiar with Dayton Power & Light's electric transition plan case?

A. Vaguely. I mean, this is going back quite some time.

Q. You weren't a witness in that case, were you, Mr. Jackson?

A. No, I was not.

Q. Are you aware that DP&L received transition charges in that case, Mr. Jackson?

A. I am aware that we received some dollars coming out of that case.

Q. Am I correct that you are not offering any testimony to refute the claim that the service stability rider or switching tracker is an unlawful transition charge?

A. I don't believe it's an unlawful charge so I'm not offering testimony that it is. I don't believe it is.

Q. Have you reviewed the statutes pertaining to transition charges, Mr. Jackson?

A. I have not.

MR. OLIKER: I have some questions about

the business ledgers of DP&L. I can't remember if that information is confidential or not.

MR. FARUKI: I believe so.

EXAMINER PRICE: Is this your last set of confidential -- or, last set of questions? I guess my question is do you have any public questions you can ask him before we go on the confidential portion of the transcript.

MR. OLIKER: I might be able to, your Honor. Let me take a quick look.

EXAMINER PRICE: Okay.

MR. OLIKER: Actually, I don't know if I do have any more public ones.

EXAMINER PRICE: Great. We won't hold you to it, but at this time we'll go to the confidential portion of our transcript.

(Confidential portion excerpted.)

(Open record.)

EXAMINER PRICE: Please proceed, Ms. Grady.

MS. GRADY: Thank you, your Honor.

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CROSS-EXAMINATION

By Ms. Grady:

Q. Good morning -- good afternoon. I want you to turn to your testimony on page 5 beginning on line 13, and I'm going to talk to you a little bit about the switching tracker, and there you indicate, Mr. Jackson, that the financial results that you include in your testimony include the impact of customer switching as of August 30th, 2012. Do you see that?

A. Yes, I do.

Q. And the customer switching as of August 30th, 2012, is it your understanding that was approximately 62 percent of the company's distribution load?

A. Yes, that's my understanding.

Q. And when we say "switched," I'm talking about switching from standard service offer to CRES, is that your --

A. Yes, that is correct.

Q. Now, another company witness, Mr. Hoekstra, testifies to the detail behind that number; is that correct?

A. Yes.

Q. And do you understand that the 62 percent switching number is an annualized forward-looking percentage of overall distribution sales volume?

A. Yes, I do.

Q. Now, you have proposed the tracker to moderate the impact of switching on the company's earnings and return on equity, correct?
A. We have requested the switching tracker, yes, to alleviate some of the pressure related to incremental switching.
Q. Now, your testimony on the tracker picks up at page 11, and if I look at the questions posed on 20 and 21, you're asked to describe how the company's tracker would function. Do you see that?
A. Yes, I do.
Q. The switching tracker that you're proposing is a nonbypassable charge?
A. Yes.
Q. And by "nonbypassable" what we mean is that you're seeking to recover from all customers whether they are shopping customers or nonshopping customers, correct?
A. That is correct.
Q. Do you know, Mr. Jackson, what the legal basis is for the switching tracker?
MR. FARUKI: I'll object.
EXAMINER PRICE: Grounds?
MR. FARUKI: Asking someone what the legal basis for something is is asking for a legal

conclusion or opinion.
EXAMINER PRICE: Ms. Grady.
MS. GRADY: If you know, Mr. Jackson.
Just asking if he knows.
EXAMINER PRICE: Do you have a response to Mr. Faruki?
MS. GRADY: Perhaps I can rephrase it.
EXAMINER PRICE: Okay.
Q. (By Ms. Grady) Do you know under what authority the company is requesting a switching tracker?
A. I cannot speak to that.
Q. Now, the switching tracker would be designed to collect lost revenues associated with shopping that occurs above 62 percent, correct?
A. It is the, I think as I mentioned to Mr. Oliker, it is the way that we have proposed this, it is to collect, defer and then collect the difference between the blended rate and the CB rate that's in effect.
Q. Can we call this lost revenues?
A. I like to think of it as lost margin, but . . .
Q. Well, if we go back to CLJ-5, page 1 of 2, don't you refer to the lost revenue opportunity?

A. Yes.
Q. Okay. Now, the tracking under the switching tracker begins when, Mr. Jackson?
A. What we had proposed in my testimony was incremental shopping over and above the August 30 levels would be proposed to begin January 1st.
Q. The tracking begins --
A. The tracking in 2013 but, again, going back to the levels from August 30th.
Q. And under your proposal the tracking continues through June 1st, 2016?
A. The tracking of that, yes. And then the recovery of the portion in 2016 would be recovered in 2017.
Q. Okay. Let's go back a moment to your Exhibit CLJ-5 where you show a calculation of the tracker. Do you have that?
A. Yes, I do.
Q. And you state there on the first page that the switching tracker is intended to allow collection of lost gross margins that DP&L would experience if switching increases beyond 62 percent.
A. That's correct.
Q. And can you define the lost gross margins for me, please?

A. Again, the lost gross margin would be the difference between the blended rate and the CB rate that's in effect.

Q. Would you agree that these are essentially lost revenues associated with customers migrating away from DP&L to a CRES provider?

A. Yes. I think as we had just discussed previously, yes, that is the case.

Q. Does it matter who the customers are lost to, Mr. Jackson?

A. This was designed, if customers switched to any CRES provider.

Q. If the customers migrate to DPL, Inc.'s affiliate DPLER, then the revenues aren't really lost to DPL, Inc., are they?

A. In fact, yes, they would be because the customers are shopping to DPLER, if I understood your question correctly, customers are shopping to DPLER at a reduced rate, therefore, the switching tracker would be designed to capture the lost margin related to those customers switching to DPLER as well.

Q. But DPLER, then, would be able to turn around and sell those -- DPLER would be able to go ahead and turn around and sell the wholesale energy to its end-use customers, correct?

A. DPLER, let's kind of go back to, again, how transactions between DP&L and DPLER work and then we'll go to the end customer. It is based on a market price sale to DPLER and then DPLER, obviously, enters into an agreement with the end-use customer. They are charging at the price that they charge to the end-use customer.

You know, what I can tell you is it's a very competitive market so if DPLER, if it was turning around and selling that, they wanted to put, you know, an exorbitant amount of margin on top of the price, they're not going to borrow the load. It's a very competitive marketplace and the margins are and continue to be very, very tight.

Q. Would you understand that DPLER would -- its price to the end-user would contain a margin, wouldn't you believe that it would?

A. That DPLER's price to the end-use customer would contain a margin?

Q. Yes.

A. Yes, I believe that DPLER is attempting to earn some margin and, obviously, to cover its costs.

Q. Now, DPL, Inc. is a hundred percent shareholder of DP&L; is that right?

A. Yes. DPL, Inc. is the sole shareholder of DP&L.

Q. Are you aware generally of the percentage of load that is switched from DP&L to CRES providers that's attributable to DPLER?

A. Yes, I am.

Q. And can you tell me generally what load, what of the entire switched load, how much DPLER has picked up?

A. So I'm looking back to September of 2012, I'm going to give you two data points, and again these are annualized numbers as well, so it will sync up with the 62 percent that we had referenced earlier.

As of the end of September 2012 the percentage of DPLER of the switched load was approximately 73 percent. As of December, the end of the year, that number is approximately 64 percent.

Q. So you're saying that DPLER -- of the entire switched load, that the load that switched from DP&L, DPLER has picked up either 73 percent, if you look in September, or 64 percent if you consider the December figures.

