

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) Case No. 08-1094-EL-SSO
Approval of Its Electric Security Plan.)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1095-EL-ATA
Approval of Revised Tariffs.)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1096-EL-AAM
Approval of Certain Accounting Authority)
Pursuant to Ohio Rev. Code § 4905.13.)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1097-EL-UNC
Approval of Its Amended Corporate)
Separation Plan.)

DIRECT TESTIMONY OF JOSEPH G. BOWSER
ON BEHALF OF INDUSTRIAL ENERGY USERS-OHIO

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In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Amended Corporate Separation Plan.))))	Case No. 08-1097-EL-UNC

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INDEX

	<u>Page No.</u>
I. INTRODUCTION.....	1
II. NOTICE OF INTENT TO TRANSFER GENERATING ASSETS.....	5
III. CARRYING CHARGE RATES	6
IV. PROPOSED COLLECTION OF SMART GRID AND AMI COSTS THROUGH RIDER IIR	10
V. CREDITWORTHINESS PROVISION IN PROPOSED APPLICATION FOR ECONOMIC DEVELOPMENT PROGRAMS.....	13
VI. RIDER AER COLLECTION ON A UNIFORM KWH CHARGE FOR ALL CUSTOMERS	14
VII. FINANCIAL CONDITION OF DP&L	16
VIII. CONCLUSION	16
EXHIBITS	
CERTIFICATE OF SERVICE	

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**DIRECT TESTIMONY OF JOSEPH G. BOWSER
ON BEHALF OF INDUSTRIAL ENERGY USERS-OHIO**

1 I. INTRODUCTION

2 Q1. Please state your name and business address.

3 A1. My name is Joseph G. Bowser. My business address is 21 East State Street,
4 17th Floor, Columbus, Ohio 43215-4228.

5 Q2. By whom are you employed and in what position?

6 A2. I am a Technical Specialist for McNeese Wallace and Nurick, LLC ("McNeese"),
7 providing testimony on behalf of Industrial Energy Users-Ohio ("IEU-Ohio").
8 IEU-Ohio is an association of commercial and industrial customers and functions

1 to address issues that affect the price and availability of energy they need to
2 operate their Ohio plants and facilities.

3 **Q3. Please describe your educational background.**

4 A3. In 1976, I graduated from Clarion State College with a Bachelor of Science
5 degree in Accounting. In 1988, I graduated from Rensselaer Polytechnic Institute
6 with a Master of Science degree in Finance.

7 **Q4. Please describe your professional experience.**

8 A4. I have been employed by McNees for over three years where I focus on helping
9 IEU-Ohio meet the needs of its members. Prior to joining McNees, I worked with
10 the Ohio Consumers' Counsel as Director of Analytical Services. There, I
11 managed the analysis of financial, accounting, and ratemaking issues associated
12 with utility regulatory filings. I also previously worked for Northeast Utilities,
13 where I held positions in the Regulatory Planning and Accounting departments of
14 the company, provided litigation support in regulatory hearings and assisted in
15 the preparation of the financial/technical documents filed with state and federal
16 regulatory commissions. I began my career with the Federal Energy Regulatory
17 Commission ("FERC"), where I lead and conducted audits of gas and electric
18 utilities in the Eastern and Midwestern regions of the United States. I am also a
19 member of the American Institute of Certified Public Accountants.

20 **Q5. Have you previously submitted expert testimony before this Commission?**

21 A5. Yes, I have submitted expert testimony in the following cases: *In the Matter of*
22 *the Application of The East Ohio Gas Company for Authority to Implement Two*

