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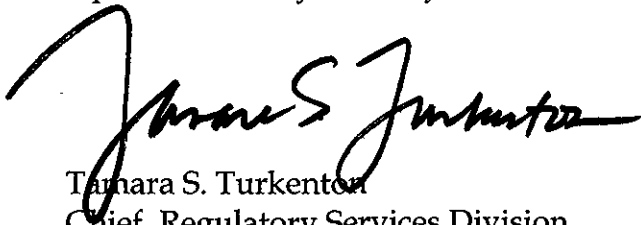
February 24, 2015

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215

RE: *In the Matter of the Application of The Dayton Power and Light Company to Update its  
Competitive Bid True-Up Rider, Case No. 14-0563-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Annual Review in regards to the Competitive Bid True-Up Rider filed by The Dayton Power and Light Company, Case No. 14-0563-EL-RDR.



Tamara S. Turkenton  
Chief, Regulatory Services Division  
Public Utilities Commission of Ohio



David Lipthrott  
Chief, Research and Policy Division  
Public Utilities Commission of Ohio

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Enclosure  
Cc: Parties of Record

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## **Dayton Power & Light: Competitive Bid True-Up Rider**

### **Case No. 14-0563-EL-RDR**

#### **Background**

Pursuant to the September 4, 2013 Opinion and Order in Case No. 12-426-EL-SSO, et al., Dayton Power & Light ("Company") filed its application to implement the Competitive Bid True-Up Rider (CBT) on May 1, 2014. The CBT is intended to allow the Company to recover competitive bidding process (CBP) auction costs, CBP consultant fees, Commission consultant fees, audit costs, supplier default costs, and carrying costs.

#### **Application**

The application includes both charges from auction suppliers and auction costs. The auction supplier charges are in the amount of \$366,213 and the auction costs amount to \$409,295. The Company also applied carrying charges of 4.943% and a gross revenue conversion factor of .0072. The gross revenue conversion factor consists of both bad debt and CAT tax. The proposed CBT rate for all kilowatt hours for the period of March 1, 2015 through May 31, 2015, is \$0.0010722 per kWh. This is an increase over the previous approved CBT rate of \$0.0001619.

#### **Analysis**

Staff verified that the Company has correctly calculated the auction supplier rate (Component A) of the filing. Staff has verified that the supporting schedules for the auction supplier rate (Schedule B-1 and Work Paper B-1) included the actual supplier charges, the associated rider revenue, and was correctly grossed up for carrying charges, bad debt and CAT tax. However, Staff identified a need for an adjustment to the auction cost rate (Component B). Staff recommends a disallowance of \$97,842.12, plus the associated carrying charges, which will result in a change in the proposed rate for Component B of the overall CBT rate. A description of Staff's proposed disallowance is as follows:

##### **A&G Overheads**

Staff recommends that the Commission disallow the administrative & general (A&G) Overheads that the Company allocated to this rider as an allocation of the auction consultant fees. The Company not only booked the amounts actually invoiced and paid to the Consultants, but also booked an additional percentage of each invoice as overhead costs in the amount of \$92,593.64. Staff believes A&G overhead allocations are not applicable to this rider and could result in double recovery. Typically, overhead costs are built into base rates. Staff believes there was insufficient evidence showing the A&G costs were incremental to base rates. Furthermore, this cost was not specifically authorized by the Commission, nor have other utilities charged A&G overheads in their auction cost reconciliation riders. A line-by-line breakdown of the A&G overheads by period is included in Staff Appendix A.

### Non-Incremental Labor

Staff has concerns with regards to the inclusion of non-incremental labor. The Company included non-incremental labor in Schedule B-2 of the filing in the amount of \$4,680.53 (see Appendix A). Staff considers the associated internal labor charges to be within the realm of normal duties for a regulatory employee working at the Company. The corresponding tasks performed by the employees do not fall outside the scope nor are they in addition to an employee's normal responsibilities. Staff recommends disallowing a total of \$4,680.53 in non-incremental labor charges plus the associated carrying charges. Of the \$4,680.53 in non-incremental labor, \$386.91 is for employee bonuses that are allocated to the rider. Staff recommends that employee bonuses are inappropriate for inclusion in this rider and should be borne by shareholders, not ratepayers.