A. That is correct.

EXAMINER PRICE: So it's comparing apples to oranges, for -- the Bench needs simplicity here. They have 72 percent of the 62 percent.

THE WITNESS: That's correct.

EXAMINER PRICE: That's what they had at the end of September -- and we don't know based on the record right now what percentage they have of at the end of December.

THE WITNESS: At the end of December the percentage of switched load, so again back to the 62 percent, that number at the end of December is approximately 66 percent. So DPLER has 64 percent of the 66.

EXAMINER PRICE: Thank you.

THE WITNESS: Thank you, your Honor.

MS. GRADY: Thank you.

THE WITNESS: Thank you.

Q. (By Ms. Grady) Would you agree, then, in the switching tracker there are no costs that are being incurred?

A. I would agree this is based on, as we have discussed, the lost margin or the lost revenue.

Q. Now, when you go to page 2 of your Exhibit CLJ-5, there you're -- for illustrative purposes you are assuming an uptick in switching from 62 to 70 percent. Do you see that?

A. Yes.

Q. And in your example, assuming that 8 percent for -- and in your example you're assuming that 8 percent uptick for the full ESP term; is that correct?

A. Yes. This was just meant to be an illustrative example but it showed the increase going from 62 percent to 70 over that term.

Q. And in your example, assuming that increase, the company will collect an additional $65.7 million?

A. That's correct.

Q. And that revenue figure that's shown in your example, that does not include carrying costs that you will be accruing at the long-term cost of debt?

A. No, I do not believe that that included carrying costs. This was just reflective of the change in those two prices I mentioned earlier.

Q. And as part of your switching tracker you are requesting carrying costs at long-term cost of debt on the deferrals created under the switching tracker?

A. Yes.

Q. Okay. Can you tell me if those carrying charges would accumulate and be compounded for the period of booking through collection?

A. I believe what we had proposed is that you would defer, so let's just take 2013 for example, we would defer those costs in '13, there would be a calculated carrying charge related to that, then we would begin collecting that in 2014 and we're assuming that you would collect the full amount in '14. So effectively you'd have, I believe it would be about a one-year type carrying charge.

You move into the second year, you're deferring the cost in '14, a carrying charge would be applied to that, then you're recovering that in 2015.

So when we say is it cumulative, I don't believe that you would see a cumulative year over year because we're deferring in one year and collecting the next year.

Q. And the collection begins January 1st of 2014 under your proposal?

A. For the '13 deferrals, yes.

Q. And at that time, on January 1st, 2014, you'll be collecting all the tracked amounts dating back to January 1st, 2012?

A. That's correct.

Q. And the collection would continue until all the deferrals are collected; is that correct?

A. Yes. What we filed is that we would collect that over the calendar year 2014.

Q. Now, Mr. Hoekstra presents the company's expectations with regard to customer switching over the term of the ESP?

A. Yes.

Q. And those expectations are, if you know, Mr. Jackson, that customer switching levels will rise considerably from 2012 to 2016?

A. Yes.

Q. In particular, is it your understanding that overall switching levels are expected to . . .

MR. FARUKI: Your Honor, I think now we're into confidential material.

MS. GRADY: Oh, I apologize. I'm sorry.

EXAMINER PRICE: Do you want to rephrase it, or do you want to go to the confidential portion?

MS. GRADY: I can rephrase it.

In fact, I'll just withdraw my last question, that would work.

EXAMINER PRICE: Thank you.

Q. Now, let's switch gears for a moment, Mr. Jackson, and I want to talk a little bit about the cost savings initiatives that you've been discussing earlier with counsel for FES and counsel for IEU.

When the cost savings initiatives were being analyzed, you were looking at what level of cost savings would be needed to achieve a targeted ROE; is that correct?

A. Yes. We had looked at what we would need to get back to a targeted ROE.

Q. And the type of ROE you were looking at was around 6.2 percent; is that correct?

A. Yeah, similar to the, you know, the range that's, I'm sorry, the average that was reflected in my testimony, yes, we were looking at what level of -- what level of cost savings we would need to get back.

Q. And get back to the 6.2.

A. A range, you know, with the 6.2 kind of embedded within that range.

Q. And the 6.2 that you targeted was a combination of balancing the impact on customers' bills as well as having the opportunity to earn a reasonable rate of return; is that correct?

A. Our filing, which included the service stability rider of $137-1/2 million, yes, that reflected our ability or our attempt to balance our need for financial integrity and, yes, the impact on customer bills.

Q. Now, when the cost savings were identified, you then put the cost savings into your financial model; is that right?

A. When we identified the cost savings, again, it was consistent with expectations of the results of this case, so yes, we rolled that into just an overall view as to what the impact would be.

Q. And that's the same model that you used and rely upon in this case for your pro forma financials?

A. That is correct.

Q. And then you, the next step was you ran the model to determine the return on equity produced under the cost savings scenarios?

A. So the return on equity, it's a calculation that's driven by the output of the financial statement. So, yes, once we layered in, again, the expected results plus potential cost savings items, we were able to identify a potential ROE.

Q. Now, you are familiar with AES, are you not?

A. I am.

Q. That is the ultimate parent of DP&L?

A. It's the ultimate parent of DP&L, yes.

Q. And it's your testimony, Mr. Jackson, that AES is aware of the savings opportunities that have been identified at the DP&L level in the cost savings that you have identified and you were in charge of?

A. They are aware of the potential items, the dollar amount that has been identified.

Q. Would you agree, Mr. Jackson, that the higher the SSR adopted by the PUCO, all other things being equal, the less cost reductions you would need to make to achieve your targeted ROE?

A. The -- again, I think this kind of goes back to a question that Mr. Oliker had for me earlier. Yes, all else being equal, you would see a -- yes, I would agree with that.

Q. And if you factored the cost savings that you've identified into the financial projections that you present on CLJ-2, the return on equity on average over the term of the ESP gets to a little north of 7 percent?

A. It gets to a little north of 7 percent, that's correct.

Q. And by "a little north" can you identify how north -- how far north?

A. I don't recall the exact number but it's probably, you know, around between 7 and 7-1/2 percent, somewhere.

Q. Okay. And 7-1/2 being 7.5?

A. 7.5.

Q. Thank you.

Now, the company has a ten-year operating forecast that covers the period 2013 through 2023; is that correct?

A. That is correct.

Q. And this would be the normal operating forecast that you refer to on page 7 of your testimony?

A. That would be part of the normal operating forecast. I would note that, you know, us now being part of AES, a ten-year forecast, traditionally DPL had not done ten-year forecasts, we had traditionally done a five-year forecast. So in the most recent year, 2012, when we went through that process, that's where we developed the ten-year. That was our first, I'd say foray into a ten-year forecast.

Q. Now, the 2013 through 2023 operating forecast is the company's latest ten-year operating forecast?

A. We have, as again I had mentioned earlier, when we go through the forecast process there are multiple rounds.

Q. Correct.

A. Our Round 4, which I'd indicated in my deposition, was the last one.

Q. Okay. And Round 4 is expected to be approved sometime in this first quarter of 2013?

A. Round 4 was approved I believe it was just within the past week.

Q. And when we say "Round 4," that would indicate that the forecast that was just approved would include the O&M savings opportunities that you identified in your cost savings analysis?

