

LARGE FILING SEPARATOR SHEET

CASE NUMBER: 12-426-EL-SSO
12-427-EL-ATA
12-428-EL-AAM
12-429-EL-WVR
12-672-EL-RDR

FILE DATE: 10/05/12

SECTION: BOOK 3 (PART 2 OF 2)

NUMBER OF PAGES: *168*

DESCRIPTION OF DOCUMENT:
APPLICATION - CONTINUED

1 budget. The capital expenditures and related in-service dates are used to estimate book
2 depreciation, tax depreciation, and capitalized interest.

3 **Q. What assumptions did you make regarding the Company's transition to 100%**
4 **market?**

5 A. The Company's transition to market is to begin on January 1, 2013 with 10% of the SSO
6 load being procured via the competitive bidding process (CBP). Beginning June 1 of
7 each year thereafter, the cumulative percentage of SSO load procured through the CBP
8 will be as follows:

9 2014: 40%

10 2015: 70%

11 2016: 100%

12 The Company's transition to market will be completed in June of 2016, when 100% of
13 the cumulative standard service offer load is acquired through the CBP.

14 **Q. How does DP&L account for the SSO load that DPL Energy Resources, LLC (DPL**
15 **Inc.'s retail marketer) acquires from DP&L?**

16 A. DPL Energy Resources procures its power, through contracted prices, from DP&L at
17 market rates. The revenues associated with the contracted prices are reflected in DP&L's
18 revenues on Exhibit CLJ-2. Additionally, the costs to supply the power to DPL Energy
19 Resources are reflected in DP&L's fuel and purchased costs shown on Exhibit CLJ-2.

20 **Q. Are the historical retail margins formerly realized by DP&L simply transferring to**
21 **its unregulated affiliate, DPL Energy Resources?**

1 A. No. Retail competition within the DP&L service territory has intensified over the past
2 several years with nearly 62% of DP&L's distribution load (MWhs) choosing to switch
3 to a Competitive Retail Electric Service Provider as of August 30, 2012. Although DPL
4 Energy Resources has captured a large portion of the switched load, its margins are
5 significantly smaller than the margins previously realized by DP&L. This results in
6 significantly lower gross margin for both DP&L and DPL Inc. Both DP&L and DPL Inc.
7 report the financial impacts from customer switching in their respective SEC Form 10K
8 and 10Q filings.

9 **Q. Have you considered or factored into the pro forma financial statements the**
10 **transfer of generating assets outside of the Company?**

11 A. No. We have not included the effect of legally transferring the generation assets, in the
12 pro forma financial statements shown on Exhibit CLJ-2, CLJ-3 and CLJ-4.

13 **Q. What are DP&L's plans for the \$470 million, 5.125% First Mortgage Bonds due**
14 **October 2013?**

15 A. At this time, DP&L's plan is to refinance the \$470 million, 5.125% First Mortgage Bonds
16 due October 2013 at or prior to maturity. The pro forma financial statements included in
17 Exhibit CLJ-2, CLJ-3 and CLJ-4 assume that the bonds are refinanced on October 1,
18 2013 at an interest rate of [REDACTED]

19 **Q. Do you anticipate issuing new (incremental) long-term debt at DP&L over the**
20 **forecast period?**

21 A. No, not at this time.

1 **Q. Can you describe how the Company's proposed switching tracker account would**
2 **function?**

3 A. Yes. The switching tracker account would defer for later recovery from customers the
4 difference between the current level of switching (62% of retail load) and the actual level
5 of switching. The tracker would begin with the start of the ESP and end in June 1, 2016
6 when DP&L would procure 100% of its supply needs through the CBP.

7 **Q. What is the formula to determine the dollars added to the tracker account?**

8 A. Each month, DP&L will calculate the percentage of switching that has occurred since
9 August 30, 2012 by tariff class. The difference, multiplied by distribution load equals the
10 quantity subject to the switching tracker. The cost subject to the switching tracker will
11 equal the difference between the Blended SSO rate and the CB rate in effect based on
12 tariff class. That difference (in \$/MWh) multiplied by the quantity (in MWh) equals the
13 dollars to be added to the switching tracker for the month.

14 **Q. How will the switching tracker be accounted for?**

15 A. Each month the dollars associated with the tracker will be placed in a regulatory asset
16 account that will accrue carrying charges equal to DP&L's June 30, 2012 embedded cost
17 of long-term debt as shown on WP-12.2.

18 **Q. How does the Company propose to recover the switching tracker?**

19 A. The Company seeks to recover the balance from all customers beginning January 1, 2014
20 until the deferral balance plus carrying costs are at a zero balance.

21 **Q. Why is this tracker necessary?**

1 A. The projected financial results which I've described earlier are those which are expected
2 to occur using the assumption of no new incremental switching. Using this assumption
3 and even with the SSR as proposed, the Company projects its ROE to average ■ over
4 the period of the ESP. Any further losses due to switching would create a significant
5 strain to the financial integrity of the Company, as more fully discussed in the testimony
6 of Company Witness Chambers. The switching tracker as proposed would help protect
7 the Company from further financial deterioration should switching continue to increase
8 during the terms of the proposed ESP.

9 **Q. Does the switching tracker guarantee DP&L will earn a reasonable ROE?**

10 A. No. The switching tracker, along with the Service Stability Rider, allows DP&L the
11 opportunity to earn a reasonable ROE, but does not guarantee a reasonable ROE. There
12 are other factors and components that impact the financial projections and results of the
13 company. These components were discussed earlier in my testimony.

