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February 5, 2009

VIA FEDERAL EXPRESS

Public Utilities Commission of Ohio
Attention: Renee Jenkins
Docketing Division
180 E. Broad Street, 10th Floor
Columbus, OH 43215

PUCO

RECEIVED-DOCKETING DIV
2009 FEB -6 AM 10:28RE: DP&L ESP Filing, Case No. 08-1094-EL-SSO *et al.*

Dear Ms. Jenkins:

Enclosed are: (1) fourteen (14) copies of The Dayton Power and Light's Notice of Filing Depositions; and (2) deposition transcripts of:

- a. Gonzalez, Wilson
- b. Ibrahim, Amr A.
- c. Duann, Daniel J.
- d. Yankel, Anthony J.
- e. McClelland, Barry E.
- f. Pullins, Steven W.
- g. Fein, David I.
- h. Woolridge, J. Randall
- i. Bowser, Joseph G. ✓
- j. Sawmiller, Daniel J.
- k. Murray, Kevin M.
- l. Dickstein, Shelley J. (awaiting transcript)
- m. Frye, Mark R. (awaiting transcript)
- n. Higgins, Kevin C. (awaiting transcript)

Very truly yours,

R. Holtzman Hedrick

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RHH/tes
Enclosures



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 Technician Am J Date Processed 2/6/09

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of The Dayton :
Power and Light Company : Case No. 08-1094-EL-SSO
For Approval of Its :
Electric Security Plan. :

- - -

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

- - -

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

- - -

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

- - -

DEPOSITION

of Joseph G. Bowser, taken before me, Julieanna
Hennebert, a Notary Public in and for the State of
Ohio, at the offices of McNees, Wallace & Nurick,
LLC, 21 East State Street, 17th Floor, Columbus,
Ohio, on Wednesday, February 4, 2009, at 9:30 a.m.

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1 APPEARANCES:

2 Faruki, Ireland & Cox, P.L.L.
 By Mr. Charles J. Faruki
 3 500 Courthouse Plaza, SW
 10 North Ludlow Street
 4 Dayton, Ohio 45402
 5 On behalf of the Applicant.

6
 7 McNees, Wallace & Nurick, LLC
 Ms. Lisa G. McAlister
 8 Fifth Third Center, Suite 1700
 21 East State Street
 9 Columbus, OH 43215
 10 On behalf of Industrial Energy
 Users-Ohio.

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1 Wednesday Morning Session,
 2 February 4, 2009.

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 4 STIPULATIONS

5 It is stipulated by and between counsel for
 6 the respective parties that the deposition of Joseph
 7 G. Bowser, a witness called by the Applicant under
 8 the applicable Rules of Civil Procedure, may be
 9 reduced to writing in stenotypy by the Notary, whose
 10 notes thereafter may be transcribed out of the
 11 presence of the witness; and that proof of the
 12 official character and qualification of the Notary is
 13 waived.

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1 JOSEPH G. BOWSER

2 being by me first duly sworn, as hereinafter
 3 certified, deposes and says as follows:

4 EXAMINATION

5 BY MR. FARUKI:

6 Q. Morning, Mr. Bowser.

7 A. Good morning.

8 Q. You have in front of you a copy of your
 9 own testimony in this case?

10 A. Yes, I do.

11 Q. Tell me what else you've brought with you
 12 today.

13 A. I've also brought with me the company's
 14 three books of the filing; Books I, II, and III, with
 15 the schedules and testimonies, and I've brought FERC
 16 form 1 pages that I rely on in an area of my
 17 testimony.

18 I also have excerpts from the company's
 19 10Q report filed with the Securities & Exchange
 20 Commission for the quarter ended September 30 of
 21 2008. And I have a copy of Mr. Murray's testimony.

22 Q. Anything else?

23 A. I believe that's it.

24 Q. If you would look at your testimony maybe
 25 starting on page 2.

1 A. Okay.

2 Q. You're not a lawyer, correct?

3 A. No, I am not.

4 Q. You are an accountant?

5 A. Correct.

6 Q. Are you a CPA?

7 A. Yes, I am.

8 Q. And how long have you been a CPA?

9 A. Since 1984.

10 Q. And you're licensed where?

11 A. Pennsylvania.

12 Q. Are you an economist?

13 A. No, I'm not.

14 Q. How long have you been employed by the
 15 McNees-Wallace firm?

16 A. Since July of 2005.

17 Q. Was it immediately before that that you
 18 were director of analytical services at OCC?

19 A. That's correct.

20 Q. For how long did you have that position?

21 A. Approximately ten years.

22 Q. On page 3, actually starts at the bottom
 23 of 2 and continues ending on top of 4, you list a
 24 number of cases in which you've offered testimony.
 25 Did the testimony that you offered in any of those

1 cases relate to any of the issues you're testifying
2 on about in this case?

3 And take a minute and look at the list,
4 if you like.

5 A. Yes, in Case 08-935, which was the AEP
6 electric security plan case, in that case I offered
7 testimony with regard to the sale or transfer of
8 generating assets, and I also offer testimony on that
9 issue in this case.

10 And I believe at this time I believe
11 that's the only case where there was a similar issue
12 to this.

13 Q. Okay. The issue in the AEP case with
14 regard to sale or transfer of generating assets was
15 different a question than the one presented in this
16 case; is that right?