A. And I should be clear, when I say it was approved, it's 2013 --

Q. Yes.

A. -- that is approved. We provide, obviously, the remaining years in that forecast. But the year that is actually approved is 2013.

Q. So the O&M savings initiative of $45 million in 2013 has been approved by virtue of the approval of the forecast?

A. The 45 million, the identified reductions are included. I believe we have also reflected changes to plant performance as well which would reflect a reduction to margin.

Q. Did you also reflect capital expenditure reductions in that approved budget or approved forecast?

A. Yes, and again, what was approved was for 2013.

Q. Now, the O&M -- the O&M expense level that you used as part of CLJ-2, line 17, that O&M, although it was reviewed, was not approved as part of any budget; is that correct?

A. That is correct.

Q. Now, on page 2, lines 17 through 20, can you focus on your testimony that a factor in the decline and forecasted ROE is the company's transition to 100 percent auction? Do you see that?

A. You're on page 2 of my testimony?

Q. Yes. I'm sorry.

A. I'm sorry. Can you repeat your question now that I found it?

Q. Yes. If we go down to page 2, you are talking about the decline in forecasted ROE and you indicate there that it's driven by a number of things, and I want you to focus on the company's transition to 100 percent auction.

A. Okay. I see that.

Q. So you were saying there that the market price of electricity is low and that when you blend that into your existing SSO rate, it results in a lower margin for the company?

A. Yes.

Q. Okay. And the lower gross margin, everything else being equal, would then result in lower earnings and, therefore, lower return on equity?

A. That's correct.

Q. Would the transition to 100 percent auction result in lower gross margins for the company through the lower margins earned in the SSO rate?

A. The transition to market, yes, would result in lower gross margins.

Q. And the loss of margin would be due to the blending of the SSO with the market price for electricity which is currently lower than DP&L's current SSO rate?

A. If you're speaking just to the transition to 100 percent auction, then, yes, that would be the case.

Q. Yes. Thank you.

Do you agree, Mr. Jackson, that DP&L's current SSO rates for retail generation service exceed the current retail market price for electricity?

A. I think kind of going along with the previous responses, yes, that would indicate that that is the case.

Q. And when DP&L's SSO rates exceed the retail market price for electricity, is it reasonable -- would you agree with me that it's reasonable to expect customers to switch to another generation service provider?

THE WITNESS: Can you read that question back, please?

Q. Let me try to restate it. I'm sorry. You're making my vocal cords work hard today.

When DP&L's SSO rates exceed the retail market price for electricity, would you agree that it's reasonable to expect customers to switch to another generation service provider?

A. I guess that it depends on what the difference is between the SSO rate and the market rate. Certainly if you're looking at a small variation, you know, I wouldn't expect to see a lot of switching. But certainly as that gap widens and you have a larger variance between the SSO rate and the market rate, if you will, then yes, I would expect to see increased shopping.

Q. Now, if the inputs and assumptions that you received in putting together your pro forma financial projections are incorrect, they could understate the return on equity that the company projects it will achieve; would you agree with that?

A. I guess I would say -- you had said if the assumptions are incorrect?

Q. Yes.

A. That it could understate the return on equity? I guess you could say it could go either way.

Q. Okay. Now, on page 6 of your testimony you indicate that if the SSR is excluded, it would be disastrous for the company and would result in negative earnings. Do you see that reference?

A. Yes, I do.

Q. And your analysis shows that the negative earnings are limited to 2016 and 2017; isn't that correct? And I would direct you to CLJ-2, line 45.

A. They go negative beginning in 2016, however, I would note that, I mean really beginning in 2013 it's significantly lower, less than 3 percent in '14, and less than a percent in 2015. But, yes, negative in 2016 and '17.

Q. Now, referring back to your testimony at page 7, you describe the methodology and process that the company goes through to prepare its normal operating forecast, and in particular I want you to focus on the bottom part of that Q and A. Do you see what I'm referring to?

A. Yes, I do.

Q. And you state there that you progressed through the business year -- as you progressed through the business year, you track and monitor actual results compared to the forecast and then, based on the actual results, you adjust your forecast. Do you see that?

A. Yes. And I guess to clarify too, and I think this may have come up in the deposition as well, the budget, once the budget is set, the budget does not change.

That said, as we're going through an operating year we do relook at, we'll call it a forecast for the remaining period, and we use that plus the actuals to date to compare how we're doing relative to the budget that's been approved.

Q. And that's what makes the forecast -- a particular forecast a reliable one; is that your testimony?

A. Yes, that is correct.

Q. And when you're talking about that's what makes it reliable, you're speaking of the tracking and monitoring aspect of the normal operating forecast, correct?

A. You're continuing to track it and it's updated for current -- the current level of detail, the current information.

Q. Now, the forecast you base your pro forma financials on was not developed as part of the normal operating forecast, was it?

A. When you say "the normal operating forecast," do you mean the budget process?

Q. Yes.

A. So we have the budget process first, the budget gets approved, you get into an actual operating year, then you start developing your forecasts which would include actuals to date plus a re-forecast.

Q. I guess my question really was directed, Mr. Jackson, to your pro forma financials and whether or not the forecast that you base your pro forma financials on was part of a normal operating forecast.

A. So we look at -- yes, I would say it is a normal -- it's obviously a much more, it's more of a condensed process. We have a budget in place for let's just say O&M. We look at are there variations from that O&M budget. Where we do I would say more of a detailed approach is on the dispatch of our generation assets.

Q. And with respect to the forecast that you based your pro forma financials on, how many times was it tracked and monitored, if you know?

A. Over what period?

Q. Over the period of 2012.

A. We -- again, I think I had indicated in my deposition that we look at -- at the end of each month generally you'll go through a few months the beginning of the year, especially if your budget hasn't been approved until a certain point in the first quarter, but once you get through a few months we begin looking at that, I would say generally monthly.

Q. So would I be incorrect to say you did not track and monitor any actual results and compare them to the forecasted results for the forecasts that you base your pro formas on?

A. Can you repeat that question?

Q. You did not track and monitor any actual results and compare them to the forecasted results that you base your pro formas on.

A. Are you referring to for 2013?

Q. Yes, and beyond.

A. I guess I'm -- I guess I'm a little bit confused by that. I mean, in 2012 the pro forma projections were based on -- that's included in my testimony is based on the projections that we have for 2013, as we start rolling actuals in and we're comparing that back to a plan. We didn't have any actuals for 2013 to compare back to our pro forma. We weren't in the operating year of 2013 yet.

Q. And, similarly, for 2014 through 2017 wouldn't have had any actuals to compare the projections to, correct?

A. Again, we were operating -- it was 2012 year so I'm not sure how you compare actuals for '13 and '14 if you're not operating in that year yet.

Q. But for the 2013 operating forecast for the next ten years, that forecast was prepared as part of the normal operating forecast?

A. We -- and again, part of the budget process we will forecast out for a ten-year period.

When we are looking at an updated forecast during a calendar year, generally it's for a shorter period of time that we're looking at.

You have, again, you have the budget that includes the additional nine years on the back end, but when we're upping our forecast for the calendar year, you're generally looking at a shorter period of time.

Q. Now, with respect to the 2013 operating forecast that was approved last week, would you agree with me that that forecast was -- that the process for that forecast would have been that the actual results were tracked and monitored and adjusted several times throughout 2012?