14 **Q. What has caused DP&L's ROE to decline over the past few years?**

15 A. DP&L has experienced a declining ROE since 2010, primarily driven by increased
16 customer shopping and declining capacity and wholesale power prices, as shown on
17 Exhibit CLJ-1.

18 **IV. COST OF LONG-TERM DEBT**

19 **Q. Are there any noteworthy issues with the Company's long-term debt and associated**
20 **annual interest expense?**

21 A. Yes. The Company's debt portfolio includes \$100 million of Pollution Control Bonds
22 (PCBs) that mature on November 1, 2040. The bonds were issued with a variable rate

1 that is indexed to the rate of the Securities Industry and Financial Markets Association
2 (SIFMA) and is reset weekly. The Company's calculated average cost of debt, as of June
3 30, 2012, includes annualized interest costs related to the PCBs based on variable rates at
4 June 30, 2012. Future interest costs related to the PCBs will be dependent upon the
5 variable interest rate which will fluctuate due to market conditions and rates.
6 Additionally, this debt is backed by a bank-supported credit facility. The facility has a
7 maturity date of December 9, 2013. Fees on this facility vary depending on the
8 Company's credit rating. We are currently at the bottom pricing level of the credit rating
9 grid. The pro forma financials on Exhibit CLJ-2, CLJ-3 and CLJ-4 assume no increases
10 to our current fees.

11 **Q. What is the Company's average cost of debt?**

12 A. The Company's embedded cost of debt, as of June 30, 2012, was 4.943%.

13 **Q. Please explain the basis for the Company's average cost of debt calculation.**

14 A. WP-12.2 details the Company's average cost debt as of June 30, 2012. It is a function of
15 the Company's long-term debt carrying value and its annualized long-term debt interest
16 expense.

17 **Q. How is the Company's cost of long-term debt used in this filing?**

18 A. The Company's cost of long-term debt is used in the Reconciliation Rider referenced in
19 WP-7A.1, the CBT Rider referenced in WP-7B, and will be used to calculate carrying
20 costs on the deferral balances for all riders that are considered trackers.

21 **V. WORKPAPERS**

22 **Q. What Workpapers and Exhibits are you supporting?**

1 A. I am sponsoring the following Workpapers and Exhibits, which satisfy the requirements
2 set forth in Ohio Administrative Code §4901:1-35-03.

3 1. WP-12.2: Embedded Cost of Long-Term Debt

4 2. WP-12.3: Unamortized Issuance Expense on Long-Term Debt

5 3. WP-12.4: Unamortized (Discount) or Premium and Unamortized Gain or
6 (Loss)

7 4. WP-12.5: Annual Interest Cost Calculation

8 5. Exhibit CLJ-1: Overview of Historical Returns on Equity

9 6. Exhibit CLJ-2: Projected Statements of Income

10 7. Exhibit CLJ-3: Projected Balance Sheet

11 8. Exhibit CLJ-4: Projected Statements of Cash Flow

12 **Q. Please identify and describe Workpaper 12.2**

13 A. Workpaper 12.2 provides the Embedded Cost of Long-term Debt for the Company as of
14 June 30, 2012.

15 **Q. Please identify and describe Workpaper 12.3**

16 A. Workpaper 12.3 provides the Unamortized Issuance Expense on Long-Term Debt as of
17 June 30, 2012.

18 **Q. Please identify and describe Workpaper 12.4**

1 A. Workpaper 12.4 is the Unamortized (Discount) or Premium and Unamortized Gain or
2 (Loss) as of June 30, 2012.

3 **Q. Please identify and describe Workpaper 12.5**

4 A. Workpaper 12.5 is the Annual Interest Cost Calculation.

5 **Q. What is the source of the information shown on Work papers 12.3, 12.4, and 12.5?**

6 A. The source of information for workpapers 12.4, 12.5, and 12.5 is the Company's actual
7 long-term debt carrying value at June 30, 2012 and annualized 2012 interest expense.
8 Additionally, the interest expense related to the variable rate PCBs was adjusted to reflect
9 variable rates at June 30, 2012.

10 **Q. Are unamortized issue costs, discounts and premiums balances and expenses**
11 **included in the average cost of debt calculation?**

12 A. Yes. WP-12.3, WP-12.4 and WP-12.5 detail the unamortized balances and expenses that
13 are included in the average cost of debt calculation.

14 **Q. Please identify and describe Exhibit CLJ-1.**

15 A. Exhibit CLJ-1 is an overview of historical returns on equity for the years 2010 – 2012.
16 Data for 2012 includes actual and projected information.

17 **Q. Please identify and describe Exhibit CLJ-2.**

18 A. Exhibit CLJ-2 is the pro forma Statements of Income for the Company for the years 2013
19 through 2017 and also includes projected ROEs for that same period.

20 **Q. Please identify and describe Exhibit CLJ-3.**

1 A. Exhibit CLJ-3 is the pro forma Balance Sheet for the Company for the years ending
2 December 31, 2013 through 2017.

3 Q. Please identify and describe Exhibit CLJ-4.

4 A. Exhibit CLJ-4 is the pro forma Statements of Cash Flow for the Company for the years
5 ending December 31, 2013 through 2017.

6 Q. Are the pro forma statements included in Exhibit CLJ-2, CLJ-3 and CLJ-4
7 accurate?

8 A. Based on the various assumptions and input received, and the review of them that the
9 Company performed, the statements are accurate.