17 MS. McALISTER: Just for clarification,
18 Charlie, I think you said AEP and the case was First
19 Energy.

20 THE WITNESS: It was AEP.

21 MS. McALISTER: I'm sorry, I thought you
22 said 08-935.

23 MR. FARUKI: He did say 08-935. Why
24 don't we clear that up then.

25 Q. I'm looking at line 21 of page 3, Joe.

1 Do you need to revise your other answer?

2 A. Yes, I need to revise that, I'm sorry. I
3 picked up the wrong docket number.

4 Q. That's okay.

5 A. The correct docket number for the AEP
6 case was 08-917.

7 Q. Okay. Let me restate my question.

8 With regard to your question in the AEP
9 case, the 80-917 case about sale or transfer of
10 generating assets, is it true that that question in
11 the AEP case was different from the one in this case?

12 A. It was a very similar issue. I don't
13 believe it was exactly the same. In this case that
14 we're in here, DP&L is giving notice to the
15 Commission of its intent to transfer some generating
16 assets to an affiliated company.

17 I believe in the AEP case -- well, you
18 know, I don't recall exactly how it was different.

19 Q. Fair enough.

20 Why don't we stay on that issue, if you'd
21 look at page 5 of your testimony, please.

22 With regard to section II of your
23 testimony, which you've titled "Notice of Intent to
24 Transfer Generating Assets," the Tait assets that are
25 the subject of the notice have not been in rate base;

1 is that right?

2 A. I believe that's correct.

3 Q. And are you aware that DP&L built the
4 Tait units, specifically Tait units 1, 2, and 3,
5 after DP&L's last rate case?

6 A. Yes, I was aware of that.

7 Q. And you know that its -- by "its" I
8 mean DP&L's ownership interest of those units have
9 not been in rate base.

10 A. Yes, correct.

11 Q. And I understand you're not a lawyer.
12 You are not rendering an opinion as to whether DP&L's
13 ownership interest or its ability to transfer that
14 interest is restricted by Senate Bill 221, are you?

15 A. Not as a lawyer, no. But my
16 understanding of Senate Bill 221 is that a company
17 has to have Commission permission to transfer any
18 generating asset. And I don't believe that Senate
19 Bill 221 distinguishes between whether or not those
20 units were ever in rate base or not.

21 Q. And what's the basis for that statement?

22 A. From my reading of Senate Bill 221.

23 Q. What in particular?

24 A. I don't recall the exact section.

25 Q. If you take a look at page 5, line 9.

1 A. Yes.

2 Q. You recognize that Tim Rice's testimony
3 does not discuss the transfer of, to use your phrase
4 in line 9, "contractual entitlements" of part of the
5 OVEC ownership interest?

6 A. I don't understand the question.

7 Q. Is it accurate -- let me back up one.

8 You've read Mr. Rice's testimony.

9 A. Yes.

10 Q. And is it accurate that his testimony
11 does not discuss a notice of intent to transfer
12 contractual entitlements?

13 A. I don't recall.

14 Q. You understand that DP&L's ownership with
15 regard to the Ohio Valley Electric Corporation, or
16 OVEC, is not a direct ownership of assets?

17 A. Well, if we look at Exhibit JGB-1 to my
18 testimony, at page 2 of 2 it indicates there that
19 DP&L has a 4.9 percent equity ownership in OVEC.

20 Q. Yes, sir.

21 A. So to me that means they do in effect own
22 the company, and so to me that means that the company
23 does have ownership in the assets of that company.

24 Q. Let me push you on that in staying with
25 your Exhibit JGB-1, page 2. The 4.9 percent is

1 recited as a percentage of equity in OVEC. Do you
2 see that in the second line?

3 A. Yes, I do.

4 Q. And you understand that means the
5 ownership of stock.

6 A. Correct.

7 Q. And you recognize the distinction in the
8 real world between the ownership of shares of stock
9 or stock interest on the one hand and ownership of an
10 asset on the other?

11 A. Well, in my experience usually they're,
12 you know, it's basically a similar thing. The fact
13 that the company has an equity ownership means that
14 they own a piece of the company.

15 Q. But it is the company, not the
16 shareholder, that owns the assets, right?

17 A. Well, you might be getting into a legal
18 distinction there that I'm not sure I'm qualified to
19 answer.

20 Q. Fair enough.

21 On page 6, still on the same subject,
22 page 6 you have an answer to question 9 on line 3
23 that begins "DP&L has owned its share of the OVEC
24 generation assets for a number of years. . ."

25 Do you see that?

1 A. Yes.

2 Q. When you say "DP&L has owned its share of
3 the OVEC generation assets," do you consider that to
4 be similarly a legal conclusion that you are not
5 qualified to opine on?

6 A. Well, I think what I was doing there was
7 I was saying that that the equity ownership does
8 equate to control or ownership of those assets, and
9 that's just my interpretation not as an attorney.

10 Q. And so you agree that you're not able to
11 express any sort of legal opinion that equity
12 ownership is equivalent to asset ownership; is that
13 right?

14 A. That's correct.

15 Q. A bit further down on page 6, line 11,
16 there's a sentence that begins "Given the current
17 turmoil in financial and capital markets. . ."

18 Would you explain what you mean by that
19 or what you have reference to?

20 A. Yes, right now I think it's a pretty well
21 known fact that the U.S. economy is in fairly bad
22 shape, there's a great deal of restriction on people
23 and companies being able to obtain credit at this
24 time, banks are hurting, many banks have bad loans
25 outstanding, and so my point here is it doesn't -- it

1 wouldn't be a good idea to transfer generating assets
2 if in fact a short time from now you might have to go
3 out and buy some generating assets to meet your
4 needs.

5 Q. When you say "you might have to go out
6 and buy generating assets," you're speculating about
7 that, aren't you?

8 A. Yes, I am. That's hypothetical.

9 Q. Similarly on line 19 of this page, page
10 6, let me read the whole sentence that begins on 17,
11 "By implication, permitting transfer of these assets
12 will result in SSO service that is subject to
13 wholesale pricing volatility and may lead to lower
14 reliability."