### Travel Expenses

Staff recommends a total disallowance of \$567.95 plus carrying charges associated with travel expenses. Staff recommends the removal of alcohol purchases. Furthermore, Staff recommends that the Company's travel accommodations and expenses fall in line with the Federal Per Diem Rates (U.S. General Services Administration) for that year, resulting in an adjustment of \$544.95 plus associated carrying charges. Staff agrees that prudently incurred hotel costs associated with the October 2013 and September 2014 auctions should be recoverable, but that the Federal Per Diem rate of \$237 per night is more than reasonable. All hotel costs booked to this rider were well above the Federal allowable rate. Staff does not believe that these costs were prudently incurred, and has recommended that the Commission disallow the portion of costs above the Federal allowable rate and associated carrying charges.

The Commission's Opinion and Order explicitly states the Company can recover auction costs, consultant fees, audit costs, supplier default costs, and carrying costs. Staff recommends the exclusion of A&G and excessive travel expense, resulting in an adjustment of \$97,842.12 plus all associated carrying charges. The adjustments and resulting changes are supported in Appendix A.

### **Recommendation**

Staff recommends that rider CBT be approved but an adjustment of \$97,842.12 should be made to Schedule B-2 resulting in a new Component B rate of \$0.0004774 and an overall CBT rate of \$0.0009837.

**Staff Appendix A**

Transaction ID	Date	Description	Application Amount	Staff Recommended Adjustment	Amount To Be Included in Filing After Adjustment
<b>A&amp;G Overheads</b>					
8151875	3/26/2012	Charles River Associates, Inc	\$ 2,887.35	\$ (2,887.35)	\$ -
8151875	4/26/2012	Charles River Associates, Inc	\$ 2,919.24	\$ (2,919.24)	\$ -
8151877	6/4/2012	Charles River Associates, Inc	\$ 2,285.11	\$ (2,285.11)	\$ -
8151878	8/16/2012	Charles River Associates, Inc	\$ 1,426.52	\$ (1,426.52)	\$ -
8151879	8/22/2012	Charles River Associates, Inc	\$ 5,196.94	\$ (5,196.94)	\$ -
8151880	9/12/2012	Charles River Associates, Inc	\$ 4,680.83	\$ (4,680.83)	\$ -
8151882	9/28/2012	Charles River Associates, Inc	\$ 2,686.24	\$ (2,686.24)	\$ -
8151883	11/15/2012	Charles River Associates, Inc	\$ 1,471.43	\$ (1,471.43)	\$ -
8151884	12/1/2012	Charles River Associates, Inc	\$ 735.89	\$ (735.89)	\$ -
8151885	12/3/2012	Charles River Associates, Inc	\$ 2,150.89	\$ (2,150.89)	\$ -
8151886	1/9/2013	Charles River Associates, Inc	\$ 1,646.09	\$ (1,646.09)	\$ -
8151887	1/28/2013	Charles River Associates, Inc	\$ 410.93	\$ (410.93)	\$ -
8151888	3/5/2013	Charles River Associates, Inc	\$ 339.20	\$ (339.20)	\$ -
8151889	4/17/2013	Charles River Associates, Inc	\$ 476.36	\$ (476.36)	\$ -
8151890	5/30/2013	Charles River Associates, Inc	\$ 3,482.12	\$ (3,482.12)	\$ -
8151891	7/29/2013	Charles River Associates, Inc	\$ 3,328.51	\$ (3,328.51)	\$ -
8151892	8/5/2013	Charles River Associates, Inc	\$ 1,411.82	\$ (1,411.82)	\$ -
8151893	9/19/2013	Charles River Associates, Inc	\$ 4,899.93	\$ (4,899.93)	\$ -
8251153	12/9/2013	Boston Pacific Company Inc	\$ 1,193.40	\$ (1,193.40)	\$ -
8255155	12/11/2013	Charles River Associates, Inc	\$ 585.52	\$ (585.52)	\$ -
8270284	12/18/2013	Charles River Associates, Inc	\$ 5,896.27	\$ (5,896.27)	\$ -
8304772	1/8/2014	Boston Pacific Company Inc	\$ 1.77	\$ (1.77)	\$ -
8385793	1/31/2014	Charles River Associates, Inc	\$ 168.81	\$ (168.81)	\$ -
8389764	2/26/2014	Charles River Associates, Inc	\$ 7,469.26	\$ (7,469.26)	\$ -
8406746	3/4/2014	Charles River Associates, Inc	\$ 586.42	\$ (586.42)	\$ -
8412462	3/12/2014	Charles River Associates, Inc	\$ 400.82	\$ (400.82)	\$ -
8468324	4/9/2014	Charles River Associates, Inc	\$ 259.02	\$ (259.02)	\$ -
8584106	6/1/2014	CRA International Inc	\$ 1,147.23	\$ (1,147.23)	\$ -
8661158	6/10/2014	CRA International Inc	\$ 1,082.81	\$ (1,082.81)	\$ -
8661159	6/27/2014	CRA International Inc	\$ 431.29	\$ (431.29)	\$ -
8646283	7/1/2014	CRA International Inc	\$ 557.33	\$ (557.33)	\$ -
8699602	7/29/2014	CRA International Inc	\$ 2,395.60	\$ (2,395.60)	\$ -
8748483	8/20/2014	Boston Pacific Company Inc	\$ 74.75	\$ (74.75)	\$ -
8826777	9/22/2014	CRA International Inc	\$ 4,346.65	\$ (4,346.65)	\$ -
8828507	9/22/2014	CRA International Inc	\$ (33.00)	\$ 33.00	\$ -
8830488	9/24/2014	Boston Pacific Company Inc	\$ 436.63	\$ (436.63)	\$ -
8850765	10/6/2014	CRA International Inc	\$ 3,643.44	\$ (3,643.44)	\$ -
8951593	11/17/2014	Boston Pacific Company Inc	\$ 3,164.04	\$ (3,164.04)	\$ -
8960164	11/25/2014	CRA International Inc	\$ 12,826.94	\$ (12,826.94)	\$ -
9002556	12/1/2014	Boston Pacific Company Inc	\$ 3,164.04	\$ (3,164.04)	\$ -
8983486	12/8/2014	CRA International Inc	\$ 359.20	\$ (359.20)	\$ -
<b>Total A&amp;G Overheads</b>			<b>\$ 92,593.64</b>	<b>\$ (92,593.64)</b>	<b>\$ -</b>