0 VI. **CONCLUSION**

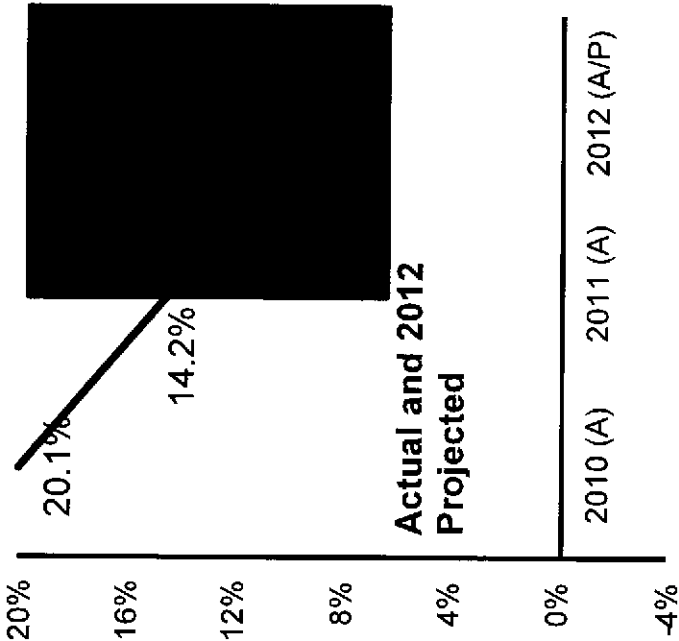
11 Q. Does this conclude your testimony?

12 A. Yes, it does.

The Dayton Power and Light Company
Case No. 12-426-EL-SSO
Overview of Historical Return on Equity
2010 Actual - 2012 Estimate

Exhibit CLJ-1
Page 1 of 1

DP&L Combined ROE



Wholesale Energy (\$/MWH)	38.4	40.7
Wholesale Capacity Price (\$/MW-Day)	144	137
Switched Load	32%	47%

Note: In the graph above, (A) = Actual, (A/P) = 8 months actual, 4 months projected;

Data: Forecasted
 Type of Filing: Revised
 Work Paper Reference No(s): None

Line No.	Description	2013	2014	2015	2016	2017	Source
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	<u>Assets</u>						
2	Total Current Assets						Internal Documents
3							
4	Property, Plant and Equipment						
5	Property, Plant and Equipment						Internal Documents
6	Accumulated depreciation and amortization						Internal Documents
7	Total Property, Plant and Equipment						Line 5 + Line 6
8							
9	Total Other Noncurrent Assets						Internal Documents
10							
11	Total Assets						Line 2 + Line 7 + Line 9
12							
13							
14	<u>Liabilities and Shareholder's Equity</u>						
15	Current and Non Current Liabilities						Internal Documents
16							
17	Capitalization						
18	Common Shareholder's Equity						Internal Documents
19	Preferred Stock						Internal Documents
20	Total Long Term Debt						Internal Documents
21	Total Capitalization						Sum Lines 18 thru 20
22							
23	Total Liabilities and Shareholder's Equity						Line 15 + Line 21

The Dayton Power and Light Company

Case No. 12-426-EL-SSO

Projected Statements of Cash Flows (unaudited) (\$ in millions)

2013 - 2017

Data: Forecasted

Type of Filing: Revised

Work Paper Reference No(s): None

Exhibit CLJ-4

Page 1 of 1

Witness Responsible: Craig Jackson

Line No.	Description (B)	2013 (C)	2014 (D)	2015 (E)	2016 (F)	2017 (G)	Source (H)
1							
2	Net cash provided by operating activities						Internal Documents
3							
4	Net cash used for investing activities						Internal Documents
5							
6	Net cash used for financing activities						Internal Documents
7							
8	Cash and Cash Equivalents:						
9	Net Change						
10	Balance at beginning of period						Line 2 + Line 4 + Line 6
11	Cash and cash equivalents at end of period						Prior column, Line 11 Line 9 + Line 10

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY
OF R. JEFFREY MALINAK

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

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY OF
R. JEFFREY MALINAK
ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

<i>I.</i>	<i>INTRODUCTION.....</i>	<i>1</i>
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1 **I. INTRODUCTION**

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

3 A. My name is R. Jeffrey Malinak. I reside at 10723 Normandie Farm Dr., Potomac,
4 Maryland, 20854. I am currently a Managing Principal in the Washington, D.C. office of
5 Analysis Group, Inc., a national economic and financial consulting services firm.

6 **Q. What is the purpose of your testimony?**

7 A. Under Ohio Law, a criterion for approval of an Electric Security Plan (ESP) is that it be
8 "more favorable in the aggregate" than expected results from a Market Rate Offer
9 (MRO). My testimony will focus on the question of whether the ESP proposed by The
10 Dayton Power and Light Company (DP&L) meets this "more favorable in the aggregate"
11 test.

12 **Q. What is your educational and work background?**

13 A. I have over 23 years of experience in the field of economic and financial consulting, in
14 which I have provided microeconomic, finance and accounting consulting advice and
15 other services to attorneys and companies in both litigation and non-litigation settings.
16 My main areas of expertise are financial economics and valuation of corporations and
17 other assets. I spent approximately seven years of my career at Putnam, Hayes &
18 Bartlett, Inc. (PHB), an economic and financial consulting firm with large consulting
19 practices in the energy industry and other regulated industries. While at PHB
20 approximately half of my time was spent on litigation matters and regulatory
21 proceedings, including rate cases, in the electric utility and energy sectors. My work on

1 these matters included revenue requirements modeling; analysis of the economics of coal
2 mining and transportation; analysis of the operations and economics of nuclear, coal,
3 wood scrap and natural gas power plants; forecasting of load and related generation
4 capacity requirements; assessment of the cost of capital for generation and for
5 transmission and distribution (both electric and natural gas); calculation of the cost of
6 compliance with environmental regulations; modeling and forecasting of emission
7 allowance prices; and other topics. Since joining Analysis Group in the mid-1990s, I
8 have continued to work on projects in the energy and environmental economics areas,
9 including regulatory matters.