1 *New Transportation Services, for Approval of New Pooling Agreement, and for*
2 *Approval of a Revised Transportation Migration Rider, Case No.*
3 *96-1019-GA-ATA; In the Matter of the Applications of Columbus Southern Power*
4 *Company and Ohio Power Company for Approval of Their Electric Transition*
5 *Plans and for Receipt of Transition Revenues, Case Nos. 99-1729-EL-ETP, et*
6 *al.; In the Matter of the Commission's Investigation into the Policies and*
7 *Procedures of Ohio Power Company, Columbus Southern Power Company, The*
8 *Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo*
9 *Edison Company, and Monongahela Power Company Regarding the Installation*
10 *of New Line Extensions, Case No. 01-2708-EL-COI, et al.; In the Matter of the*
11 *Application of Columbus Southern Power Company to Adjust its Power*
12 *Acquisition Rider Pursuant to its Post-Market Development Period Rate*
13 *Stabilization Plan, Case No. 07-333-EL-UNC; In the Matter of the Application of*
14 *Ohio Edison Company, The Cleveland Electric Illuminating Company, and The*
15 *Toledo Edison Company for Authority to Increase Rates for Distribution Service,*
16 *Modify Certain Accounting Practices and for Tariff Approvals, Case Nos.*
17 *07-551-EL-AIR, et al.; In the Matter of the Application of Ohio Edison Company,*
18 *The Cleveland Electric Illuminating Company, and The Toledo Edison Company*
19 *for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143,*
20 *Revised Code, in the Form of an Electric Security Plan, Case No.*
21 *08-935-EL-SSO, and In the Matter of the Application of Columbus Southern*
22 *Power Company for Approval of its Electric Security Plan; an Amendment to its*

1 *Corporate Separation Plan, and the Sale or Transfer of Certain Generating*
2 *Assets, Case Nos. 08-917-EL-SSO, et. al.*

3 **Q6. What is the purpose of your testimony in this case?**

4 A6. The purpose of my testimony is to address several aspects of the Electric
5 Security Plan ("ESP") proposed by the Dayton Power & Light Company ("DP&L"
6 or the "Company"). Specifically, I address the following issues:

- 7 • The Company's notice to the Commission of its intent to transfer
8 generating assets to an affiliated company;
- 9 • The Company's request to include an equity component in its proposed
10 carrying charge rates applied to the Company's proposed deferred fuel
11 costs and in the carrying charge rates proposed to be applied to several
12 other items;
- 13 • The proposed collection of Smart Grid and automated metering
14 infrastructure ("AMI") costs through the Infrastructure Investment Rider
15 ("Rider IIR") and DP&L's request to implement Rider IIR on a levelized
16 basis;
- 17 • The creditworthiness provision in the Company's proposed application for
18 economic development programs; and
- 19 • The Company's proposal to collect the Alternative Energy Rider ("Rider
20 AER") at a uniform kWh charge for all customers.

1 **II. NOTICE OF INTENT TO TRANSFER GENERATING ASSETS**

2 **Q7. What has the Company proposed with respect to the sale or transfer of**
3 **generating assets in this case?**

4 A7. DP&L indicates that it is giving notice to the Commission of its intent, as part of
5 the ESP, to transfer to its unregulated affiliate, DPL Energy, LLC ("DPLE"), the
6 Tait peaking units 1 – 3 generating stations. Company witness Rice states at
7 page 5 of his prefiled testimony that these generating facilities are currently not in
8 rate base. In addition, DP&L is giving notice of its intent to transfer to DPLE its
9 contractual entitlements to a portion of the output from the generating facilities of
10 the Ohio Valley Electric Corporation ("OVEC"). As Mr. Rice notes in his
11 testimony, in addition to the contractual entitlement to OVEC power, DP&L also
12 has equity ownership in OVEC. According to OVEC's 2007 Annual Report,
13 DP&L is a current shareholder in OVEC, with a 4.9% equity ownership. A copy
14 of the Annual Report page is attached to my testimony as Exhibit JGB-1.
15 Therefore, DP&L is a partial owner of the OVEC generating assets.

16 **Q8. Are these generating assets currently being utilized by DP&L?**

17 A8. Yes. According to data in DP&L's 2007 FERC Form 1, the Tait generating units
18 and the OVEC generating assets have been producing power. In 2007, DP&L
19 received 760,729 MWH from OVEC, at a cost of \$26.1 million, or approximately
20 \$34 per MWH. Copies of the relevant FERC Form 1 pages are attached to my
21 testimony as Exhibit JGB-2.

1 **Q9. Do you believe that the Commission should permit DP&L to transfer the**
2 **OVEC and Tait generating assets?**

3 A9. No. DP&L has owned its share of the OVEC generation assets for a number of
4 years and, as OVEC's 2007 Annual Report notes, DP&L is part of a Power
5 Agreement that provides for the sale of power to DP&L, among others, through
6 March 2026. Moreover, DP&L presumably purchased the Tait generating assets
7 because the Company had a need for additional generating capacity. In addition,
8 ownership of that generation would also provide a long-term hedge against the
9 volatility in both the availability and pricing of wholesale capacity and energy
10 supplies.