15 A. Yes.

16 Q. Two questions: The "may lead to lower
17 reliability" is also speculative on your part, isn't
18 it?

19 A. Yes, it is.

20 Q. What do you mean "subject to wholesale
21 pricing volatility" in that sentence?

22 A. To the extent that you don't own the
23 generation yourself or have access to that generation
24 and you have to go out on the wholesale market,
25 you'll be subject to the volatility that can exist in

1 that market.

2 And particularly in the case of the OVEC
3 generation, that generation is very reasonably
4 priced.

5 In 2007 the cost of that was about
6 \$34 per megawatt hour, so that's very reasonably cost
7 generation that would be beneficial to customers.

8 Q. What did you consult with that \$34 figure
9 you just listed?

10 A. If you look at my Exhibit JGB-2, page 2
11 of 3, that's a FERC form 1 page and the first column
12 is called megawatt hours purchased, and the number
13 that corresponds with OVEC is the number on line 13,
14 which is 760,729 megawatt hours, and then if you go
15 all the way to the right, there's a total settlement
16 amount of \$26,080,078.

17 If you divide that at settlement cost by
18 the megawatt hours purchased, you'll get the \$34 per
19 megawatt hour.

20 Q. When you are using the term "volatility"
21 both in your answer and in this sentence, what does
22 that mean here?

23 A. PJM prices, for instance, which is the
24 RTO that Dayton is part of, prices can vary a great
25 deal over the course of a year, even from hour to

1 hour during times of peak load in the summertime. So
2 that's the volatility that I'm talking about.

3 Q. Do you agree that a company should be
4 able to use the assets that are not in its rate base
5 to maximize a return on them?

6 A. I would say under normal circumstances,
7 yes, that would be the case.

8 Q. Is the issue that -- I'll withdraw that.

9 Is the issue in this case as you see it
10 regarding OVEC and Tait one of who should pay for
11 this service as opposed to an issue of reliability?

12 A. I don't understand what you mean by "who
13 should pay for this service."

14 Q. Let me ask it more simply then.

15 Is the question in this case regarding
16 Tait and OVEC as you understand it a reliability
17 question?

18 A. It's more of a question of using the
19 company's generating assets in a way that's most
20 beneficial to customers and to be able to meet its
21 load.

22 Q. And so you think that these assets that
23 are not in rate base should be used in a way that is
24 most beneficial to customers? Is that the point of
25 your opinions in this case?

1 A. Yes, it is.

2 Q. And the basis for that is what?

3 A. Well, again, my understanding of Senate
4 Bill 221 is that the company has to have Commission
5 approval to transfer any generating assets, not just
6 whether they've been in rate base or not.

7 So I would think the Commission would
8 want to look at this sort of a transaction and study
9 it and decide whether or not permitting this sort of
10 transfer is in the best interests of the company's
11 customers than the company.

12 Q. And the basis for that is the section of
13 Senate Bill 221 that you can't recall; is that right?

14 A. It was kind of a long answer. The basis
15 for?

16 Q. For your statement I asked you what the
17 basis for your opinion was, you started out by
18 referencing Senate Bill 221. I'm just trying to
19 avoid repeating what I asked you about earlier.

20 A. Yes, that's correct.

21 Q. Let me go on to carrying charge rates,
22 Mr. Bowser, bottom of page 6. Would you tell me the
23 purpose of carrying charges?

24 A. The purpose of carrying charges is to
25 recognize the time value of money and depending

1 whether it's -- there's an amount that is either
2 ultimately due to the company or ultimately due from
3 the company back to rate payors.

4 Such as if you've got an overrecovery,
5 let's say, under some rider that gets trued up, then
6 the idea is that you recognize the time value of
7 money on that.

8 Q. So the carrying charges you're saying
9 should go either way; either in favor of the company
10 or in favor of the customer, so to speak?

11 A. Right. If there are -- under usual rider
12 accounting, if there are over- or underrecoveries,
13 there's often a carrying charge rate applied to that
14 so it can either accrue to the company or to the
15 company's customers.

16 Q. Couple of questions on your question 12,
17 page 7. I'm interested in figuring out the line
18 between you on the one hand and Mr. Murray on the
19 other.

20 A. Yes.

21 Q. You have a reference to Mr. Murray's
22 testimony. Do you see that?

23 A. Yes.

24 Q. And I take it this is simply an opinion
25 of him that you're referencing for completeness?

1 A. Yes. Mr. Murray concludes that the
2 company shouldn't be permitted to defer its
3 fuel-related expenses, and so that's correct, I'm
4 just making that linkage.

5 Q. In other words, just for clarity, Joe,
6 this is Murray's recommendation that you're
7 referencing.

8 A. With respect to the deferred fuel, that's
9 correct.

10 Q. Yes, sir.

11 And going on to the next question, the
12 answer beginning at line 13 -- let me start with
13 this, line 14 where you refer to a debt-based
14 carrying charge, do you know of other cases in which
15 a debt-based carrying charge has been ordered by the
16 Ohio Commission?

17 A. Yes, there have been a number of those.
18 Probably the most recent one, in fact it applies to
19 DP&L, was in Case No. 08-1332, and in that case the
20 company asked for authority to defer storm-related
21 costs, and in that case the company requested and the
22 Commission permitted that the carrying costs be based
23 on the company's cost of debt.

24 Q. And are you saying that the storm-related
25 costs there are similar to the fuel-related expenses

1 here?

2 A. Well, they're both an expense item. The
3 storm costs are operation and maintenance expenses,
4 and fuel is also an expense item. So in that sense
5 they are similar.