A. I guess I'm really confused by these -- this question because, again, you have 2012 actuals that affects 2012, so as we're rolling into 2013 other than you do have adjustments like I guess you could say to your balance sheet that would affect an ending balance for '12 rolling into 2013, but from an income perspective we had a budget that was set for 2013 and then once that budget was approved, which it was within the past week, now going forward we'll continue to look at updated forecasts relative to that budget, yes.

Q. Thank you, Mr. Jackson.

Now, you are not proposing, are you, Mr. Jackson, to update the pro formas that you present with your testimony with the latest 2013 operating forecast that was approved; are you?

A. That's correct, we are not proposing to do that.

Q. Let's turn now for a moment to CLJ-1 of your testimony. And that exhibit, Mr. Jackson, shows the decline in return on equity and what is driving the decline.

A. Yes. Similar to I believe what Mr. Oliker and Mr. Lang, yes, that's the case.

Q. Yeah, I'm sorry, I didn't mean to interrupt.

The factors -- if we look at CLJ, the factors that are driving the decline in ROE would be the switched load, the impact of wholesale energy pricing, and capacity pricing, correct?

A. Yes. Again, similar to responses to Mr. Oliker and Mr. Lang, but yes, that is correct.

Q. And earlier on when Mr. Lang was questioning you I believe you identified the 2012 actual return on equity earned. Can you recall that question?

A. Yes, I can.

Q. And could you tell me, again, what the actual return on equity earned was for 2012 based on all actual?

A. Sure. It was 10.5 percent and that 10.5 percent we excluded the effect of the impairment charge because it was a -- if we would have included that in there, it would have pulled that ROE number down even further.

Q. Now, you reported that, or you would have had data to support that actual calculation in your latest 10-K; is that correct?

A. That is correct.

Q. And if you -- do you have a copy of the latest 10-K before you?

A. I don't, but I think I have the -- let me just confirm here. I believe I have the numbers but I don't have the 10-K in front of me, but I do have the numbers.

Q. And could you walk me through the calculation as to how you get to the 10.5?

A. Sure. So we reported, I believe it was $91 million of net income at DP&L for 2012.

Q. And, I'm sorry, and that net income would have not -- or that is with the fixed asset impairment taking into account, correct?

A. Yes, I was going to get there next.

Q. Okay.

A. So if you add back $52 million which is the after-tax impact of the impairment charge, you would have an adjusted net income of $143 million. I'm rounding these numbers to whole dollars.

Q. Okay.

A. So that's the numerator.

Q. Yes.

A. The denominator in that calculation, you start with the prior year, common shareholder's equity.

Q. Yes.

A. Which is $1.358 billion.

Q. Yes.

A. And then the current year which the initial -- the starting number or the initial number that you would see on the financial statements is 1.299, but, again, similarly we added back 52 million on the income side, so that same 52 million I'm adding back to the 1299. So my equity, once you add those two together would be 1.351.

So you take the average of the 1.351 and the 1.358, you get 1.355, and I believe if you divide

143 by 1355, you get close to 10.5 percent.

Q. Thank you.

A. Sure.

Q. Now, Mr. Jackson, the pro forma financial projections that you present are unaudited; is that correct?

A. That's correct.

Q. Now let's switch gears for another moment and talk a little bit about the impairment analysis that you spoke of earlier this morning. And in your testimony you refer at page 5 of 17 to DP&L's recently disclosed fixed asset impairment. Do you see that?

A. What page are you on?

Q. That would be page 5.

A. Five, I'm sorry.

Yes, I see that.

Q. And the write-up was specific to the two units because all the other generation units indicated that there was no impairment at the DP&L level; is that right?

A. Yes. Again, similar to earlier questions today, that is correct.

Q. Now, you made several discrete adjustments to the financial results that you present

pertaining to the impairment write-off, correct?
A. Yes. We adjusted the common shareholder's equity by what would be $52 million against the after-tax amount of the 80.8 million, and then, likewise, now that the -- those assets were written off, we reduce the level of depreciation expense over the five-year period, I believe it amounted to approximately $30 million.
Q. And would you agree with me, Mr. Jackson, that the impairment -- in the impairment analysis that you relied upon for purposes of the adjustments to your pro forma included the cost savings analysis that we have been discussing today?
A. Yes.
Q. And specifically the O&M savings opportunities were an input into the impairment analysis conducted at the DP&L level?
A. Yes.
Q. Now, Mr. Jackson, did you make any adjustment in the forecasted pro forma financials related to the cost of fuel for Hutchings or Conesville?
A. No. The cost of fuel related to Conesville and Hutchings was based on the expectation of how much those units would run.

Q. And the expectation was that Hutchings would run not at all; is that correct?

A. I believe that there may be -- that there may have been some very small generation volumes in the first year, the first or second year.

Q. And Conesville was written down by approximately 75 percent of its worth; is that right?

A. Let's see here.

Q. It went from --

A. It went from, I think it was 90 -- I have the number here. 97-1/2 million to 25 million so, yes, approximately.

Q. And the fuel, the cost of fuel was not adjusted downward in relation to the percentage of write-off for Conesville?

A. Yeah. That, again, I guess I'm a little bit perplexed by the question, but the -- the assumption in the forecast is that the unit is going to dispatch. To the extent it dispatches, there's a fuel cost associated with that dispatch.

Q. And wouldn't you expect, Mr. Jackson, that Conesville would be dispatched less because of the discounted cash flow coming out of that unit under your impairment analysis?

A. The unit's going to dispatch based on the market price relative to the cost of that unit.

Q. Would you expect that the dark spread for that unit is particularly thin?

A. The dark spread just in general is relatively thin. If you look at the underlying costs of that unit, I mean, you have to look -- margin is a component. When we do the impairment analysis, margin is just a component of that. Obviously, there are O&M costs and capital costs and other things that factor into the overall impairment analysis. So, but yes, certainly gross margin is a driver of that.

Q. Mr. Jackson, are you familiar with the term "FRR entity"?

A. I am familiar with the term. I'm not by any means an expert regarding FRRs.

Q. Is Dayton Power & Light an FRR entity, if you know?

A. No. We participate in the RPM auction in PJM.

Q. Do you have an understanding of the difference between an FRR entity and a load-serving entity such as DP&L?

A. No, I would not have enough basis to answer any of those questions.

Q. Do you know if there is a witness that

DP&L is presenting that would be able to answer that?

A. That, I do not know.

Q. Okay.

MS. GRADY: That's all the questions I have, Mr. Jackson. Thank you very much.

Thank you, your Honor.

EXAMINER PRICE: Thank you.

Federal Executive Agencies?

MAJOR THOMPSON: No questions, sir.

EXAMINER PRICE: Mr. Whitt?

MR. WHITT: Very briefly, your Honor.

EXAMINER PRICE: Thank you.

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CROSS-EXAMINATION

By Mr. Whitt:

Q. Mr. Jackson, my name is Mark Whitt, I represent Interstate Gas Supply in this case.

Are you familiar with an entity known as the American Institute of Certified Public Accountants?

A. Yes.

Q. Are you aware of a publication by that entity called The Guide for Prospective Financial Information?

A. Can you just move the microphone over, I'm just having a hard time hearing.

Q. Sure. I was trying to keep my voice up.

Are you aware of a -- can you hear me now?

A. Perfect. Thank you.

Q. Okay. Are you aware of a publication by the American Institute of Certified Public Accountants called The Guide for Prospective Financial Information?