11 Given the current turmoil in financial and capital markets and the reduced
12 availability of credit, it is difficult to understand why it would be prudent at this
13 time to transfer an entitlement to the output of a generating asset. In effect, this
14 entitlement is a hedge against the electric distribution utility's ("EDUs") ability to
15 meet its physical standard service offer ("SSO") obligations. Furthermore, the
16 wholesale supply from OVEC, which is subject to FERC jurisdiction, is priced
17 based upon traditional, cost-based regulation. By implication, permitting the
18 transfer of these assets will result in SSO service that is subject to wholesale
19 pricing volatility and may lead to lower reliability.

20 **III. CARRYING CHARGE RATES**

21 **Q10. What is the Company proposing with respect to the recovery of carrying**
22 **charges on deferred fuel costs in this case?**

1 A10. DP&L seeks to recover carrying charges on its proposed balances of
2 unamortized fuel costs.

3 **Q11. What is the basis for the carrying charge rates that DP&L is proposing?**

4 A11. For the carrying charge rate to be applied to deferred fuel costs, the Company
5 indicates, at page 24 of Book 1 of its application, that the proposed carrying cost
6 rate will be based on the Company's cost of capital.

7 **Q12. Do you believe the carrying charge rates proposed by DP&L for application
8 to deferred fuel amounts are appropriate?**

9 A12. No. As IEU-Ohio witness Mr. Murray indicates in his testimony, DP&L has not
10 justified deferring fuel-related expenses.

11 **Q13. What is your recommendation with respect to carrying charges on deferred
12 fuel if Mr. Murray's recommendation is not adopted?**

13 A13. If the Commission determines that it is appropriate for the Company to recognize
14 any deferred fuel costs, a debt-based carrying charge would be more appropriate
15 for application to deferred fuel balances in order to better reflect the cost of
16 carrying the regulatory asset until there is amortization.

17 **Q14. Do you have any other recommendations with respect to the proposed fuel
18 deferrals?**

19 A14. Yes. The structure of the deferral mechanism is problematic from my
20 perspective. I believe the Commission's policies, as a general matter, frown
21 upon the use of deferrals simply to shift cost recovery from one period of time to
22 another. It is much more appropriate to have current period recognition of

1 revenues and expenses. However, deferrals can at times be a useful regulatory
2 tool in appropriate circumstances. It is my understanding that Amended
3 Substitute Senate Bill 221 ("SB 221") provided the Commission with the ability to
4 phase-in costs (through the use of deferrals) to ensure rate or price stability for
5 customers. Any such deferrals are to be amortized through a non-bypassable
6 surcharge on the market rate option ("MRO") or ESP rates established by the
7 Commission. Thus, the deferrals cannot be amortized through a non-bypassable
8 charge that will be applied to some future price or rate that may be established
9 after the current ESP or MRO terminates. In other words, any regulatory asset
10 created by a phase-in should be amortized during the life of the ESP or MRO and
11 not beyond.

12 Under these circumstances, amending the current rate plan to include some type
13 of phase-in may be a reasonable action provided that other aspects of the
14 current rate plan such as the term of the current plan are also open to
15 amendment. Given the timing of this case, the fact that the current plan ends on
16 December 31, 2010 and the amount of time it is taking to complete other ESP
17 cases, it is not too early to be thinking about what needs to be put in place for the
18 period that begins January 1, 2011. Extending the current plan's term might also
19 allow any regulatory assets or liabilities that are created to stabilize revenue and
20 rates to be fully amortized during the term of the plan.

21 **Q15. Are there other instances in DP&L's ESP where it proposes to recover**
22 **carrying charges for which you believe the carrying charge rate is not**
23 **appropriate?**

1 A15. Yes. The Company is requesting carrying charges on: (1) the over/under
2 recoveries that result from the proposed levelization of Rider IIR (Schedule E-1,
3 Book 2); (2) deferred case expenses (Schedule C-8, Book 2); (3) deferred utility
4 of the future costs (Schedule C-6, Book 2) that are proposed to be recovered via
5 Rider IIR and the Energy Efficiency Rider ("Rider EER"); and, (4) 2008 deferred
6 expenses and over/under collections under the Alternative Energy Rider ("Rider
7 AER") (Workpaper WPA-1, Book 3, & page 8 of testimony of Ms. Seger-Lawson,
8 Book 3).