6 Q. Are there any senses in which they're
7 dissimilar?

8 A. For the purpose of accruing carrying
9 charges, no. None that I can think of.

10 Q. On line 14 you say "...a debt-based
11 carrying charge would be more appropriate. . ."

12 What's the basis of that statement?

13 A. Well, typically you know, the company has
14 asked for a rate of return or so-called
15 cost-of-capital-based carrying charge rate. That
16 type of carrying charge rate is normally only applied
17 to capital investments. There's no capital here.

18 Basically it's what the company should be
19 made whole for here is the cost of carrying that
20 deferral or regulatory asset until amortization
21 occurs.

22 Q. Is that the entirety of the basis for
23 this "more appropriate" opinion?

24 A. I don't know if it's the entirety but
25 that's my main reason.

1 Q. I just want to make sure I get all of
2 them. If there are any others, tell me, and if not,
3 I'll move on.

4 A. That's mainly it.

5 Q. Do you know under DP&L's filing how long
6 is possible deferral for the deferred fuel costs?

7 A. No, I don't.

8 Q. Do you recall that it was two years of
9 deferral and then recovery over ten years up to 12
10 years?

11 A. I don't recall exactly, but that sounds
12 approximately correct, yes.

13 Q. Do you recall the order of magnitude of
14 the deferrals for 2009 and 2010?

15 A. No, I don't.

16 Q. I'll tell you, I'll represent to you, you
17 can accept this subject to check, that it was
18 \$52 million in 2009 and 111 million in 2010. So it
19 totals approximately 163 million.

20 Do you know the source of the funding for
21 the cash outlay to fund those expenditures?

22 A. No, I don't.

23 Q. Do you agree that for a company DP&L's
24 size that is a significant number? And by "that" I
25 mean the 163 million.

1 A. Well, there are a lot of variables that
2 would enter into determining whether that's a
3 significant figure or not. So I think you have to be
4 more specific.

5 Q. So you don't have an opinion on that?

6 A. No. Without more information, no.

7 Q. Given the magnitude of the number over a
8 two-year period, the \$163 million, would it be
9 reasonable to consider that these expenses are funded
10 in the ratio of the overall cost of DP&L's capital
11 weighting?

12 A. Again, I don't have enough information to
13 know that. I haven't looked at the company's cash
14 flow statements, for instance, to know how much free
15 cash flow the company is generating versus what the
16 company has to borrow either long term or short term.
17 So I don't really have an opinion on that.

18 Q. All right. Just to finish up then, would
19 it be accurate, sir, that you don't have an opinion
20 on whether it would be reasonable for DP&L to carry
21 the \$163 million in costs for a long period of time
22 with only a debt return if it is going to cost the
23 company more than that to carry these costs?

24 A. No, that's not my opinion. I think the
25 debt cost is totally appropriate carrying costs

1 because long term debt is typically issued for ten or
2 more years.

3 So if long term debt happened to, which I
4 don't know, but happened to be a source of funding
5 for this to the company, then no, the debt-based
6 carrying charge would be entirely appropriate.

7 Q. Let me go on to question 14, on page 7.

8 Your answer on line 19 begins "The structure of the
9 deferral mechanism is problematic from my
10 perspective."

11 What do you mean when you reference "the
12 structure of the deferral mechanism"?

13 A. Basically there what I'm talking about is
14 the fact that it is a deferral that's being proposed
15 there. As Mr. Murray said, he doesn't believe that
16 the deferral is appropriate, and I think one of the
17 things is I think it's if you don't have to defer
18 costs, it's a better idea not to do that.

19 And I think it helps me lead to my
20 conclusion that it would be -- this entire plan I
21 think would be a better idea if it was proposed to
22 last for a longer period of time than has been
23 proposed by the company.

24 MR. FARUKI: Read me that last sentence
25 of his answer.

(Record read.)

Q. Let me ask you, sir, about that last sentence where you say "this entire plan would be a better idea if it were proposed to last for a longer period of time."

What do you mean by that?

A. In other words, the plan that the company's operating under right now ends December 31, 2010. Basically this current case is proposing the initiation of several riders, some of those riders would extend out into the future beyond the period of the plan.

And if there was a way to provide for a longer plan than some of those, I think, costs that are anticipated to be recovered might be able, if there had to be deferrals, to be recovered within the period of that longer plan.

Q. So just going over to page 8, is that what you're referencing, approximately lines 17 to 20, when you talk about "extending the current plan's term"?

A. Yes, that's correct.

Q. I just want to make sure I'm following you.

A. Yes.

Q. So when you're talking, for example, in line 18 on page 8 about "extending the current plan's term," can you amplify what your thought is there?

A. Yeah, in other words, to me if there was a way to make the plan, let's say, extend for several years, perhaps out through 2013 or '14, that to me just as a big regulatory picture would make more sense.

Pretty soon we're going to be halfway through 2009 by the time probably the company gets an order and gets something in place, and in another year and a half the current plan's going to expire, so very quickly we're going to be back, I think, doing another plan.

Q. So just so I'm understanding, you would be talking about an extension of the current plan's term and no deferrals; that's the thought, right?

A. That would be the preferred way of doing it, correct.

Q. And so at the bottom of page 7 when you talk about it being "more appropriate to have current period recognition," under your thought there would be current period recognition, to use your phrase, through whatever year the plan was extended. Do I have that right?

A. That's what you would try to do, correct.

Q. Going back to the deferral option or approach, if there is a deferral, then -- deferral of fuel costs, of course, is what I'm talking about.

If there is a deferral of fuel costs, Mr. Bowser, what is the near-term affect on customers in terms of rates they would pay?

A. Well, first of all, Mr. Murray recommends that there not be a deferral.

Q. I understand.

A. So we don't believe that the deferral is appropriate.

But basically what -- one of the ways it could be handled would be through a phase-in of rates. And again, talking about Senate Bill 221 and the fact that I'm not an attorney, I believe though that it does anticipate that there can be a phase-in, you know, to help moderate rates, for instance.