10 I hold a Masters in Business Administration in Finance and Accounting from the
11 University of Texas at Austin and a B.A. in Social Sciences from Stanford University.

12 My resume, which is included as Appendix A, provides more details on my background
13 and prior experience.

14 **Q. What has been the nature of your prior work as a testifying expert?**

15 A. I have given arbitration testimony on economic damages issues and have been designated
16 as an expert on several economic and financial topics on matters in which I provided
17 expert reports. However, all of these matters settled before I gave trial testimony.

18 **Q. How does your experience relate to your testimony in this proceeding?**

19 A. I have substantial prior experience with analysis of economic and financial issues in the
20 energy sector, and with the analysis of the economic impact of different rate regimes on a
21 variety of stakeholders, including customers.

1 Q. Please summarize the conclusions that you have reached.

2 A. Based on my analysis, I conclude that the ESP filed by DP&L is more favorable in the
3 aggregate than an MRO, primarily because the ESP provides for a faster transition to 100
4 percent market-based generation rates than would occur under an MRO. Indeed, this
5 faster transition means that DP&L customers can expect to pay approximately \$208
6 million less for their electricity through 2017, based on the projections included in the
7 ESP filing. In addition to this clear, quantifiable economic advantage, the ESP has
8 several important advantages over the MRO that are more difficult to quantify. These
9 include benefits from the faster transition to a competitive retail market, such as an
10 improved ability to attract businesses to DP&L's service territory due to a more
11 competitive, lower-cost market for retail electric services; administrative enhancements
12 to promote retail shopping; and greater regulatory flexibility in the future relative to the
13 statutory limitations set in place when an MRO is adopted. For these and other reasons
14 discussed below, the ESP is more favorable in the aggregate for DP&L customers than an
15 MRO.

16 II. **AN OVERVIEW OF THE "MORE FAVORABLE IN THE**
17 **AGGREGATE" STATUTORY TEST**

18 Q. Does DP&L's ESP have to meet certain requirements for approval by the Public
19 Utilities Commission of Ohio (Commission)?

20 A. Yes. For the Commission to approve a utility company's ESP, the ESP must meet certain
21 criteria that are specified in Section 4928.143 of the Ohio Revised Code. One of these
22 criteria, specified in Section 4928.143 (C)(1), is

"that the electric security plan so approved, including its pricing and all other terms and conditions, including any deferrals and future recovery of deferrals, is more favorable in the aggregate as compared to the expected results that would otherwise apply under Section 4928.142 of the Revised Code."

My testimony provides an assessment of whether DP&L's ESP meets this criterion.

Q. Do prior Commission decisions provide guidance on how to interpret this criterion?

A. Yes. In prior rulings in which the Commission has decided that ESPs met this "more favorable in the aggregate" test, the Commission has taken a broad view of the expected impacts of ESPs relative to MROs to consider when performing this test, including (1) quantifiable differences in the prices to be charged to customers for electric generation service under each plan (Aggregate Price Test), (2) other quantifiable differences in customer charges (or, potentially, metrics of customer service); and (3) non-quantifiable differences.¹ This last category potentially includes a wide range of impacts, including expected short-run and long-run effects on price, service quality, reliability, and the range of product offerings. These differences also support broader effects on Ohio's economy through the impact of electric rates and services to business and industry within the state.

Reflecting this broad perspective, my assessment of the "more favorable in the aggregate" requirement considers multiple quantifiable and non-quantifiable characteristics of DP&L's proposed ESP versus those of a hypothetical alternative MRO. It is assumed that this hypothetical MRO would be similar to DP&L's ESP in every material respect, except that the ESP involves a faster transition to market generation rates and the ESP includes certain new programs aimed at enhancing retail markets.

¹ Public Utilities Commission of Ohio, Opinion and Order, Case No. 11-346-EL-SSO, August 8, 2012; Public Utilities Commission of Ohio, Opinion and Order, Case No. 12-1230-EL-SSO, July 18, 2012

1 Q. Can you explain how the "more favorable in the aggregate" test should be
2 conducted?

3 A. Yes. The test should be an apples-to-apples comparison. By that I mean that the test
4 should compare DP&L's as-filed ESP to a hypothetical MRO that DP&L would file on
5 the same day.

6 Q. What elements have you considered in your comparison of the two alternative
7 plans?

8 A. First, I perform an Aggregate Price Test, which compares rates and charges to customers
9 that choose DP&L's Standard Service Offer (SSO) under the ESP as compared to the
10 rates and charges that they would pay if they chose the SSO under an MRO. This test
11 reflects both bypassable and non-bypassable charges. Second, I consider other
12 differences between the ESP and an MRO which are meaningful but whose effects are
13 difficult or impossible to quantify accurately. These include a range of effects, such as
14 those arising from a faster transition of Ohio's electric markets to greater retail
15 competition, enhancements to DP&L's administrative processes that promote customer
16 shopping, and differences in regulatory flexibility between an ESP and an MRO.