9 **Q16. What carrying charge rates is the Company proposing?**

10 A16. The rates proposed for the above-identified carrying charges are based on the
11 Company's cost of capital as indicated on Schedule D-1, Book 3, and on
12 Schedule D-1, Book 2.

13 **Q17. What is your recommendation with respect to an appropriate carrying**
14 **charge for these items?**

15 A17. In the event the Commission allows the deferrals and the rider-related over/under
16 recovery mechanisms proposed by the Company (identified in Answer No. 15
17 above), a debt-based carrying charge would be more appropriate for application
18 to these items in order to better reflect the cost of carrying over/under recoveries
19 and of carrying deferred costs until there is amortization.

1 **IV. PROPOSED COLLECTION OF SMART GRID AND AMI COSTS THROUGH**
2 **RIDER IIR**

3 **Q18. What is the Company proposing with respect to distribution infrastructure**
4 **investments for collection via Rider IIR?**

5 A18. The Company is proposing to recover through Rider IIR primarily the costs of
6 distribution and substation automation, the costs associated with AMI and Smart
7 Grid, and related billing system modification costs.

8 **Q19. Do you believe that the Company's proposal for Rider IIR should be**
9 **approved as part of the Company's ESP?**

10 A19. Not in its present form. According to the testimony of Mr. Teuscher at page 37
11 (Book 2), the Company expects to spend \$297 million in capital and \$67 million
12 in operating and maintenance ("O&M") expenses between 2009 and 2015 to
13 implement its Smart Grid and AMI plans. The significance of an expenditure of
14 \$297 million for distribution capital is illustrated by comparison to DP&L's net
15 distribution plant in service (gross plant less accumulated depreciation), as
16 reported in the Company's 2007 FERC Form 1, of \$693 million. The proposed
17 expenditure is about 43% of the current net distribution plant investment.
18 Moreover, under the Company's proposal, the Rider would be levelized, such
19 that a fixed, identical level of revenues would be collected each year, over the
20 period 2009 through 2015, despite a significant ramp-up whereby the actual
21 costs expended in the earlier years of the plan are significantly lower than
22 proposed costs expended in the later years beyond the plan term. In addition, it
23 does not appear from my review of the testimonies filed by the Company in this

1 case, nor from the Rider IIR supporting schedules and workpapers, that the
2 Company is proposing any true-up provision for the Rider during its first seven
3 years of operation. Rather than permit the Company to implement what amounts
4 to automatic annual increases to recover distribution costs of this magnitude, I
5 believe the Commission should require the Company to address its Smart Grid
6 and AMI plans, as well as the related cost recovery, in the Company's next
7 distribution rate case. At that time, a full review of the Company's distribution
8 rates and the means by which additional capital and O&M expenditures can be
9 connected to benefits for customers could be undertaken. The Company's last
10 base-rate case was in Case No. 91-0414-EL-AIR, for which the Commission's
11 Opinion and Order was issued January 22, 1992, or, approximately 17 years
12 ago. In the alternative, if the Commission is inclined to permit the Company to
13 recover some amount of dollars associated with Smart Grid or AMI in the ESP,
14 an increase should be limited to a single year's rate increase and any
15 subsequent increases should be evaluated as part of a full distribution rate case.

16 **Q20. If the Commission were to permit implementation of Rider IIR, do you agree**
17 **with DP&L's proposal to levelize recovery of Rider IIR revenues?**

18 **A20.** No. As indicated at page 7 of the testimony of Ms. Seger-Lawson (Book 2), the
19 Company is proposing to levelize the recovery of revenues under Rider IIR over
20 the period 2009 through 2015. In response to Interrogatory No. IEU-1-9, which is
21 attached to my testimony as Exhibit JGB-3, DP&L indicated that it is proposing to
22 levelize these costs in order to keep rates simple, and because all of the

1 proposed infrastructure costs are fixed distribution costs and do not vary based
2 on kWh consumed.