**Non-Incremental Labor**

8279334	12/27/2013	Labor- ST- Management	\$	2,416.21	\$	(2,416.21)	\$	-
8279813	12/27/213	A&G Overheads (Labor)	\$	123.37	\$	(123.37)	\$	-
8279814	12/27/2013	Bonus/NonProd	\$	322.56	\$	(322.56)	\$	-
8279815	12/27/2013	Payroll OH- Benefits	\$	1,000.07	\$	(1,000.07)	\$	-
8334180	1/10/2014	Labor- ST- Management	\$	142.50	\$	(142.50)	\$	-
8334181	1/10/2014	Labor- ST- Management	\$	339.58	\$	(339.58)	\$	-
8337201	1/10/2014	A&G Overheads (Labor)	\$	7.28	\$	(7.28)	\$	-
8337202	1/10/2014	Bonus/NonProd	\$	19.02	\$	(19.02)	\$	-
8337203	1/10/2014	Payroll OH- Benefits	\$	58.98	\$	(58.98)	\$	-
8227204	1/10/2014	A&G Overheads (Labor)	\$	17.34	\$	(17.34)	\$	-
8337205	1/10/2014	Bonus/NonProd	\$	45.33	\$	(45.33)	\$	-
8337206	1/10/2014	Payroll OH- Benefits	\$	140.55	\$	(140.55)	\$	-
8835536	9/24/2014	A&G Overheads (Labor)	\$	20.05	\$	(20.05)	\$	-
8835537	9/29/2014	A&G Overheads (Labor)	\$	27.69	\$	(27.69)	\$	-
<b>Total Non-Incremental Labor</b>			\$	<b>4,680.53</b>	\$	<b>(4,680.53)</b>	\$	<b>-</b>

**Travel Expenses****Employee A**

8256275	10/27/2013	Meals & Entertainment	\$	144.52	\$	(23.00)	\$	121.52
8256267	10/28/2013	Hotel (1 night)	\$	297.08	\$	(60.00)	\$	237.08

**Employee B**

8194755	10/27/2013	Airfare and Hotel*	\$	988.21	\$	(60.00)	\$	928.21
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**Employee C**

8194740	10/28/2013	Airfare and Hotel*	\$	716.21	\$	(60.00)	\$	656.21
8835375	9/29/2014	Hotel (2 nights)	\$	838.95	\$	(364.95)	\$	474.00

<b>Total Travel Expenses</b>			\$	<b>2,984.97</b>	\$	<b>(567.95)</b>	\$	<b>2,417.02</b>
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<b>Total All Line Items</b>			\$	<b>100,259.14</b>	\$	<b>(97,842.12)</b>	\$	<b>2,417.02</b>
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\*Employee B and Employee C booked the hotel and airfare in one transaction and did not provide separate pricing. Since Employee B and Employee C stayed at the same hotel, in the same type of room, on the same night as Employee A, Staff assumed the same room rate for Employee B and Employee C.