17 **III. AGGREGATE PRICE TEST FOR DP&L'S ESP**

18 Q. What is the Aggregate Price Test?

19 A. The Aggregate Price Test is a comparison of the projected prices and charges to
20 customers under DP&L's ESP as compared to an MRO. I perform this price test in
21 Exhibit RJM-1. The Aggregate Price Test reflects a comparison of both bypassable and

1 non-bypassable charges. Bypassable charges are charges that are paid only by customers
2 that choose DP&L's Standard Service Offer (SSO). Thus, customers that choose to take
3 generation service from a Competitive Retail Electric Service (CRES) provider "bypass"
4 these charges. Non-bypassable charges are charges that are paid by all customers that
5 receive distribution service from DP&L.

6 **Q. Please describe the comparison of bypassable charges.**

7 A. The Aggregate Price Test includes a comparison of bypassable charges under the ESP
8 against bypassable charges under an MRO. Under both plans, bypassable rates will
9 reflect a blend of two elements. The first is the current SSO rate subject to blending
10 (current generation rate), which reflects DP&L's current SSO rate and adjustments
11 proposed by DP&L. The second is the Competitive Bidding Plan (CBP) rate, which
12 reflects the projected results of competitive bidding for the opportunity to supply DP&L's
13 retail customers. Under each plan, DP&L's SSO rate will transition from the current
14 generation rate to a CBP rate over time, although the transition occurs more quickly
15 under the proposed ESP than the MRO. Specifically, the following table provides the
16 blend rate percentages for current generation rates and CBP rate under each plan:

17

Plan	1/2013 – 5/2014	6/2014 – 5/2015	6/2015 – 5/2016	6/2016 – 5/2017	6/2017 – 5/2018
ESP					
Current Gen. Rate	90%	60%	30%	0%	0%
CBP Rate	10%	40%	70%	100%	100%
MRO					
Current Gen. Rate	90%	80%	70%	60%	50%
CBP Rate	10%	20%	30%	40%	50%

Blend rates under the ESP reflect the values in DP&L's proposed ESP, which starts in January 2013 and ends December 2017. For the MRO, blend rates are based on the requirements of Section 4928.142(D) of the Ohio Revised Code, which specifies maximum annual MRO blend rates that extend through May 2018. For comparison purposes, I assume both plans are for the period January 2013 through May 2018; starting in June 2018, under both plans, the SSO would reflect 0% current generation rates and 100% CBP rates. Consequently, the bypassable portion of SSO rates will be the same under both the MRO and ESP.

Q. What elements make up the current generation rate?

A. The current generation rate reflects all elements of the company's current SSO rates that are subject to blending with the CBP rate, including:

1. Base Generation Rates
2. FUEL Rider
3. Reliability Pricing Model (RPM) Rider

1 4. Transmission Cost Recovery Rider – Bypassable (TCRR-B)

2 As described in the testimony of Company Witness Seger-Lawson, these rates include
3 elements that are fixed (Base Generation Rates) and elements that will depend on the
4 true-ups of specific costs incurred by DP&L (FUEL Rider, RPM Rider, TCRR-B). In my
5 analysis, I rely on projected current generation rates by class developed in Schedule 3
6 which is sponsored by Company Witness Seger-Lawson. Using these data, in Exhibit
7 RJM-2, I calculate the weighted average projected current generation rates.

8 **Q. What is the source of the CBP rates used in your analysis?**

9 A. In my analysis, I rely on the proxy market rates supported by Company Witness
10 Marrinan, with adjustments provided by Company Witness Rabb. These proxy market
11 rates reflect the prices that would be charged by competitive suppliers for the opportunity
12 to provide DP&L's distribution customers with full requirements generation service
13 (FRS), which includes energy, capacity, transmission, ancillary services and other
14 relevant charges needed to supply power to DP&L customers. The Company plans to
15 procure these supplies through competitively bid auctions that are designed to secure
16 supplies at competitive market rates. The rates used in the Aggregate Price Test also
17 reflect adjustments for distribution losses, Commercial Activities Tax (CAT), and
18 uncollectible expense. The calculation of these adjustments is sponsored by Company
19 Witness Rabb, and shown in Schedule 5B.

20 Company Witness Marrinan's estimate of CBP rates is based on the results of recent FRS
21 auctions in the nearby Ohio service territories of Duke Energy Ohio and First Energy
22 (FE). To account for changes in markets over time and geographic and market

1 differences, she makes various adjustments to these auction prices to arrive at CBP
2 estimates for DP&L auctions. The adjustments account for (1) changes in expected
3 future market prices that have occurred between the time of the Duke and FE auctions
4 and the present, (2) differences in future capacity costs between service territories (from
5 PJM's Reliability Pricing Model; and (3) differences in wholesale market costs between
6 DP&L's service territory and the Duke and First Energy service territories.

7 **Q. Have you reviewed the estimates of CBP rates developed by Company Witness**
8 **Marrinan?**

9 **A.** Yes, I have reviewed the estimates of CBP rates developed by Company Witness
10 Marrinan and believe that they provide a reliable basis for the Aggregate Price Test.
11 There are several reasons for this conclusion. First, the use of actual results from recent
12 auctions for comparable products in nearby service territories provides a sound basis for a
13 forecast of auction results under DP&L's ESP. The use of actual auction results accounts
14 for the many factors affecting actual supply offers from auction participants that are
15 difficult to capture using alternative approaches. Second, Company Witness Marrinan
16 makes adjustments to these auction results to account for changes in market conditions
17 over time, and geographic, market and product differences that could lead DP&L's
18 auction results to differ from Duke and FE's results. These adjustments, which were
19 described above, provide a reasonable means of accounting for known differences in
20 circumstances between Duke and FE auctions and future auctions to serve DP&L
21 customers.