3 The levelization of a rate does not necessarily make the rate "simple", and the
4 fact that the proposed infrastructure costs are fixed costs does not necessarily
5 provide a rationale for levelizing the Rider charges from year-to-year. Given the
6 magnitude of the infrastructure expenditures contemplated for recovery under
7 Rider IIR, if the Commission permits implementation of this Rider, it should do so
8 based on a traditional cost recovery model, which would cause the Rider to
9 ramp-up over time, as costs (particularly capital costs) are actually incurred.
10 Aside from providing the Company with a fixed level of revenues from
11 year-to-year, I do not see any benefits to the levelization approach.¹ In fact, the
12 levelization approach causes the revenue requirements under the Rider,
13 particularly in 2009 and 2010, to be at levels well above what the revenue
14 requirements in 2009 and 2010 would be without the levelization. For example,
15 as indicated on Schedule A-2 (Book 2) of the Company's filing, in 2009 the
16 Company's levelization methodology would result in a revenue requirement of
17 approximately \$47.4 million, while the use of a non-levelized approach would
18 result in a revenue requirement of approximately \$13.5 million.

19 Moreover, for the Commission to approve a level of revenues in advance for a 7-
20 year period, without knowing whether the projected costs will actually be incurred
21 from year-to-year, would be both imprudent and unnecessary if the Commission

¹ Because the costs proposed for recovery under Rider IIR are mostly fixed costs, I support the Company's proposal to collect those fixed costs on a per customer basis.

1 simply follows its traditional practice of basing rider recovery on the costs
2 prudently incurred from year-to-year or ties cost recovery to the traditional
3 ratemaking process. In addition, as noted above, if changes to DP&L's current
4 plan are permitted that allow new riders to extend beyond the term of the ESP,
5 then the Commission should consider an ESP that would run longer than the
6 period that DP&L is proposing.

7 **V. CREDITWORTHINESS PROVISION IN PROPOSED APPLICATION FOR**
8 **ECONOMIC DEVELOPMENT PROGRAMS**

9 **Q21. What is the Company proposing in its application for economic**
10 **development programs (Exhibit 3, Book 1)?**

11 A21. On page 2 of 2 of Exhibit 3, the Company is proposing a creditworthiness
12 provision that states "New customers must provide balance sheets from the past
13 three (3) years. Expanding and new customers must maintain DP&L's highest
14 credit classification with respect to monthly payments for electric service. Failure
15 to comply with this requirement may, at the sole discretion of the Company,
16 result in the termination of this application upon three (3) days' written notice.
17 Upon termination, the customer will reimburse DP&L the total amount of discount
18 received up to the date of termination."

19 **Q22. Do you believe this provision is appropriate?**

20 A22. No. I am concerned that there is no nexus between changes to a customer's
21 creditworthiness and their need/eligibility for an economic development program.
22 I do not believe that a customer should have to refund their economic
23 development discounts back to DP&L because the customer no longer meets

1 "... DP&L's highest credit classification with respect to monthly payments for
2 electric service".

3 **Q23. What is your recommendation?**

4 A23. I recommend that the creditworthiness provision at the top of page 2 of 2 of
5 Exhibit 3 be removed from the economic development program application form.

6 **VI. RIDER AER COLLECTION ON A UNIFORM KWH CHARGE FOR ALL**
7 **CUSTOMERS**

8 **Q24. What is the Company proposing with respect to Rider AER?**

9 A24. DP&L is proposing that Rider AER would collect the costs of complying with
10 SB 221's renewable energy and advanced energy targets. The Company is
11 proposing that Rider AER become effective on April 1, 2009, and that it initially
12 be set at a rate of \$0.0001146/kWh for all customers. Schedule A-1 (Book 3)
13 indicates that the largest component of the estimated costs for recovery through
14 Rider AER in 2009 relate to renewable energy credits ("REC"). The balance of
15 the costs consists primarily of internal labor costs, and costs associated with
16 registration and subscription to the PJM and MISO renewable energy tracking
17 systems (GATS and MRETS). The Company is proposing that Rider AER be
18 refilled annually and trued-up to actual costs.

19 **Q25. Do you believe that it is appropriate for Rider AER to be designed as a**
20 **single kWh rate for all customers?**

21 A25. No. The Company indicates at page 9 of Book 3 that it expects the foundation
22 for compliance with the SB 221 renewable energy targets in 2009 and 2010 to be
23 the acquisition of RECs. In addition, DP&L states that for the remainder of 2008,

1 and for 2009-2010, it will pursue opportunities to construct new renewable
2 resources, to buy renewable resources, or to enter into purchased power
3 agreements for renewable energy and associated RECs. For instance,
4 Mr. Stephenson indicates at page 14 of his testimony (Book 3) that DP&L is
5 determining the feasibility of the installation of a 3.8 MW hydropower facility. In
6 addition, DP&L has been working closely with suppliers and project developers
7 who are exploring projects using solar, biomass and wind energy, although these
8 projects are in the initial planning stage and may or may not come to fruition.

