

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The Application Of)	CASE NO. 16-395-EL-SSO
The Dayton Power And Light)	
Company To Establish A Standard)	
Service Offer In The Form Of An)	
Electric Security Plan.)	
)	
In The Matter Of The Application Of)	CASE NO. 16-396-EL-ATA
The Dayton Power And Light)	
Company For Approval Of Revised)	
Tariffs.)	
)	
In The Matter Of The Application Of)	CASE NO. 16-397-EL-AAM
The Dayton Power And Light)	
Company For Approval Of Certain)	
Accounting Authority.)	

**DIRECT TESTIMONY OF
JOHN FINNIGAN
ON BEHALF OF
ENVIRONMENTAL DEFENSE FUND
AND OHIO ENVIRONMENTAL COUNCIL**

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DEFENSE FUND**

1 **I. INTRODUCTION**

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

3 A. My name is John Finnigan. My business address is 128 Winding Brook Lane, Terrace
4 Park, Ohio 45174.

5 **Q. PLEASE SUMMARIZE YOUR EDUCATION.**

6 A. I have a B.A. in Psychology and a J.D. from the University of Cincinnati. I have an
7 M.B.A. from Indiana University.

8 **Q. PLEASE SUMMARIZE YOUR WORK HISTORY.**

9 A. I held various jobs as an attorney after graduating from law school. I worked at Duke
10 Energy from 1996-2012, where I held various positions in the legal, marketing and
11 government and regulatory affairs departments. I joined Environmental Defense Fund
12 (“EDF”) in 2012 as an attorney and I am currently Lead Attorney for EDF’s Clean
13 Energy program. I have appeared before the Public Utilities Commission of Ohio
14 (“Commission”) in several cases as an attorney for Duke Energy and for EDF and I have
15 also testified before the Commission in the AEP and FirstEnergy Electric Security Plan
16 cases.

17 **Q. ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?**

18 A. I am filing this testimony on behalf of EDF and the Ohio Environmental Council
19 (“OEC”), intervenors in this case.

20 **Q. DO YOU PROVIDE ANY LEGAL OPINIONS IN YOUR TESTIMONY?**

21 A. No. I am not providing any legal opinions in my testimony. My opinions deal with Ohio
22 energy policy and whether the proposal is consistent with the Commission’s policies.

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

1 A. I address The Dayton Power and Light Company's ("DP&L" or "Company") proposed
2 Distribution Modernization Rider ("Rider DMR"). I also recommend that the
3 Commission should require the Company to file a grid modernization plan.

4 **Q. PLEASE EXPLAIN RIDER DMR.**

5 A. Under Rider DMR, DP&L would collect revenues to pay interest on DP&L's and DP&L,
6 Inc.'s debt, to pre-pay debt and to modernize the grid. The rider is non-bypassable and
7 would collect \$145 million annually for seven years, with no true-up.

8 **Q. WHAT IS YOUR OPINION OF THE COMPANY'S RIDER DMR PROPOSAL?**

9 A. The Commission should not approve the Company's Rider DMR proposal because it
10 would allow DP&L to collect transition revenues and does not follow the Commission's
11 policy from prior rulings on grid modernization riders.

12 **Q. HOW WOULD RIDER DMR ALLOW DP&L TO COLLECT TRANSITION**
13 **REVENUES?**

14 A. The Company owns an interest in the following power plants: Stuart, Zimmer, Miami
15 Fort, Killen, Conesville and the Ohio Valley Electric Corporation ("OVEC") plants
16 (collectively, the "Plants"), which were all built prior to 1999, when Senate Bill 3 was
17 enacted to restructure Ohio's retail electricity market. DP&L still owns these Plants, as
18 shown on the Company's most recent FERC Form 1, attached to my testimony as Exhibit
19 JF-1. According to pages 99 and 110 of Exhibit JF-1, the book value for DP&L's steam
20 plants (mostly comprised by the Plants) is approximately \$1.4 billion.

21 When AES acquired DP&L, the Commission required DP&L to maintain a
22 capital structure of 50% equity and 50% debt, and this capital structure finances the
23 Plants. The Company stated in its corporate separation case that it will transfer most of

1 its generating assets to an affiliate by January 1, 2017; however, it will likely retain its
2 interest in the OVEC plants (*see* JF Exhibit 2 – Case No. 13-2420-EL-UNC, Amended
3 Supplemental Application of The Dayton Power and Light Company to Transfer or Sell
4 its Generation Assets at p. 10). The Company also stated in the same case that it will
5 probably transfer the Plants (other than OVEC) to an affiliate, and the affiliate would
6 have limited ability to assume debt related to the Plants. The Commission therefore ruled
7 that the Company can maintain an adjusted capital structure at least through 2017, which
8 will enable it to continue paying debt related to the Plants (*see* JF Exhibit 3 – Case No.
9 13-2420-EL-UNC, Finding and Order at p. 18).

10 Under Rider DMR, the Company would collect revenues to pay interest on its
11 debt and to pre-pay debt. As this debt finances the Plants, this would allow DP&L to
12 collect transition revenues.

13 **Q. HOW IS RIDER DMR INCONSISTENT WITH PAST COMMISSION RULINGS**
14 **ON GRID MODERNIZATION RIDERS?**

15 A. In past cases, the Commission has required that a grid modernization rider: (1) be
16 accompanied by a grid modernization plan showing how the utility would use the
17 revenues to improve the grid; and (2) be based on the utility's actual and prudently
18 incurred costs for grid modernization.

19 **Q. HOW DOES THE COMMISSION TYPICALLY ENSURE THAT A UTILITY'S**
20 **GRID MODERNIZATION RIDER IS BASED ON THE UTILITY'S ACTUAL**
21 **AND PRUDENTLY INCURRED COSTS?**

1 A. By requiring that the rider be subject to an annual audit, hearing and reconciliation
2 process where any revenues not found to be actually and prudently spent are credited
3 back to customers.

4 **Q. DOES THE COMPANY’S PROPOSED RIDER DMR MEET THESE**
5 **STANDARDS?**

6 A. No. Rider DMR could be used to pay DP&L’s interest and debt, and would not be based
7 on DP&L’s actual grid modernization costs. Furthermore, Rider DMR is not subject to
8 an annual hearing, audit and reconciliation process.

9 **Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING GRID**
10 **MODERNIZATION?**

11 A. Yes. The other Ohio utilities have taken, or are in the process of taking, steps to fully
12 modernize their distribution grids but DP&L has not done so. The Commission should
13 require the Company to file a business plan, including a cost/benefit analysis, for fully
14 modernizing its grid. The plan should cover full deployment of all cost-effective
15 distribution automation, voltage optimization and smart meters. DP&L should also
16 develop a plan for giving customers and third parties full access to customer energy usage
17 data.

18 **II. CONCLUSION**

19 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

20 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by electronic mail this 21st day November, 2016.

/s/Trent A. Dougherty
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Summary: Testimony Direct Testimony and Exhibits of John Finnigan on behalf of Environmental Defense Fund and Ohio Environmental Council electronically filed by Mr. Trent A Dougherty on behalf of Environmental Defense Fund and Ohio Environmental Council