Q. You talk about a phase-in later in your testimony. I'll get to that, but let me go back to my question.

Assume no phase-in, and assume no deferral, what is the effect near term on customer rates?

MS. McALISTER: Excuse me, just for

clarification did you say "no deferral"?

MR. FARUKI: Yes; no deferral and no phase-in.

MS. McALISTER: Okay, thank you.

Q. You understand my question?

A. It would depend on what the company's actual fuel costs are then.

Q. Well, suppose it was approximately 163 million in '09 and '10.

A. Then the company would book those expenses.

Q. Sorry, I didn't mean to interrupt you.

A. No, no, go ahead, I'm finished.

Q. Wouldn't it have near term an effect of increasing customer rates as compared to the situation where there was a deferral of those expenses?

A. Well, I don't believe so under the current plan.

Q. Tell me where in your testimony you talked about phase-in. I know it was in here someplace.

A. I believe it's on page 8 at line 4.

Q. Oh, thank you.

Are you expressing an opinion on whether

1 a phase-in should be adopted?

2 A. No, I'm just saying that's an option.

3 Q. Okay. Focusing on your testimony, page
4 8, lines 7 through 11, Mr. Bowser. I'll give you a
5 chance to read that to yourself first.

6 A. Okay.

7 Q. Are you saying, in other words, that the
8 amount should be included in rates in 2009 and '10?

9 A. Well, I'm saying that the fact that it
10 would be preferred that any deferrals be amortized
11 during a current ESP or plan period, that -- I'm
12 sorry, I lost my train of thought. What was your
13 question?

14 Q. Let me have the question read back and as
15 much of your answer as you finished.

16 (Record read.)

17 A. Yeah, this supports again my contention
18 of why you might want to have the period of planning
19 be longer, because it would give more time to permit
20 those amortizations to take place. If there were
21 any.

22 Q. With regard to your answer to question
23 15, begins on page 8, I guess going through question
24 17. As I understand what you are proposing or
25 recommending, it is that a debt-based carrying charge

1 would apply to each of the items that you're listing
2 on page 9, lines 1 to 7; is that right?

3 A. If carrying charges were permitted by the
4 Commission on those items, then yes.

5 Q. And the reason for that recommendation or
6 opinion is the same as we covered before with regard
7 to a debt-based carrying charge?

8 A. That's correct.

9 Q. No additional reasons, in other words?

10 A. Not that I can think of right now.

11 Q. On page 9, line 18, part of your answer
12 talks about better reflecting the cost of carrying
13 over/underrecoveries; do you see that?

14 A. Yes.

15 Q. And why do you say would "better reflect"
16 that cost?

17 A. Well, typically over/underrecoveries are
18 something that get true'd up no less frequently than
19 once a year. So if there were dollars that did
20 represent an under- or overrecovery, then a
21 debt-based carrying charge rate would make more sense
22 than a cost-of-capital-based carrying charge rate.

23 Q. If carrying charges are authorized, you
24 think an annual true-up is sufficient?

25 A. It would depend on the circumstances

1 perhaps of a particular rider, but just as a general
2 matter, I would think annually would be
3 administratively an efficient way to do it.

4 MR. FARUKI: Off the record.

5 (Off the record.)

6 Q. Back on the record.

7 I had a few questions on your section IV,
8 Mr. Bowser.

9 A. All right.

10 Q. First a general question: Do you have
11 any -- are you expressing an opinion with regard to
12 the suitability of a rider to collect distribution
13 infrastructure costs?

14 Leaving aside the level of the cost, I'm
15 just talking about the suitability of the rider.

16 A. No, I'm not.

17 Q. And the answer that begins on page 10,
18 line 5 -- I'll withdraw that.

19 Are you expressing any opinion in this
20 case on whether or not the company needs to expend
21 funds for distribution infrastructure?

22 A. No, I am not.

23 Q. Are you expressing an opinion in this
24 case as to whether the company's cost estimates are
25 reasonable or justified?

1 A. No.

2 Q. On page 10, line 10, you're asked a
3 question as to whether you believe that the company's
4 proposal for the infrastructure investment rider
5 should be approved as part of the ESP, and your
6 answer begins "Not in its present form."

7 Tell me why you answer it that way.

8 A. Yes, there are a couple reasons for that.

9 The main reason is the levelization methodology that
10 the company has proposed, and the other reason is the
11 significance of the dollars that are being expended.

12 And as I note in my testimony, the
13 capital dollars that are estimated to be spent for
14 Smart Grid and AMI are over 40 percent of the
15 company's current net distribution plant investment,
16 so these dollars are extremely significant as they
17 relate to the company's plant in service.

18 Q. If I understand what you're saying,
19 you're explaining that the significance of the
20 dollars being expended, in other words, the order of
21 magnitude of the dollars is what makes the
22 levelization methodology inappropriate?

23 A. No, it's not. No, those are two separate
24 issues.

25 Q. Then I'm misunderstanding.

1 Leave aside the levelization methodology
2 then and explain to me what your reasoning is about
3 the significance of the dollars being expended.

4 A. Because those dollars are so significant
5 and the timeline for these cases is short, my
6 recommendation is that the company seeks recovery of
7 these costs in a distribution case.

8 Q. And what is the benefit of starting --
9 I'll withdraw that. Let me give you a better
10 question.

11 Can you contrast for me what the
12 difference is between starting recovery under a rider
13 now versus starting recovery in a distribution rate
14 case later?

15 A. It's in the ability to analyze the costs
16 and make sure that those costs should be incurred.
17 So it's the fact of having more time in a
18 distribution case.