1 Q. Based on your analysis, what impact is DP&L's ESP expected to have on the
2 bypassable portion of customer charges compared to the MRO?

3 A. As shown in Exhibit RJM-1, I find that the proposed ESP will produce lower overall
4 average rates than the MRO. This difference in rates is \$5.69 per MWh in 2014/15,
5 \$9.91 per MWh in 2015/16, \$13.45 per MWh in 2016/17, and \$10.37 per MWh in
6 2017/18. Assuming that the level of customer switching remains fixed, the ESP is
7 expected to result in a reduction in aggregate charges to DP&L customers of \$30.2
8 million in 2014/15, \$52.5 million 2015/16, \$71.2 million in 2016/17 and \$54.9 million in
9 2017/18.

10 Q. Do you also consider non-bypassable customer charges?

11 A. Yes. The Aggregate Price Test explicitly considers one non-bypassable charge: the
12 Service Stability Rider (SSR). I assume that the level of the Service Stability Rider
13 (SSR) and the financial cost justification for it would be similar whether the Company
14 filed an ESP or an MRO. Under both the proposed ESP and an MRO, the SSR non-
15 bypassable charge would remain the same. Consequently, there is no difference in
16 customer non-bypassable charges under the ESP compared to the MRO.

17 Q. Did you include the proposed switching tracker in the Aggregate Price Test?

18 A. No. As described by Company Witnesses Jackson and Seger-Lawson, the switching
19 tracker is a non-bypassable charge designed to allow DP&L to recover the cost of
20 customer switching (from the SSO to service provided by a CRES) in excess of the
21 current level of switching. The current level of switching is held fixed in the projections

1 included in the ESP filing and, I assume, would also remain fixed under the hypothetical
2 MRO. In addition, I assume that the switching tracker would be included in the
3 hypothetical MRO as well as in the ESP, because DP&L would face financial risks from
4 customer switching under either plan.

5 Under either plan, the switching tracker would work as a revenue true-up mechanism
6 such that total aggregate customer charges would not be affected significantly by a higher
7 switching level. At most, there would be a lag in payment of the relevant charges.
8 Consequently, I do not explicitly consider the switching tracker when performing the
9 Aggregate Price Test.

10 **Q. Did you explicitly consider any of the other non-bypassable customer charges in the**
11 **Aggregate Price Test?**

12 **A.** No, DP&L has proposed several other non-bypassable charges such as the Transmission
13 Cost Recovery Rider – Non-bypassable (TCRR-N), the Reconciliation Rider (RR), and
14 has proposed a placeholder for an Alternative Energy Rider – Non-bypassable (AER-N)
15 that I do not explicitly address in my analysis. These charges largely reflect pass-through
16 of various costs to customers. Further, like the SSR, these charges would be present in
17 both the proposed ESP and hypothetical MRO, and consequently have no impact on the
18 Aggregate Price Test.

19 **Q. Can you explain why you state that DP&L would recover the SSR under either its**
20 **ESP filing or under a hypothetical MRO?**

1 A. As explained above, to conduct the "more favorable in the aggregate" test, the
2 Commission should compare the ESP that DP&L filed to a hypothetical MRO that DP&L
3 would file on the same day. As explained in the testimony of Company Witness William
4 Chambers, DP&L needs an SSR of \$120 million to preserve its financial integrity; DP&L
5 seeks approval of that charge under § 4928.143(B)(2)(d) of the ESP statute.

6 If DP&L had filed an MRO, then DP&L would face threats to its financial integrity that
7 are similar to those described in Mr. Chambers' testimony. Like the ESP statute, the
8 MRO statute permits the Commission to implement charges to preserve a utility's
9 "financial integrity."² DP&L thus would have sought an SSR if it had filed for an MRO.

10 If this SSR is assumed to be the same magnitude as under the ESP, then all else equal
11 DP&L's projected revenues, profits and financial integrity would be somewhat higher
12 (due to higher SSO rates) under the MRO than under the ESP. However, the
13 improvement in DP&L's projected financial condition would not be sufficient to
14 eliminate the financial risks that DP&L is projected to experience in the out years, as
15 determined by Company Witness Chambers. Therefore, it is reasonable to assume that
16 DP&L would have sought the same SSR under an MRO as it is seeking under the ESP.
17 Consequently, the SSR that DP&L seeks to recover in its ESP filing has no effect on the
18 comparison to an MRO.

19 Nevertheless, if one were to assume that under an MRO DP&L would have requested an
20 SSR that was just large enough so that total customer charges (and DP&L revenue) were
21 the same as under the ESP, then the ESP and MRO would be equivalent under the

² Ohio Rev. Code § 4928.142(D)(4).

1 Aggregate Price Test, but the ESP still would be more favorable in the aggregate than the
2 MRO due to the non-quantifiable benefits of the ESP discussed later in my testimony.