A. I'm not specifically aware of that.

Q. I assume from that answer that the prospective financial data that is reflected in Exhibit CLJ-2 was not prepared in accordance with The Guide for Prospective Financial Information.

A. The results on my financial statements, CLJ-2, I guess going through 3 and 4 I think is the reference, that is based on, and again subject to discussion earlier regarding some of the off-system sales that were not recorded, again, because they did end up with a zero impact, but beyond that I believe how we reported it here is consistent with how we report our actuals.

Q. So the answer to my question is no?

A. Again, I believe it's consistent with how we report our actuals.

Q. Well, I wasn't asking necessarily how you report your actuals. I was asking whether CLJ-2 was prepared in accordance with The Guide for Prospective Financial Information and I think your answer to that question is no; is that correct?

A. I can't confirm that, that's correct.

Q. Okay. I assume you're aware, well, you've read and are familiar with the DP&L, Inc. [verbatim] and DP&L's 10-K for the fiscal year ending December 2010.

A. I have read DPL, Inc. and DP&L's 10-K.

Q. In fact, you signed the 10-K, didn't you?

A. That's correct.

Q. Would you agree that, according to DP&L's 10-K, that during 2012 DPLER accounted for approximately 6.2 million kilowatt-hours of the total load in DP&L's service territory?

A. Yes, I would agree with that.

Q. And that is out of a total of 8.182 million kilowatt-hours?

A. Yes.

Q. And would you agree that if you did the math, the 10-K would reflect that DPLER serves approximately -- during 2012 served approximately 75 percent of the load provided by CRES providers?

A. Yes, and that number is an average over the course of the year. To the extent you have customers that have switched, let's just say in November or December, you only have two months' worth of that switching volume. So that's 75 percent is a 12-month average or an average over the 12-month period.

Q. And the amount of load served by DPLER is notwithstanding the fact that there are a total of 27 CRES providers registered in DP&L's service territory, correct?

A. The number that we're showing here is what DPLER has provided, yeah, I don't recall the exact number of CRES providers but I know it's a significant number.

Q. Okay.

MR. WHITT: Those are all the questions I have, thank you very much.

THE WITNESS: Thank you.

EXAMINER PRICE: Thank you.

Mr. Boehm?

MR. BOEHM: Just very briefly.

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CROSS-EXAMINATION

By Mr. Boehm:

Q. Some very simple questions, Mr. Jackson. In actually calculating the ROE numbers in this case -- and you did calculate them, right?

A. That's correct.

Q. What do you do to make that actual, that simple calculation?

A. Why don't we turn to CLJ-2.

Q. Okay.

A. I can walk you through that.

So the calculation, and we can pick any year but let's just take 20 and I guess '15 for example.

MR. FARUKI: Your Honor, if we're going to go through numbers we'll be in confidential territory. Maybe it can be done by lines as opposed to numbers.

MR. BOEHM: As far as I'm concerned, your Honor, I can happily stay at the 50,000-foot level and I really don't even need any particular numbers.

A. Sure. Okay.

Q. It was a very general question, Mr. Jackson.

EXAMINER PRICE: Thank you.

Q. The rate of return on equity, isn't that the company's requested return on the fixed assets that essentially the generation plant that it devotes to its ratepayers?

A. The return on equity that we have calculated is the return on our book equity and that would be the equity for transmission, distribution, and generation. So the equity of Dayton Power & Light.

Q. Okay. When you calculate a rate of return on equity, doesn't the -- doesn't the calculation -- put it this way: Do you get a rate of return on your fuel adjustment clause?

A. No. The fuel adjustment clause is just a pass-through cost.

Q. Do you get a rate of return on your operation and maintenance expense?

A. Again, that's a cost, so that's not an asset to get a return on.

Q. You essentially only get a rate of return on your rate base items, isn't that true?

A. That's my understanding.

Q. Okay. And those essentially are bricks-and-mortar generating plants; isn't that true?

A. Again, you're just referring to the

generation assets; we also have transmission and distribution assets as well.

Q. No, I understand that.

A. So it would be on the physical, on the actual assets.

Q. Okay. And in this case what you're asking for is an increase in the rate of return on equity only related to your generating assets; isn't that right?

A. No. We are requesting a -- this filing is based on DP&L which would include transmission, distribution, and generation. So the rate of return, the return on equity calculation, is for the utility.

Q. Okay. So you are asking for a rate increase on your transmission and distribution assets?

A. We are asking for a service stability rider and, again, that supports DP&L since it's T, D, and G.

Q. I hear you saying you want to -- an SSR but you want it in the form of an increased rate of return on equity don't you?

A. The question for a service stability rider is to promote or to ensure financial integrity which, as I had mentioned earlier, is the ability to meet our operational and financial objectives, to invest in capital and to attract capital, and then to have an opportunity to a reasonable rate of return.

Q. But your -- the currency of your request essentially is ROE, you want a higher ROE, don't you?

A. We're looking for a reasonable rate of return, which the rate of return we measure is ROE.

Q. And as I understood previously, you thought that the rate of return that you were getting on your transmission and distribution assets were sufficient -- was sufficient; isn't that correct?

A. I believe someone had asked if the revenue that we are collecting on the T and D side allows us to provide adequate service, and to which I said yes, I believe that is the case.

Q. Okay. Well now I may be misremembering this, but I thought that in response to one of those questions you indicated that you did not see, as of now, a need for an increase in your transmission and distribution rates.

A. At this time that is correct.

Q. So I'm assuming you're not asking for one here.

A. Again, this filing is for Dayton Power & Light and what we're requesting is what we had filed for DP&L.

Q. And you wouldn't define this, then, as a request for an increase in the rate of return on your generating assets?

A. Again, this is a filing for DP&L and I'm -- where I sit I look at this as earning a reasonable rate of return for the utility, DP&L.

Q. And you've already testified that you believe that that rate of return for transmission and distribution is sufficient at this time, didn't you?

A. Again, what I had indicated earlier is that the level of revenues are adequate to provide adequate service.

Q. So you're not asking for any more.

MR. FARUKI: Objection. Asked and answered.

EXAMINER PRICE: Sustained.

Q. Just quickly, the FES Exhibit No. 6; do you have that, Mr. Jackson? That has the dividends.

A. Yes, I do.

Q. Okay. Was DP&L required by any contract to provide dividends to the parent?

A. No.

Q. Okay. Who decided whether or not to pay dividends to the parent?

A. The DP&L board determines and approves, ultimately approves dividends from DP&L to DPL, Inc.

Q. And is that board also employed by or also members of the board of the parent?

A. Of DPL?

Q. Yeah.

A. There are, I guess if you go back to 2009, prior to the acquisition of DPL by AES, yes, there were members of the DP&L board that also served on the DPL, Inc. board and then, likewise, today, yes, I believe there are a few members on the DP&L board that serve on the DPL, Inc. board.

Q. What else could have been done with this money besides giving it to the parent as dividend?

A. Well, I guess if you look back at the -- you know, I guess one thing someone can point to right away is that the capital structure, but no, I don't believe that we would have done anything with the capital structure at that point in time.

We were already at a 60 percent equity, 40 percent debt. If we would have reduced debt, we would have had a very unbalanced capital structure at the utility.

Q. Isn't it true, though, Mr. Jackson, that debt is a cheaper way of financing things than --

financing a utility than equity?