19 Q. You would achieve the same goal with a
20 reconciliation or true-up, would you not?

21 A. You could do that, but I don't believe
22 the company is proposing any true-up for rider IIR.
23 At least not through 2015.

24 Q. If you -- I'm looking for a
25 non-pejorative word -- added a reconciliation or

1 true-up for the company's proposal, would you find
2 that satisfactory?

3 A. If you looked at that issue in isolation,
4 yes. But I still disagree with the levelization
5 approach for the rider and the fact that there are
6 no -- well, I'm sorry, that's it.

7 Q. Then let me go to your levelization point
8 and ask you to explain that to me.

9 A. All right. Under the proposal the
10 company would collect a revenue requirement under
11 this rider basically in an equal amount for the seven
12 years of the rider.

13 And what that has the effect of doing is
14 it increases the revenue requirement the customers
15 would be expected to pay in the early years of the
16 application of the rider, particularly 2009 and 2010,
17 above what that rider would be if it were based -- if
18 the rider were set on the incurrence of cost; as
19 costs were incurred.

20 Q. And so if you didn't have the
21 levelization approach, costs would be lower in the
22 '09 and 2010 period?

23 A. The revenue requirements that would be
24 recovered from customers would be lower in those
25 years, that's right.

1 Q. From 2011 forward can you contrast the
2 revenues requirements under the levelization
3 approach?

4 A. At some point -- without looking at the
5 schedule, at some point they'll cross over in the two
6 revenue streams and then in the later years, for
7 instance, 2014 and 2015, the recoveries under the
8 levelization approach would be lower than the
9 revenues that the company would collect under the
10 traditional approach that I advocate.

11 Q. There would be some portion of the seven
12 years where the revenue requirement would be greater?

13 A. That's correct.

14 Q. You haven't looked at which years that
15 would be?

16 A. It's on the schedule but I haven't looked
17 at that one for a while.

18 Q. Which schedule do you have reference to?

19 A. It's, I believe it's the A1 or A2
20 schedule.

21 It's A2 in Book II.

22 MR. FARUKI: Off the record.

23 (Off the record.)

24 Q. Back on the record.

25 Mr. Bowser, while we were off the record

1 you looked up the schedule that to which you had
2 referenced. Can you tell us what that was?

3 A. Yes. It's Schedule A2, page 1 of 1, in
4 Book II, and the numbers that I cite in my testimony
5 on page 12, lines 17 and 18, appear on that
6 Schedule A2, on lines 29 and 31.

7 Q. Thank you.

8 Let me ask you then on page 11, about
9 line 12, a sentence that begins "In the
10 alternative. . ."

11 A. Yes.

12 Q. This is an alternative recommendation
13 you're making?

14 A. Correct.

15 Q. And specifically it's an alternative to
16 what?

17 A. To what the company is proposing.

18 Q. On line 14 of page 11 you recommend that
19 the "increase should be limited to a single year's
20 rate increase"; is that right?

21 A. That would be one way to do it, yes.

22 Q. And what would you see is the benefit of
23 that as an alternative approach?

24 A. It would allow more time to then evaluate
25 the appropriateness of the company's plans and the

1 costs that they expect they'll incur.

2 Q. Page 12, please. Sentence that begins on
3 line 6 -- sorry, line 5, where it says "Given the
4 magnitude. . ."

5 Do you see that?

6 A. Yes.

7 Q. When you are talking about ramping up
8 recovery under a traditional cost recovery model,
9 what does that mean?

10 A. If you think about capital costs, capital
11 costs get incurred, those get included in the rider
12 and the company typically gets a return on those
13 dollars.

14 So as the program is rolled out, so to
15 speak, typical programs, those construction dollars
16 will ramp up over time as the program is rolled out.

17 And so that basically then leads to being
18 able to recognize the actual costs that have been
19 incurred and reflecting those costs in the rider.

20 Q. The paragraph that starts on page 12,
21 line 19, is the problem that is described in that
22 paragraph one that would be addressed by a true-up
23 provision?

24 A. Well, there would still be the
25 levelization problem as well.

1 Q. So it's partially addressed by a true-up
2 provision; is that right?

3 A. That's correct.

4 Q. Would you tell me with respect to
5 footnote 1 on page 12 what your basis is for
6 supporting the company's proposal to collect the IIR,
7 the investment infrastructure fixed cost on a
8 per-customer basis?

9 A. Yes, because those costs are fixed and
10 don't vary with consumption, it can make exception to
11 allocate those on a per-customer basis. It could
12 also make sense to do that on a demand basis.

13 You know, kilowatt hours, not so good
14 because that's based on usage.

15 Q. In your opinion is it preferable to
16 collect them on a per-customer basis?

17 A. For these particular costs, yes, I do.

18 Q. And why is that?

19 A. For the answer I just gave.

20 Q. Page 13, the answer or the sentence on
21 line 3 that begins "In addition," could you tell me
22 your reasoning for that statement?

23 A. I think I already answered that when we
24 had the discussion earlier about the deferrals and
25 extending the period of the plan that results from

1 this case.

2 Q. In line 5 you say, you have a statement
3 about the Commission considering "an ESP that would
4 run longer than the period that DP&L is proposing."

5 Are you offering an opinion or
6 recommendation as to how much longer?

7 A. I didn't have a particular period in
8 mind, but at least three or four years.

9 Q. Three or four years longer or three or
10 four years total?

11 A. Three or four years total. But it could
12 be even longer. I haven't really thought that
13 through in detail.

14 Q. Changing subjects and talking about the
15 creditworthiness section, section V of your
16 testimony, sir, do you know what the risk is that the
17 creditworthiness provision was to address?