3 **Q. What do you conclude about the impact of DP&L's ESP on customer charges**
4 **compared to the MRO?**

5 A. As shown in Exhibit RJM-1, the proposed ESP is expected to produce lower charges to
6 SSO customers than an MRO. These differences in average rates and total charges are
7 the same as those for the bypassable portion of customer charges. Average rates will be
8 lower under the ESP by \$5.69 per MWh in 2014/15, \$9.91 per MWh in 2015/16, \$13.45
9 per MWh in 2016/17, and \$10.37 per MWh in 2017/18. When aggregated across all
10 customers, the ESP is expected to lower customer charges by \$30.2 million in 2014/15,
11 \$52.5 million 2015/16, \$71.2 million in 2016/17 and \$54.9 million in 2017/18.

12 **Q. Are there other quantifiable differences between the ESP and the MRO?**

13 A. Yes. In addition to the rates and charges analyzed in Exhibit RJM-1, competitive retail
14 enhancements that are a part of the ESP and would require a one-time investment of \$2.5
15 million.³ This program will provide certain non-quantifiable benefits that I discuss
16 below.

17
18

³ Testimony of Dona Seger-Lawson.

1 **IV. OTHER, NON-QUANTIFIABLE CHARACTERISTICS OF THE**
2 **PROPOSED ESP AND MRO**

3 **Q. Are there differences between the two plans not captured in the Aggregate Price**
4 **Test that are difficult to quantify, but that are relevant to determining if the ESP is**
5 **"more favorable in the aggregate"?**

6 **A. Yes. First, the faster transition to market-based rates under the ESP has certain benefits**
7 **that are real, but difficult to quantify.**

8 Under the ESP, DP&L customers will be fully transitioned to market rates by June 2016.
9 In contrast, under the MRO, a full transition to market rates would not occur until June
10 2018. Moreover, a larger portion of customer rates will reflect market prices under the
11 ESP in all years leading up to the date of full transition.

12 With this faster transition, DP&L's ESP will support the broader policy goals, such as a
13 more favorable climate for business and more choices for consumers, that were
14 envisioned when the General Assembly approved legislation to transition the state's
15 customers to market-based pricing.⁴

16 In addition, it is important to note that the Commission has already approved ESPs for
17 other Ohio electric utilities that result in faster transitions to market rates than would
18 occur under an MRO.⁵ By approving DP&L's ESP, the Commission can ensure that
19 DP&L customers face comparable market conditions and have comparable opportunities
20 to take advantage of more competitive retail market conditions.

⁴ Ohio Legislative Service Commission, Final Analysis, Am. Sub. S. B. 3, July 6, 1999.

⁵ Public Utilities Commission of Ohio, Opinion and Order, Case No. 11-346-EL-SSO, August 8, 2012; Public Utilities Commission of Ohio, Opinion and Order, Case No. 12-1230-EL-SSO, July 18, 2012.

1 In sum, the faster transition to greater competition under the ESP is expected to provide
2 both short and long-run benefits to the state's customers and economy.

3 **Q. Does DP&L's ESP provide other non-quantifiable benefits relative to an MRO?**

4 A. Yes. Along with the faster transition to market rates, DP&L's ESP provides additional
5 benefits that would not be experienced under an MRO. In particular:

- 6 1. Competitive retail enhancements funded through DP&L's ESP will facilitate
7 competitive retail markets by reducing administrative barriers and transaction
8 costs that potentially affect the opportunities for CRES providers to encourage
9 customers to switch to competitive suppliers.
- 10 2. Ohio Revised Code Section 4928.142 requires that if an MRO is approved for
11 an electric distribution utility, then it "shall not, nor ever shall be authorized or
12 required by the commission to, file an application under section 4928.143 of
13 the Revised Code." (emphasis in original) In contrast, no such prohibition
14 appears in section 4928.143 of the Revised Code. Thus, DP&L's filing for
15 and receiving approval of an ESP provides more regulatory flexibility in the
16 future than if DP&L filed an MRO.

17 **V. CONCLUSION**

18 **Q. Do you conclude that DP&L's ESP is "more favorable in the aggregate" than an**
19 **MRO?**

20 A. Yes. The facts support that conclusion. DP&L's ESP results in lower rates and charges to
21 DP&L customers taking SSO service than an MRO. In addition, the ESP provides non-

1 quantifiable benefits that exceed those under an MRO. Consequently, I conclude that
2 DP&L's ESP is "more favorable in the aggregate" than an MRO.

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

4 **A.** Yes, it does.

5

APPENDIX A

R. Jeffrey Malinak CV

R. JEFFREY MALINAK
Managing Principal

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1899 Pennsylvania Avenue, NW
Suite 200
Washington, DC 20006

Mr. Malinak is an expert in financial economics with particular expertise in damages estimation, applied finance theory, and business and asset valuation. He has directed a number of class action securities fraud matters and several securities and commodity market manipulation cases. Mr. Malinak also has considerable experience in financial institutions and risk management, having been heavily involved in the Winstar savings and loan litigations, and having also completed a major project on the risk of Fannie Mae. He has directed litigation projects in numerous industries on issues related to intellectual property, breach of contract, securities, regulatory economics, asset valuation, insurance, accounting, taxation and antitrust, and has provided deposition and arbitration testimony on economic damages issues. Mr. Malinak also has acted as a management consultant to clients in the energy, environmental and health care industries, and as an economic valuation and business strategy consultant to clients with new technology, intellectual property and intangible assets. Prior to joining Analysis Group, he was a Principal at Putnam, Hayes & Bartlett, Inc.