A. Generally speaking, I guess it just depends on what your credit rating is on your debt that you carry.

Q. And what was it in 2009, do you know?

A. What was our --

Q. What was the credit rating?

A. In 2009?

Q. Yeah.

A. I'd have to go back and look at it; I don't recall offhand what that was.

Q. Anything else that could have been done with that money?

A. We were able to meet our obligations in terms of CAPEX and our operational -- our operational needs, so I believe it was appropriate to dividend that money from DP&L to DPL, Inc.

Q. When you say "we," who did you mean by "we"?

A. The board approving the dividend from DP&L to DPL, Inc.

Q. The board of whom?

A. The DP&L board approving the dividend to DPL, Inc.

Q. Okay. Could they have retained any of this money?

A. Certainly they could have decided at that point in time that we're not going to dividend any money up.

MR. BOEHM: No questions, your Honor, thank you.

Thank you, Mr. Jackson.

EXAMINER PRICE: Mr. Sherman?

MR. SHERMAN: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Sherman:

Q. Mr. Jackson, I'm Steve Sherman, and I represent Wal-Mart and Sam's East in this proceeding. Can you hear me?

A. Yes, I can, thank you.

Q. I just have one question. On page 9 of your testimony, bottom of the page, I believe you indicated that regarding your assumptions to the transition to hundred percent market; do you have that in front of you?

A. Yes, I do.

Q. Okay. And you indicated that your assumptions are based on a January 1st, 2013, date.

A. That's correct.

MR. SHERMAN: No further questions.

EXAMINER PRICE: Thank you.

Mr. Yurick?

MR. YURICK: Very briefly, your Honor.

Great, I broke the microphone. It was very brief, it only took me like two seconds to break the microphone.

EXAMINER PRICE: You're not the first.

(Discussion off the record.)

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CROSS-EXAMINATION

By Mr. Yurick:

Q. For a first pick in the -- okay.

Good evening at this point, sir. I have a couple questions for you.

This kind of goes back to some of the things that Mr. Boehm was talking about. I'm going to try to address the same question maybe in a little bit different way because I'm not sure I understood your testimony, okay?

A. Sure.

Q. This has to do with SSR rider, all right? My understanding of the SSR rider is that you made some assumptions and you figured out based on those assumptions what your ROE was likely to be in certain years, and then you figured out that it was going to take about $137.5 million in each of those years to bring you up to a reasonable ROE; is that correct?

A. Yes, and to get to a -- what I would call, I look at this as a balance type filing. So looking at the ROE as well as the impact on, trying minimize the impact on customer bills.

Q. I appreciate that you like to put the balance thing in there but really all I'm talking about is how you calculated it, and basically you had a bunch of assumptions, you ran the numbers, you figured out what that ROE was going to be, right, and then you tried to figure out, well, what's really a fair ROE given the business that we're in and our capital structure, and you figured that the delta between what you figured you were going to earn and what you needed to earn was $137.5 million per year; is that right?

A. Yeah, I guess let me just be clear. Do I believe that 6.2 percent is a reasonable rate of return for a utility? No, I don't. I think it should be north of that.

Again, when we calculated what the SSR would be, we also looked at the impact on customer bills. It resulted in 137-1/2, but I do not believe that 6.2 percent is a reasonable rate of return.

Q. Okay. So I understand that, you know, you would always like it to be higher, but I'm just really, again, going to how you calculated the SSR, right. Was the way I described it, correct?

A. Yes.

Q. Okay. And you said earlier that there were three factors that you felt accounted for the decline in the company's ROE, and that was a switched load, declining energy prices, and capacity prices being lower; is that right?

A. That's correct.

Q. Okay. And out of those three factors of declining ROE it would -- would you agree with me that the SSR primarily addresses the decrease in capacity prices?

A. No, I wouldn't necessarily say that. I believe it's addressing the really a combination of all of them. It's the energy, the switched load, and the capacity.

Q. Well, as far as your switched load you proposed switching tracker, right?

A. That's correct.

Q. So wouldn't the switching tracker address the decline in ROE due to switched load?

A. That would be incremental over and above the switching that had occurred as of August 30th. Certainly there was a significant amount of switching that had occurred as of August 30th.

Q. Well, wouldn't the SSR tracker change depending on -- if it was really addressing switched load, wouldn't it alter depending on how much load is switched? You're just asking for a flat 137.5.

A. Right, again, the 137.5 was based on frozen shopping as of August 30th so the switching tracker was designed for incremental shopping over and above the 62 percent.

Q. And the decline in energy prices, again, wouldn't that 137.5, wouldn't that vary if it was really addressing energy prices depending on where energy prices were?

A. So as I had mentioned earlier, we looked at a levelized SSR and ran the projections based on the forward curve at that point in time. The switching level as of August 30th, and certainly for the periods, you know, in the nearer term what the capacity pricing was that was known and then a projected capacity price in the outer years.

The result of all that, as you described, we came up with a -- this is where the ROE was, what level of SSR do we need to get to where we have a balance between impact on customer bills and financial integrity.

Q. I guess I'm surprised that you wouldn't agree with me that the primary factor to be addressed by the SSR is the decline in capacity price. This seems to me relatively obvious.

MR. FARUKI: I'll object. Asked and answered.

EXAMINER PRICE: That's not even a question at this point.

MR. FARUKI: I'll object on that basis.

EXAMINER PRICE: We'll overrule the question and ask you to propose your next question.

Q. Out of the three factors that you say the SSR addressed would you say that the SSR addresses all of those factors equally?

A. I can't sit here and tell you that it addresses all of them equally. You know, I would point in our projections we do show an increasing level of capacity pricing over the projection period. But I do not have the breakout as to how much of the SSR was driven by one versus the other. I cannot sit here and say that one was more dominant than the other at this point.

MR. YURICK: Could I have that answer read back to me, again, please?

EXAMINER PRICE: Please.

(Record read.)

MR. YURICK: No further questions.

EXAMINER PRICE: Thank you.

Any other questions from the intervenors, any other intervenors in the room?

(No response.)

EXAMINER PRICE: Mr. McNamee.

MR. McNAMEE: Thank you.

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CROSS-EXAMINATION

By Mr. McNamee:

Q. Good evening.

A. Good evening.

Q. Mr. Jackson, if the switching tracker were adopted by the Commission as the company's proposed it, that would make DP&L indifferent to any change in shopping above the 62 percent, wouldn't it?

A. It would allow us to maintain, yes, the level or have the opportunity to earn -- to realize the level of ROEs we're showing in the projections.

Q. And that would make the company indifferent to shopping, changes in shopping above that 62 percent level, wouldn't it?

A. Yes, I believe so.

Q. Okay. Do you know of any other EDU in Ohio that has such an arrangement?

A. Not that I'm aware, specifically to how we proposed this.

MR. McNAMEE: That's all I need. Thank you.

THE WITNESS: Thank you.

EXAMINER PRICE: Redirect?

MR. FARUKI: Thank you, your Honors.

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REDIRECT EXAMINATION

By Mr. Faruki:

Q. Mr. Jackson, you were asked some questions with regard to the forward curves and in particular you were asked whether you updated the forward curves from the August 30, 2012, date. Do you remember that subject?

A. Yes, I do.

Q. Would you explain why you did not do so?

A. Yes. In our filing we were looking to minimize the changes that were reflected from one filing -- so our original filing from October to the filing in December.

Had we made changes to things like the forward curve, I believe we should have opened it up then for other items as well, such as changes in customer shopping. But the intent was to minimize the changes to just the years that had been identified as well as the known change due to the impairment charge that had occurred.