9 From the foregoing, it is clear that it is not known at this time precisely how DP&L
10 will meet the renewable energy targets. If facilities such as hydro, solar or wind
11 are built, the costs of those facilities are largely fixed, and so they are more
12 appropriately collected from customers on a per customer basis, demand basis,
13 or as a percentage of customers' bills to maintain relative revenue responsibility
14 within and between rate groups. Moreover, as RECs are purchased to meet
15 DP&L's system-wide renewable requirements, a demand basis or percentage of
16 customers' bills would also be a reasonable way to collect these costs from
17 customers.

18 **Q26. What is your recommendation for the rate design of Rider AER?**

19 **A26.** Given the uncertainty of exactly how DP&L's compliance with the renewable
20 energy targets will be achieved, and the likelihood that compliance will be
21 achieved through some combination of RECs and new facilities, I recommend
22 that Rider AER be collected from customers either on a demand basis or as a
23 percentage of customers' bills.

1 **VII. FINANCIAL CONDITION OF DP&L**

2 **Q27. Do you have any information on the Company's profitability?**

3 A27. Yes. Using the Company's FERC Form 1 for 2007, I have calculated on Exhibit
4 JGB-4, a return on common equity ("ROE") for DP&L of 20.8%. While I
5 recognize that we are focused in this proceeding on DP&L, the EDU subsidiary,
6 DP&L's parent company, DPL Inc., has also had very strong earnings. I am
7 citing to DPL's earnings because this is how DPL Inc. presents its results to the
8 financial community. Moreover, the information that DPL Inc. provides to the
9 financial community reflects its own view on its financial condition and trend-line.
10 In addition, although there are other corporate subsidiaries, DP&L represented
11 the most significant source of both revenues (99%) and earnings for DPL Inc.
12 For example, for the nine months ended September 30, 2008, DPL Inc. had year-
13 to-date operating revenues of \$1,209,411,000, while DP&L had year-to-date
14 operating revenues of \$1,191,810,000.

15 **VIII. CONCLUSION**

16 **Q28. Does this conclude your prepared direct testimony?**

17 A28. Yes, at the present time. However, I reserve the right to submit supplemental
18 testimony.

ANNUAL REPORT — 2007

OHIO VALLEY ELECTRIC CORPORATION

and subsidiary

INDIANA-KENTUCKY ELECTRIC CORPORATION

Ohio Valley Electric Corporation

GENERAL OFFICES, 3932 U.S. Route 23, Piketon, Ohio 45661

Ohio Valley Electric Corporation (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (IKEC), collectively, the Companies, were organized on October 1, 1952. The Companies were formed by investor-owned utilities furnishing electric service in the Ohio River Valley area and their parent holding companies for the purpose of providing the large electric power requirements projected for the uranium enrichment facilities then under construction by the Atomic Energy Commission (AEC) near Portsmouth, Ohio.

OVEC, AEC and OVEC's owners or their utility-company affiliates (called Sponsoring Companies) entered into power agreements to ensure the availability of the AEC's substantial power requirements. On October 15, 1952, OVEC and AEC executed a 25-year agreement, which was later extended through December 31, 2005 (DOE Power Agreement). On September 29, 2000, the DOE gave OVEC notice of cancellation of the DOE Power Agreement. On April 30, 2003, the DOE Power Agreement terminated in accordance with the notice of cancellation.

OVEC and the Sponsoring Companies signed an Inter-Company Power Agreement (ICPA) on July 10, 1953, to support the DOE Power Agreement and provide for excess energy sales to the Sponsoring Companies of power not utilized by the DOE or its predecessors. Since the termination of the DOE Power Agreement on April 30, 2003, OVEC's entire generating capacity has been available to the Sponsoring Companies under the terms of the ICPA. In 2004, the Sponsoring Companies and OVEC entered into an Amended and Restated ICPA, which extends its term from March 13, 2006 to March 13, 2026.

