

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

JOINT APPLICATION OF
THE DAYTON POWER AND LIGHT COMPANY AND
WRIGHT-PATTERSON AIR FORCE BASE
FOR APPROVAL OF
A UNIQUE ARRANGEMENT

CASE NO. 14-1217-EL-AEC

DIRECT TESTIMONY

OF JESSICA E. KELLIE

- ☐ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
- ☐ **ALLOCATIONS**
- ☐ **RATE OF RETURN**
- ☐ **RATES AND TARIFFS**
- ☒ **OTHER**

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ON BEHALF OF
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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Jessica E. Kellie. My business address is 1065 Woodman Drive, Dayton,
4 Ohio 45432.

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

6 A. I am employed by The Dayton Power and Light Company ("DP&L" or "Dayton" or the
7 "Company") as a Rate Analyst in the Regulatory Operations department.

8 **Q. What are your responsibilities in your current position and to whom do you report?**

9 A. In my current position, I am responsible for assisting in the development, analysis,
10 revision, and administration of the Company's tariff schedules, rate designs, and policies.
11 I am responsible for evaluating regulatory and legislative initiatives, and commission
12 orders that impact the Company's retail and wholesale rates and overall regulatory
13 operations. I report to the Manager of Regulatory Operations.

14 **Q. Will you describe briefly your educational and business background?**

15 A. I received a Bachelor of Science degree in Business Administration with a dual major in
16 Accounting and Finance from Wright State University in 2009. I have been employed by
17 DP&L since 2008.

18 **Q. Have you previously provided testimony before the Public Utilities Commission of**
19 **Ohio ("PUCO" or "Commission")?**

1 A. Yes. I have sponsored testimony before the PUCO in the Company's Fuel Rider Case
2 Nos. 14-117-EL-FAC and 15-42-EL-FAC.

3 **Q. What is the purpose of this testimony?**

4 A. The purpose of this testimony is to describe the economic development incentives in the
5 Unique Arrangement ("Unique Arrangement" or "Contract") between Wright-Patterson
6 Air Force Base ("WPAFB," "Wright-Patt," or "Base") and DP&L. I will describe the
7 terms of the Contract and explain why it is reasonable and in the public interest consistent
8 with O.R.C. § 4905.31 and the Commission's Regulations at O.A.C. §4901:1-38-06. I
9 will show that the Contract does not violate the provisions of O.R.C. §4905.33 and
10 O.R.C. §4905.35. I will also describe the significance of WPAFB within the Miami
11 Valley region and the job retention and creation the Contract is designed to foster. I will
12 then discuss how this Contract furthers the policy of the State of Ohio. Finally, I will
13 discuss the forecasted delta revenues associated with this Unique Arrangement and
14 DP&L's proposed recovery of those delta revenues.

15 **II. REASONABLENESS OF THE ARRANGEMENT**

16 **Q. Please describe the specific discount structure in the Unique Arrangement?**

17 A. The term of the Unique Arrangement is January 1, 2018 through December 31, 2020.
18 Wright-Patt will pay tariff rates for Distribution, Transmission, and Generation services
19 and will receive an 11% discount on total DP&L charges for up to 36 months. This
20 Unique Arrangement is also subject to terms that require, among other things, WPAFB to
21 provide a required annual report to DP&L and Commission Staff which complies with
22 the requirements of O.A.C. §4901:1-38-06. In addition, due to federal requirements, this

1 Unique Arrangement contains a unilateral right to terminate at the convenience of
2 WPAFB, as well as multiple other clauses consistent with the Federal Acquisition
3 Regulations and Defense Federal Acquisition Regulations.

4 **Q. Is the arrangement between WPAFB and DP&L just and reasonable?**

5 A. Yes, as I will describe in more detail below, this arrangement is designed to foster the
6 creation and retention of jobs in the Miami Valley region and in Ohio. It is structured to
7 ensure that economic conditions which encourage job growth and retention exist at
8 WPAFB by maintaining reliable service at reasonable and predictable prices for use at
9 the facility. O.R.C. §4905.31(e) authorizes an electric utility, subject to Commission
10 review and approval, to enter into reasonable arrangements that promote economic
11 development and job retention within its service territory. This Contract does exactly
12 that.