Q. You were also asked whether or not you had done a sensitivity analysis about how changes in energy price would affect your forecast. Do you remember that topic?

A. Yes, I do.

Q. In your view, was it necessary for you to perform that sort of sensitivity analysis?

A. No, I don't believe so.

Q. Why not?

A. Because I believe that the, you know, the market obviously continues to change, but I believe the impact and the level of the SSR still would have been consistent with what we had provided in my testimony.

Q. You were also asked by Mr. Lang if it were not true that the company did not have a customer switching problem but instead had an oversupply problem; do you remember that?

A. Yes, I do.
Q. What's your view on that?
A. My view on that is we have generation today and, no, I don't believe that we have an oversupply problem. I think there's a distinction between generation and customer shopping. Customers are shopping based on where the market rate is today for power.
Q. Do you have, on a different subject, IEU Exhibit 4 handy? That's the supplemental responses to the 11th set of IEU-Ohio's interrogatories. It's a three-page document.
A. Yes, I have it.
Q. Let me ask you a few questions about these potential O&M expense reductions. You keep using the word "potential" reductions. Would you explain why that is so?
A. Yes. I refer to potential reductions, number one, in the -- I had mentioned earlier that we do have an approved budget for 2013, but certainly as you look out over time, those final decisions have not been made with respect to those budget reductions.
Secondly, I refer to them as potential because, again, there is a lot of risk associated

with making those reductions, and we will have to continue to evaluate whether that is the right decision or not for the company.

Q. And you also said that --

EXAMINER PRICE: Excuse me, Mr. Faruki, I have a follow up to those questions.

MR. FARUKI: Sure. Of course.

EXAMINER PRICE: When you say a final decision has not been made regarding the approved budget, what steps are remaining to reach a final decision? Understanding you might have to make an adjustment down the line, but what steps in your budget process are remaining to get to a final decision?

THE WITNESS: We'll have an approved budget for 2014 as we go through the budget process yet this year. So when I say a final decision on the budget, would not occur until either the latter part of this year or early next year.

Now, that said, certainly with respect to the outcome of this case may dictate, you know, the need to take more risk for the company, so at that minute in time we may have to decide that, yes, even with that level of risk we need to move forward with these reductions.

EXAMINER PRICE: But you do have a final decision on the 2013 budget.

THE WITNESS: We have a decision on the '13 budget which, again, I would indicate that is tied to what we expect the results of this case to be. Again, some significant risk associated with some of those reductions that still may or may not occur. It just depends on -- it is in the budget.

(Confidential portion excerpted.)

(Open record.)

Q. There were questions about capital expense, capital expenditure reductions, or possible capital expenditure reductions. If any of those are made, do they result in a dollar-for-dollar reduction in the amount necessary for the SSR?

A. No, that is not a dollar-for-dollar reduction. The impact that you would see on earnings would be reflected through depreciation expense and you depreciate your assets over a long period of time. So it would not be a dollar-for-dollar impact.

Q. You were asked a couple of questions about a dividend to DPL, Inc. Do you remember that topic?

A. Yes, I do.

Q. If that dividend payment were not made, what would be the effect on DP&L's financial integrity?

A. As we look at the return on equity, you would continue to see the equity balance continuing to grow which means your ROE would decline. Assuming that your income, everything else being equal.

Q. You were also asked if your pro formas included sales of generation assets. Do you remember that topic?

A. Yes, I do.

Q. And was there a reason that you did not make an assumption about sales of generation plants when you prepared that exhibit?

A. Yes. There was nothing to include. We did not -- don't have anything currently that we are looking at that would suggest that we're going to make a sale of our generation assets.

Q. On a different point, you were asked about historic ROEs of the company from 2000 through 2009, that ten-year period. Do you remember that subject?

A. Yes, I do.

Q. Do you consider that historic data to be pertinent to your analysis of the need for the duration of the ESP for an SSR?

A. No, I do not.

Q. Why not?

A. Because our -- that is looking back in time; our projections are based on where we are today and where we expect to be over the next several years, which is what is covered by the -- by my filing, or by the term of this ESP.

Q. I was going to get to this later, but you were also asked by Ms. Grady whether your projections in your exhibits were audited. Do you remember that topic?

A. Yes, I do.

Q. Is it possible to audit a set of pro

forma projections for a future period of time?

A. I'm not sure you would find an auditor that would audit those. What is audited are your actual statements by your independent auditors.

Q. Is an audit by definition a comparison to actual data for a period that's already occurred?

A. You know, I look at the audit as, you know, the actuals -- the actuals that have occurred are what you have reported, do the auditors believe that that is true and accurate.

Q. On a different point, you were asked a few questions about your generation assets, and this is in the context of generation separation. Do you remember that subject?

A. Yes, I do.

Q. Several points here. First of all, you made the statement that the generation assets would not support debt. Do you recall that?

A. Yes, I do.

Q. What do you mean by that?

A. As we had looked -- obviously we've looked at the cash flows through the impairment analysis, and given the level of cash flows I did not believe that the debt that sits at DP&L today, I believe very little if any of that debt can be supported by the generation business, which means that if the generation business can't support it, the T and D business, that the regulated entity would be supporting the full $900 million of long-term debt which, as I mentioned earlier, I believe that would be a very unbalanced capital structure for a T and D company.

Q. You were asked some questions along those lines by Mr. Lang, and in particular whether or not it would be possible to separate generation by the end of 2014. Do you remember that?

A. I do.

Q. If you were to try to separate generation assets by the end of 2014, given the facts that you've just recounted, what would you have to do with the debt that's outstanding?

A. The debt would have to be supported all by I believe the T and D business.

Q. Would that make the T and D business a viable business with that much debt?

A. It certainly could challenge the T and D business.

Q. In that connection, remember you were asked a question whether or not the revenues of the T and D business were sufficient to provide reliable service? Is that right?

A. That's correct.

Q. In the context of generation separation, what is happening is that you end up with two separate entities; one holding the T and D business, the other holding the generation business?

A. Yes.

Q. If that happens and you have to load all of the debt onto the, or almost all of the debt onto the T and D business, does that mean that simply because your revenues are currently able to provide reliable service, that the T and D business then would be able to provide reliable service?

A. I do believe that that could challenge their ability to provide reliable service. "Theirs" being T and D.

Q. The debt issues that you reviewed in response to earlier questions, are they ones that are securitized or supported by all of the assets?