OVEC's Kyger Creek Plant at Cheshire, Ohio, and IKEC's Clifty Creek Plant at Madison, Indiana, have nameplate generating capacities of 1,086,300 and 1,303,560 kilowatts, respectively. These two generating stations, both of which began operation in 1955, are connected by a network of 776 circuit miles of 345,000-volt transmission lines. These lines also interconnect with the major power transmission networks of several of the utilities serving the area.

The current Shareholders and their respective percentages of equity in OVEC are:

Allegheny Energy, Inc.....	3.50
American Electric Power Company, Inc.*.....	39.17
Buckeye Power Generating, LLC ¹	9.00
Columbus Southern Power Company** ²	4.30
The Dayton Power and Light Company ³	4.90
Duke Energy Ohio, Inc.** ⁴	9.00
Kentucky Utilities Company ⁵	2.50
Louisville Gas and Electric Company ⁶	5.63
Ohio Edison Company ⁶	16.50
Southern Indiana Gas and Electric Company ⁷	1.50
The Toledo Edison Company ⁶	4.00
	<u>100.00</u>

These investor-owned utilities comprise the Sponsoring Companies and currently share the OVEC power participation benefits and requirements in the following percentages:

Appalachian Power Company ²	15.69
Buckeye Power Generating, LLC ¹	9.00
Columbus Southern Power Company ²	4.44
The Dayton Power and Light Company ³	4.90
Duke Energy Ohio, Inc. ⁴	9.00
FirstEnergy Generation Corp. ⁶	20.50
Indiana Michigan Power Company ²	7.85
Kentucky Utilities Company ⁵	2.50
Louisville Gas and Electric Company ⁶	5.63
Monongahela Power Company ⁸	3.50
Ohio Power Company ²	15.49
Southern Indiana Gas and Electric Company ⁷	1.50
	<u>100.00</u>

Some of the Common Stock issued in the name of:

- *American Gas & Electric Company
- **Columbus and Southern Ohio Electric Company
- ***The Cincinnati Gas & Electric Company

Subsidiary of:

- ¹Buckeye Power, Inc.
- ²American Electric Power Company, Inc.
- ³DPL Inc.
- ⁴Duke Energy Corporation
- ⁵E.ON U.S. LLC
- ⁶FirstEnergy Corp.
- ⁷Vectren Corporation
- ⁸Allegheny Energy, Inc.

Name of Respondent The Dayton Power and Light Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007
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**PURCHASED POWER (Account 555)
(Including power exchanges)**

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.

2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.

3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	American Electric Power	OS	T5	N/A	N/A	N/A
2	Cargill-Affiant, LLC	OS		N/A	N/A	N/A
3	Conoco Phillips Company	OS	SA 203	N/A	N/A	N/A
4	Constellation Energy Commodities Group	OS		N/A	N/A	N/A
5	DPL Energy	OS	T4	N/A	N/A	N/A
6	DTE Energy Trading, Inc.	OS		N/A	N/A	N/A
7	Duke Energy Ohio	OS	T4	N/A	N/A	N/A
8	Exelon Power Team	OS		N/A	N/A	N/A
9	J. Aron & Co.	OS		N/A	N/A	N/A
10	Lehman Brothers Commodity Services	OS	SA 115	N/A	N/A	N/A
11	Midwest Ind Trans Sys Operators	OS		N/A	N/A	N/A
12	Morgan Stanley	OS	87	N/A	N/A	N/A
13	Ohio Valley Electric Corp.	OS	28	N/A	N/A	N/A
14	PEPCO Energy Services Inc.	OS	SA 204	N/A	N/A	N/A
	Total					

Name of Respondent The Dayton Power and Light Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of
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PURCHASED POWER (Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatt-hours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatt-hours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$)(j)	Energy Charges (\$)(k)	Other Charges (\$)(l)	Total (j+k+l) of Settlement (\$)(m)	
400,800				20,413,920		20,413,920	1
73,600				4,244,130		4,244,130	2
8,800				558,400		558,400	3
90,000				5,682,840		5,682,840	4
132,548				13,068,996		13,068,996	5
600				49,200		49,200	6
73,600				4,896,240	64,828	4,961,068	7
48,400				2,824,000		2,824,000	8
155,000			873,120	4,816,100		5,689,220	9
32,000				1,988,200		1,988,200	10
374,284				20,051,421		20,051,421	11
3,200				176,600		176,600	12
760,729			11,805,316	14,274,762		26,080,078	13
800				41,814		41,814	14
3,227,071	69,300	69,300	12,678,436	206,789,778	175,484	219,643,698	