13 **Q. Please describe your expectations with respect to job creation and retention**
14 **associated with this Unique Arrangement?**

15 A. WPAFB is Ohio's largest single-site employer, employing more than 28,000 people who
16 live and work within the Dayton region. According to the most recent economic impact
17 analysis developed and issued by Wright-Patt, the WPAFB contributes more than \$4.4
18 billion in total economic impact in the State of Ohio. Over the term of the Contract, it is
19 estimated that 1,700 new direct jobs from mission expansions will be created at WPAFB.
20 This contract will help foster a favorable economic climate at WPAFB, and in the region
21 as a whole.

1 **Q. Will there be other direct or indirect financial impacts to the region flowing from**
2 **the job retention and growth at WPAFB?**

3 A. Yes, retention and growth of jobs at WPAFB creates a positive economic impact on local
4 and regional Ohio businesses. The positive effects can be felt in a wide variety of area
5 businesses and individuals ranging from major equipment vendors to construction crews,
6 maintenance workers and even area restaurants and stores.

7 Wright-Patt continues to invest significant dollars in Ohio. Specifically, WPAFB will
8 spend \$6.6 million constructing a Satellite Pharmacy to be completed in January 2019.

9 **Q. Please discuss how the Contract relates to the policies expressed in O.R.C. §4905.33**
10 **and §4905.35.**

11 A. As noted above, the arrangement provides economic development and job retention
12 benefits consistent with the policies expressed in O.R.C. §4905.31. It provides these
13 benefits without violating the provisions of O.R.C. §4905.33, in that it takes effect only
14 upon approval by the PUCO and does not provide free service. Further, the arrangement
15 is consistent with O.R.C. §4905.35 in that it does not create an unreasonable advantage
16 for WPAFB, nor does it subject any other person or entity to any undue prejudice or
17 disadvantage. It represents a balanced approach that will ultimately create and retain
18 jobs, which will benefit all ratepayers in the region and Ohio as a whole.

19 **III. FURTHERS THE STATE POLICY EMBODIED IN O.R.C. §4928.02**

20 **Q. Does the Unique Arrangement between DP&L and WPAFB further the policy of the**
21 **state embodied in Section 4928.02 of the Ohio Revised Code?**

1 A. Yes. This Unique Arrangement, which is designed to foster the growth and retention of
2 jobs in West Central Ohio and resulting wages and tax revenues, facilitates the State's
3 effectiveness in the global economy.

4 **IV. DELTA REVENUE RECOVERY**

5 **Q. Through what mechanism does DP&L seek recovery of the costs associated with this**
6 **Unique Arrangement?**

7 A. DP&L proposes to continue recovery of the costs in connection with the arrangement
8 with WPAFB through DP&L's existing Economic Development Rider ("EDR").

9 **Q. What is the projected annual discount to WPAFB associated with the Unique**
10 **Arrangement?**

11 A. The annual discount is established by the contract terms, but will vary based on Wright-
12 Patt's actual electricity consumption, energy efficiency initiatives, load growth, timing
13 and DP&L's tariff rates. Based on Wright-Patt's 2016 billing determinants, adjusted for
14 load growth and energy efficiency results, applying projected rates, DP&L estimates
15 delta revenues to be approximately \$3.1 M annually.

16 **Q. What is the typical bill impact of the delta revenue recovery for a residential**
17 **customer using 1000 kWh/month for this Unique Arrangement?**

18 A. Based on recovery of \$3.1 M, DP&L estimates that a typical residential customer that
19 uses 1000 kWh per month would have a per bill charge of approximately \$0.39 per
20 month.

1 **V. CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. In summary, DP&L believes the Wright-Patt Unique Arrangement is reasonable, cost-
4 effective and promotes the State Policy. Customers and residents in the Dayton region
5 benefit from over 28,000 jobs currently at the base and the indirect jobs supporting the
6 Base missions. The region will benefit from the retention and potential new jobs that are
7 coming to the Base. The State of Ohio benefits from job retention, job growth, and tax
8 base this Unique Arrangement provides. DP&L respectfully requests the Commission to
9 approve the Unique Arrangement as filed and find that the total cost of the Unique
10 Arrangement is recoverable through the Company's Economic Development Rider.

11 **Q. Does this conclude your direct testimony?**

12 A. Yes, it does.

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Summary: Testimony Of Jessica Kellie electronically filed by Mrs. Jessica E Kellie on behalf of The Dayton Power and Light Company