18 A. Because I failed to see a relationship
19 between a customer's creditworthiness dropping below
20 the highest credit classification of the company and
21 necessarily translates into the fact that then that
22 customer should somehow have their economic
23 development program terminated.

24 So I guess I didn't see what the
25 provision was -- why it's really there.

1 Q. You're familiar with the concepts of
2 business risk and credit risk?

3 A. Generally, yes.

4 Q. What is credit risk as you understand it?

5 A. It's the risk that a customer won't pay
6 their bill, let's say.

7 Q. I take it it's not your position that
8 there should be no creditworthiness provision
9 whatsoever; is that correct?

10 A. As this provision is written I don't
11 think it should be there.

12 Q. I understand.

13 Your recommendation is that the
14 creditworthiness provision in the company's proposal
15 be removed; is that right?

16 A. Yes.

17 Q. And I'm asking you a different question:

18 Are you offering an opinion that there should be no
19 creditworthiness provision at all?

20 A. No, I'm not.

21 Q. Put more simply, would you agree that
22 some creditworthiness provision would be appropriate?

23 A. There may be, but that provision could --
24 you know, that's pretty wide open as to what that
25 provision might entail. So I can't anticipate

1 necessarily what might be in there, so it's hard for
2 me to answer that, it's a pretty wide open question.

3 Q. Well, it's not your position that DP&L
4 should bear the credit risk of the company regardless
5 of that company's financial stability, is it?

6 A. That's correct.

7 Q. What we're talking about here is an
8 economic development program or arrangement; is that
9 correct?

10 A. Yes, it is.

11 Q. And more specifically, who would bear the
12 risk of default by the company that has proposed the
13 economic development program in order to achieve that
14 benefit?

15 A. Well, again, it doesn't appear to me that
16 this is what that's addressing at all. It seems to
17 allow for a degree of interpretation that merely
18 because a customer's credit drops below what the
19 company considers the highest credit classification,
20 then the company could unilaterally terminate the
21 contract. It just seems extreme.

22 Q. If we leave aside the highest
23 classification point, do you see a business rationale
24 or economic rationale for including a
25 creditworthiness provision that would protect DP&L in

1 the event of a customer's default?

2 A. Yes.

3 Q. And what would be that rationale or
4 purpose?

5 A. Well, the company shouldn't necessarily
6 have to absorb, you know, or take a financial hit
7 because of a company's -- or, a customer's failure.

8 Q. In general terms, you know or you are
9 familiar with the reasonable arrangement statute
10 Section 4905.31?

11 A. Not very familiar.

12 Q. You know it exists.

13 A. Yes, I do.

14 Q. And you're aware that an economic
15 development arrangement would be one type of 4905.31
16 reasonable arrangement?

17 A. You're getting beyond my knowledge here.
18 I don't know.

19 Q. Okay. On page 14 you have a section that
20 is dealing with the AER rider.

21 A. Yes.

22 Q. You understand the purpose of that rider
23 would be for recovery of the costs of complying with
24 the targets set by the legislation for renewable
25 energy and advanced energy?

1 A. That's how I understand it, yes.

2 Q. Similar question to what I asked you
3 about for the other rider: As I understand it you do
4 not object to the use of a rider in concept for this
5 type of cost recovery; is that right?

6 A. Correct.

7 Q. Forgive me, I neglected to ask one more
8 question about the previous subject on
9 creditworthiness. I didn't ask you about the refund
10 feature. If we could go back to that for a minute.

11 I take it it is not your recommendation
12 or opinion in this case that the customer could get
13 the benefit of an economic development arrangement
14 and then default without any consequences to the
15 customer; is that correct?

16 A. I didn't address that issue.

17 Q. Let me go back to the AER rider then.

18 You are not expressing here an opinion as
19 to whether the cost -- whether the level of costs to
20 be recovered under the AER rider is appropriate; is
21 that correct?

22 A. That is correct.

23 Q. And likewise, and I'm looking, sir, at
24 page 14, approximately lines 12 to 18, you are not
25 expressing an opinion as to whether or not the costs,

1 the type of costs as opposed to the amount that the
2 rider seeks to recover is appropriate?

3 A. Correct.

4 Q. The last sentence of your answer to
5 question 24 reads "The Company is proposing that
6 Rider AER be refilled annually and trued-up to actual
7 costs."

8 A. Yes.

9 Q. I take it from your testimony that if
10 this rider is adopted or recorded, you would agree
11 with that?

12 A. I think that's a reasonable period to do
13 true-ups, yes.

14 Q. Over to page 15, please. Tell me the
15 basis for the opinion that you're expressing in the
16 paragraph on lines 9 through 17, when you say in
17 lines 11 and 12 if hydro, solar, or wind facilities
18 are built, such costs are more appropriately
19 collected on a per-customer basis, demand basis, or a
20 percentage of customers' bills.

21 A. It's similar to what we talked about on
22 rider IIR, if the costs are fixed, for those
23 facilities your main costs for hydro, solar, or wind
24 is the cost of the plan itself.

25 And so it makes sense to recover those

1 costs from customers then on a demand basis, a
2 percentage of bills, or a per-customer basis.

3 Because what you do then is you -- with
4 your existing rate design that you have, you're
5 maintaining that revenue responsibility among
6 classes, how that's allocated by using one of those
7 methods.

8 Q. Then you go on beginning on line 14 to
9 talk about the purchase of RECs, or renewable energy
10 credits, and you say a demand basis or percentage of
11 bills would also be a reasonable way to collect those
12 costs.

13 Why do you say that?

14 A. Again, looking at the bigger picture,
15 those being purchased to meet an overall renewable
16 requirement that DP&L has, so to me it makes sense to
17 recover those costs on, let's say, a demand basis.