Name of Respondent The Dayton Power and Light Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2007/04
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STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content of the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: <i>F. M. Tait</i> (b)	Plant Name: <i>F. M. Tait</i> (c)
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear)	Int Combust (Note 1)	Gas Turbine (Note 1)
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	Conventional	Conventional
3	Year Originally Constructed	1967	1995
4	Year Last Unit was Installed	1967	1998
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	11.00	309.00
6	Net Peak Demand on Plant - MW (60 minutes)	10	230
7	Plant Hours Connected to Load	7	133
8	Net Continuous Plant Capability (Megawatts)	0	0
9	When Not Limited by Condenser Water	10	304
10	When Limited by Condenser Water	10	256
11	Average Number of Employees	0	0
12	Net Generation, Exclusive of Plant Use - KWh	47000	17734000
13	Cost of Plant: Land and Land Rights	16255	61402
14	Structures and Improvements	88348	849964
15	Equipment Costs	1069813	68253281
16	Asset Retirement Costs	0	0
17	Total Cost	1174416	69164647
18	Cost per KW of Installed Capacity (line 17/5) Including	106.7651	223.8338
19	Production Expenses: Oper, Supv, & Engr	0	0
20	Fuel	7284	1877483
21	Coolants and Water (Nuclear Plants Only)	0	0
22	Steam Expenses	0	0
23	Steam From Other Sources	0	0
24	Steam Transferred (Cr)	0	0
25	Electric Expenses	0	58081
26	Misc Steam (or Nuclear) Power Expenses	0	0
27	Rents	0	0
28	Allowances	0	0
29	Maintenance Supervision and Engineering	0	0
30	Maintenance of Structures	0	0
31	Maintenance of Boiler (or reactor) Plant	0	0
32	Maintenance of Electric Plant	11346	155583
33	Maintenance of Misc Steam (or Nuclear) Plant	0	0
34	Total Production Expenses	18630	2091147
35	Expenses per Net KWh	0.3964	0.1179
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)		
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	OIL Barrels	OIL Barrels GAS MCF
38	Quantity (Units) of Fuel Burned	0 152 0	0 0 249274
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	0 137066 0	137067 0 1020
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	0.000 0.000 0.000	0.000 0.000 7.531
41	Average Cost of Fuel per Unit Burned	0.000 48.082 0.000	48.076 0.000 7.531
42	Average Cost of Fuel Burned per Million BTU	0.000 8.352 0.000	8.351 0.000 7.383
43	Average Cost of Fuel Burned per KWh Net Gen	0.000 15.499 0.000	0.000 10.586 0.000
44	Average BTU per KWh Net Generation	0.000 18556.000 0.000	0.000 14337.000 0.000

9. Referencing Ms. Seger-Lawson's testimony at page 7 of 17 (Book 2), why has the Company proposed a rate design that levelizes the recovery of revenues under the Infrastructure Investment Rider over the period 2009 through 2015, rather than recovering the costs as they are incurred?

RESPONSE: General Objections Nos. 2, 6, 7. This interrogatory is overly broad, unduly burdensome, and seeks information available in pre-filed testimony, schedules, and/or workpapers filed by DP&L with the Commission in its Application in these proceedings. Without waiving these objections, DP&L states all of the infrastructure costs are fixed distribution costs and do not vary based on kWh consumed. In an effort to keep rates simple, the Company proposes to levelize these costs over the 6 year and 9 month period. In doing so, to the extent the revenue recovery exceeds expenses in a given year, the time value of money was provided back to ratepayers via an off set to the revenue requirement.

WITNESS RESPONSIBLE: Dona Seger-Lawson

DP&L 2007 Return on Common Equity

Net Income	\$271,579,914
Less: Preferred dividends	\$866,783
Income for common equity	\$270,713,131

	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Average Balance</u>
Proprietary capital	\$1,392,212,180	\$1,254,089,014	\$1,323,150,597
Less: preferred stock	\$22,850,800	\$22,850,800	\$22,850,800
Common Equity	\$1,369,361,380	\$1,231,238,214	\$1,300,299,797

Return on ave. common equity 20.82%

Source: 2007 FERC Form 1

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Joseph G. Bowser* was served upon the following parties of record this 26th day of January 2009 via electronic transmission, hand-delivery or first class mail, postage prepaid.


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