A. Yes. All of the debt at DP&L is backed by the first mortgage which would be all of the assets of DP&L.

Q. And just to put a finer point on that, are you talking about all of the assets of DP&L or are you talking about all of the generation assets of

DP&L?
A. All of the assets of DP&L.
Q. Before I leave this subject let me stay on that point for a minute. In the example where the debt of the generation assets would have to be loaded onto the T and D business, if that business were to be separated now, what would that debt do to the financial integrity of the T and D business?
A. I believe given the capital structure, which would have a significantly higher level of debt, I think the credit rating of a T and D entity from the rating agencies would be pressured which means you can't just look at the cost of the debt that exists on DP&L's books today, rather there's, in my mind, in my view, a very good indication that you would see increased costs relative to just the debt that's on the books today because the T and D business is trying to support a higher level of debt.
Q. I know there -- I'm going to narrow this question a little bit just to move on. You talked about the fact that there are do-not-call provisions in some of the debt, do you remember that?
A. Yes, I do.
Q. Okay. Even if we left that aside, given the current values of the generation assets is it

feasible to separate generation by the end of 2014?
A. No, I don't believe it is.
Q. Why not?
A. Because I believe we need the cash flows from our proposed filing as well as looking for an opportunity or looking for a rebound in the market to separate the generation assets, which I believe is not until 2017.
Q. On a different point you were asked whether or not you included revenue from DP&L being a winning bidder at auctions in your projections in CLJ-2. Do you remember that subject?
A. Yes, I do.
Q. What's been DP&L's history with regard to bidding in auctions?
A. We have participated in the auctions, but have -- we have won very few. I can't remember the exact number. There may be one auction that we've bid in that we actually have acquired some load.
Q. Why was it that you did not include possible revenue from winning future auctions in your projections?
A. Well I guess first, as I had mentioned earlier, we look at the, obviously, the forward curve and our expectation of what we can earn through the

forward curve in the wholesale market. In my view I believe that an assumption around an auction would include or be reflective of where that current market price is and I don't believe that we would see a difference in the value of our projections whether we do a wholesale transaction or an auction.

Q. Moving to a different point. When -- do you remember the topic of whether or not or to what extent DP&L keeps a percentage of -- whether when -- I'll withdraw that garble and try again. I was trying to go too quickly.

Do you remember the subject of DPLER retaining some of the switched load?

A. Yes, I do.

Q. All right. When DPLER keeps a percentage of the switched load, is it keeping all the margin of that load?

A. No, it is -- the margin that DPLER has retained or has acquired is significantly lower than the margin that the utility had previously realized.

MR. FARUKI: I believe that's all I have, your Honor. Let me consult for a moment.

Thank you, your Honors, that's all I have.

EXAMINER PRICE: Let's go off the record.

(Discussion off the record.)

EXAMINER PRICE: Go back on the record.

Mr. Lang.

MR. LANG: Thank you, your Honor.

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RECROSS-EXAMINATION

By Mr. Lang:

Q. Mr. Jackson, is it your belief today that the generation assets are not servicing any of DP&L's debt?

A. No, I would not say that's the case.

Q. What percentage of the debt is the generation asset servicing?

A. I believe it would be a small percentage, but, you know, I don't believe that it's -- and when I say "servicing the debt," looking at meeting the interest obligations, yes, I believe that there may be a small amount that's coming from the generation assets.

Q. Is it fair to say that you have not determined what level of debt new generation co. will be able to assume in 2018?

A. That's correct.

Q. Is it also fair to assume that you have not -- when you talked about your bank group, your bank advisers earlier, that you have not had any discussion with that bank group with regard to the level of debt that the generation company will be able to absorb either in 2018 or any time before then?

A. I don't believe we've had any discussions around 2018. Certainly the banks are aware of where market pricing is today. But no, I do not believe that we've had any specific conversations around 2014 either.

Q. Okay.

MR. LANG: No further questions, thank you, your Honor.

EXAMINER PRICE: Thank you.

Mr. Oliker?

MR. OLIKER: Just one or two questions, your Honor.

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RECROSS-EXAMINATION

By Mr. Oliker:

Q. Mr. Jackson, in response to a question from Mr. Faruki you mentioned that when you supplemented your application, if you were to update the prices in the energy curves, you also would have wanted to update the switching numbers, correct?

A. Yes, I said that we would have updated for that as well.

Q. Would you agree that at the end of 2012 approximately 58 percent of DP&L's load had switched to a competitive supplier? And by that question I'm referring to your public statements in your 10-K.

A. So what's included in the 10-K, as I --

Q. Would you like to turn to page 39 of your 10-K?

A. I don't have my 10-K with me.

Q. I can provide it to you.

MR. OLIKER: Charlie, do you mind me just giving him the page?

MR. FARUKI: I do not.

Q. I'll represent to you that that's page 39 of your 10-K filing for 2012.

A. Yes, this number is correct. I would note this is the amount that was supplied during the year 2012, so that would reflect an average over the course of the year.

So, again, if a customer shopped in November, you only would have two months' worth of that, however, that customer beginning in 2013, you would then get a full annualized affect. So the annualized number that would be comparable to the

58 percent is 64 percent. I'm sorry, is 66 percent.

MR. OLIKER: Could I have one minute, your Honor, please?

EXAMINER PRICE: You may.

Q. Mr. Jackson, that number you just gave me, that's not included in the 10-K, is it?

A. That is not in the 10-K.

MR. OLIKER: No more questions, your Honor.

EXAMINER PRICE: Thank you.

Ms. Grady?

MS. GRADY: No questions, your Honor, thank you.

EXAMINER PRICE: Mr. Boehm?

MR. BOEHM: No questions your Honor, thank you.

EXAMINER PRICE: Mr. Sherman?

MR. SHERMAN: No questions, your Honor.

EXAMINER PRICE: Mr. Yurick?

MR. YURICK: No questions, your Honor, thank you.

EXAMINER PRICE: Any other intervenors?

(No response.)

EXAMINER PRICE: Mr. McNamee?

MR. McNAMEE: No, thank you.

EXAMINER PRICE: I just have a couple.
Do you believe that Dayton Power & Light is getting a reasonable rate of return on its distribution business at this time?
THE WITNESS: We have not looked at the ROE per se on the T and D business --
EXAMINER PRICE: I'm just asking distribution right now.
THE WITNESS: Yes, or distribution. You know, that said, as I indicated before, I do think we are getting adequate revenues on our -- over the forecasted period. So that would, I guess that would imply that, yes, I believe we are getting an adequate return.
EXAMINER PRICE: Okay. How about on the transmission side, do you believe you're getting a reasonable rate of return on your transmission business at this time?
THE WITNESS: I do believe so.
EXAMINER PRICE: Thank you, you're excused.
THE WITNESS: Thank you.
EXAMINER PRICE: Mr. Faruki, would you like to renew your motion for admission of Company Exhibits 1 and 1A?

MR. FARUKI: Yes, thank you, your Honor. I renew the motion to admit Exhibits 1 and 1A.

EXAMINER PRICE: Any objections to the admission of Company Exhibits 1 and 1A?

(No response.)

EXAMINER PRICE: Seeing none, they'll be admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER PRICE: Mr. Lang.

MR. LANG: Thank you. FES moves Exhibits numbers 1 through 7, please.

EXAMINER PRICE: Any objection to the admission of FES Exhibits 1 through 7?

MR. FARUKI: No, your Honor.

EXAMINER PRICE: They will be admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

MR. OLIKER: Your Honor, IEU-Ohio would move for the admission of IEU-Ohio Exhibit 4.

EXAMINER PRICE: Any objection to the admission of IEU-Ohio Exhibit 4.

MR. FARUKI: No, your Honor.

EXAMINER PRICE: Seeing none, it will be admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER PRICE: Let's go off the record.

(Discussion off the record.)

EXAMINER PRICE: Let's go back on the record.

At this time we adjourn for the evening. We'll resume again at 9:00 o'clock tomorrow to take DP&L Witness Hoekstra. Thank you all.

(Hearing adjourned at 6:40 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Monday, March 18, 2013, and carefully compared with my original stenographic notes.

____
Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2016.

(71800-MDJ)

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

Summary: Transcript in the matter of The Dayton Power and Light Company hearing held on 03/18/13 - Volume I - Public Version electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.