18 Q. And do you have a criticism of the rate
19 design of the AER rider as the company proposed it?

20 A. Yes. As opposed to being set at a rate
21 per kilowatt hour for all customers, which I address
22 on line 12 at page 14, I believe that it should be,
23 the rate should be developed preferably on a demand
24 basis.

25 Q. Why do you say "preferably on a demand

1 basis"?

2 A. It's an easy way to administer demand as
3 a charge per kilowatt. It's fairly easy to
4 administer. And again, it preserves that relative
5 revenue responsibility within between rate groups.

6 Q. At the bottom of page 15 you recommend
7 that it would be "collected from customers either on
8 a demand basis or as a percentage of customers'
9 bills."

10 Would there be an advantage to doing it
11 as a percentage of customers' bills?

12 A. That would also be acceptable. I don't
13 know that there's necessarily an advantage in doing
14 that over doing it on a demand basis, but either one
15 would be acceptable I believe.

16 Q. Go to page 16. Your section VII is
17 headed "Financial Condition of DP&L," and you've got
18 a single question on company's profitability.

19 What was the pertinence of this subject
20 to your testimony in this case?

21 A. It's some linkage with Mr. Murray's
22 testimony.

23 Q. And explain that linkage to me, please.

24 A. Okay. In Mr. Murray's testimony he
25 discusses again the -- whether there's a need or not

1 for a fuel deferral, which we had discussed earlier.

2 And one his conclusions is that the
3 company's current revenues are allowing the company
4 the opportunity to recover all of its costs.

5 And one of the ways that you can get an
6 indication of that is based on the company's ROE, and
7 so that's why I have this ROE, or return on common
8 equity reference in my testimony.

9 Q. So when you say there's a linkage to
10 Mr. Murray's testimony, are you saying that what you
11 have on page 16 is part of the foundation for him?

12 A. Yes. He relies on that calculation to
13 say, yes, the company has robust earnings and it
14 helps him lead to his conclusion that I mentioned
15 earlier.

16 Q. Page 16, line 6 -- well, 6 and 7, you
17 say -- you are citing to the earnings of the parent
18 company; is that right? DPL, Inc.?

19 A. I mention both DP&L and DPL, Inc., the
20 parent, yes.

21 Q. DPL, Inc. is not a party to this case,
22 right?

23 A. No, it's not.

24 Q. How is the level of earnings or the
25 number for earnings for DPL, Inc. pertinent to the

1 recovery of fuel costs by its subsidiary DP&L?

2 A. Well, the fact that DP&L, the subsidiary,
3 is profitable has a bearing on DPL's profitability,
4 and given that, I looked at information, for
5 instance, in the company's 10Q report, and you can
6 see that DPL's robust earnings are largely due to
7 DP&L, the subsidiary company.

8 Q. Are you suggesting that the Commission
9 should use the earnings of DPL, Inc., the parent, as
10 a proxy for the earnings of DP&L?

11 A. Not necessarily, I'm just using that as a
12 comparison.

13 Q. And why would you use that as a
14 comparison as opposed to looking at the earnings of
15 DP&L?

16 A. Well, I think it's important to look at
17 both because while DP&L is the regulated company and
18 is the subject of this proceeding, the financial
19 community looks at DPL, the parent company, because
20 that's where the stock is traded.

21 MR. FARUKI: Off the record.
22 (Off the record.)

23 Q. Back on the record.

24 Just a few more questions, Mr. Bowser.
25 Have I covered all of your opinions in

1 this case?

2 A. I don't know. I can't say that you've
3 covered everything necessarily. I know we covered --
4 you asked questions on every main area that I
5 addressed, I can say that.

6 Q. You're not expressing opinions, as I
7 understand it, on the suitability or desirability of
8 any of the customer conservation and energy
9 management, or CCEM programs; is that correct?

10 A. That's correct.

11 Q. And you're not expressing any opinions
12 with regard to the subject of collaboratives; is that
13 correct?

14 A. No, I'm not.

15 MR. FARUKI: That's all I have. Thank
16 you for your time.

17 (Signature not waived.)

18 (Deposition concluded at 10:55 a.m.)

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1 CERTIFICATE

2 State of Ohio :

: SS:

3 County of Franklin :

4 I, Julieanna Hennebert, Notary Public in and
5 for the State of Ohio, duly commissioned and
6 qualified, certify that the within named Joseph G.
7 Bowser was by me duly sworn to testify to the whole
8 truth in the cause aforesaid; that the testimony was
9 taken down by me in stenotypy in the presence of said
10 witness, afterwards transcribed upon a computer; that
11 the foregoing is a true and correct transcript of the
12 testimony given by said witness taken at the time and
13 place in the foregoing caption specified and
14 completed without adjournment.

15 I certify that I am not a relative, employee,
16 or attorney of any of the parties hereto, or of any
17 attorney or counsel employed by the parties, or
18 financially interested in the action.

19 IN WITNESS WHEREOF, I have hereunto set my
20 hand and affixed my seal of office at Columbus, Ohio,
21 on this 4th day of February, 2009.

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1 State of Ohio :

: SS:

2 County of _____ :

3 I, Joseph G. Bowser, do hereby certify that I
4 have read the foregoing transcript of my deposition
5 given on Wednesday, February 4, 2009; that together
6 with the correction page attached hereto noting
7 changes in form or substance, if any, it is true and
8 correct.

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Joseph G. Bowser

37 I do hereby certify that the foregoing
38 transcript of the deposition of Joseph G. Bowser was
39 submitted to the witness for reading and signing;
40 that after he had stated to the undersigned Notary
41 Public that he had read and examined his deposition,
42 he signed the same in my presence on the _____ day
43 of _____, 2008.

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Notary Public

62 My commission expires _____, _____.

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