EDUCATION

M.B.A. (Finance and Accounting), University of Texas Graduate School of Business (Austin, Texas)

B.A., Social Sciences, *with Distinction*, Stanford University (Palo Alto, California)

PROFESSIONAL EXPERIENCE

- 2000- *Managing Principal*, Analysis Group, Inc. (Washington, D.C.).
Financial and economic analysis and testimony related to complex securities, finance, accounting, antitrust and general business litigation. Financial and economic consulting related to public policy issues and business and other asset valuation.
- 1997-1999 *Vice President*, Analysis Group, Inc. (Washington, D.C.).
- 1996-1997 *Vice-President and Secretary/Treasurer*, Malinak Medical Products, Inc., (Phoenix, Arizona), a wholesale medical supplies and service company.
- 1994-1996 *Principal*, Putnam, Hayes & Bartlett, Inc. (Washington, D.C.).
- 1988-1993 *Associate*, Putnam, Hayes & Bartlett, Inc. (Washington, D.C.).
- 1986-1987 *Staff Consultant*, Peterson & Co. (Houston, Texas).

SELECTED REPRESENTATIVE CONSULTING ENGAGEMENTS

General Business Litigation

CIRCUIT COURT FOR THE CITY OF ALEXANDRIA, VIRGINIA

General Motors Acceptance Corporation (GMAC) v. Field Auto City, Inc.

Expert report (co-authored) regarding the damages sustained by a car dealership due to the alleged improper withdrawal of floor plan financing by GMAC.

U.S. BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK

In re: Genuity, et al., Debtors.

Analysis of asset purchase agreement and damages in this bankruptcy proceeding. Key issues included the cause of bankruptcy, the value of the enterprise and the economic and financial impact of the proposed restructuring agreement.

U.S. DISTRICT COURT, DISTRICT OF COLUMBIA

Philip L. Chabot, Jr. v. Brickfield, Burchette & Ritts, P.C. et al.

Expert report regarding the value of an equity interest in a "greenfield" steel company at various stages in the firm lifecycle, including the seed capital and start-up financing stages.

UNITED STATES COURT OF FEDERAL CLAIMS, WASHINGTON, D.C.

FDIC as Receiver for various Savings & Loan Institutions v. The United States

Overall project management and analysis of damages. Key issues included the appropriateness of various damages theories and the value of leverage in the regulated thrift industry.

AMERICAN ARBITRATION ASSOCIATION, NEW YORK

New Industries Co. (Sudan) Ltd. v. Pepsico, Inc.

Overall case management and analysis of damages in this breach of contract case involving the original Pepsi bottler in Sudan. Key issues included the appropriate methods for projecting lost profits and the valuation of the business of a soft drink bottler.

DISTRICT OF COLUMBIA AND DELAWARE CHANCERY COURTS

Robert Haft v. Herbert Haft and Dart Group

Analysis of the value of large holdings of common stock and options on the common stock of a number of public and private companies with a combined \$1 billion plus in revenues. Key issues included assumptions to use in a discounted cash flow analysis (DCF), the valuation of employee stock options and the applicability of minority and marketability discounts to securities prices.

Antitrust

U.S. DISTRICT COURT, NORTHERN DISTRICT OF CALIFORNIA

Central Garden & Pet Company v. The Scotts Company and Pharmacia

Overall case management and analysis of antitrust damages. Key issues included the appropriate herbicide product market definition, the measurement of market power, and the effect of the trend towards "big box" retailers on herbicide manufacturers and distributors.

U.S. DISTRICT COURT, NORTHERN DISTRICT OF IOWA

Act, Inc. v. Sylvan Learning Systems

Overall case management and analysis of antitrust damages.

TEXAS STATE COURT, CORPUS CHRISTI

Independent Service Provider v. IBM

Damages and antitrust analyses prepared on behalf of IBM. Key issues included definition of relevant markets, calculation of the defendant's market share, calculation of antitrust and business disparagement damages and valuation of settlement options.

U.S. DISTRICT COURT, FLORIDA

Thermo Electron & Rolls Royce, Inc. v. Florida Power & Light

Analysis of damages due to alleged anticompetitive acts by an electric utility. Key issues included forecasting of fuel prices, business decision-making procedures, profitability of cogeneration facilities and the appropriate cost of capital to use in evaluating investments in electricity generation facilities.

TEXAS COURT

ETSI Pipeline Project, et al. v. Burlington Northern, et al.

Assistance to counsel in rebutting opposing expert's lost profits damages claim. Key issues included the appropriate measure of lost profits and the appropriate discount and interest rates to apply in valuing the lost profits stream.

Securities and Commodity Market Litigation

U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION

United States of America v. Mark David Radley, et al.

Overall case management and analysis of natural gas liquids markets, propane price movements, market microstructure issues and allegations regarding market power and price manipulation. Key issues included the size and definition of the relevant market, the appropriate measurement of market power in the context of futures/forward contract markets, and appropriate methods for analyzing trading behavior and specific claims of price manipulation.

U.S. DISTRICT COURT FOR THE DISTRICT OF MARYLAND, BALTIMORE DIVISION

United States Securities and Exchange Commission v. Agora, Inc., Pirate Investor, LLC and Frank Porter Stansberry

Overall case management and analysis of the materiality to investors of certain information regarding a nuclear fuel processing firm contained in an investor newsletter. Key issues included the effect of public information releases on the firm's stock price.

U.S. DISTRICT COURT, DISTRICT OF MASSACHUSETTS

Class v. Life Sciences Company 1

Expert report on damages and participation in a mediation hearing. The analysis addressed the value of the common stock and other securities of a Life Sciences company at different times and under different assumptions.

U.S. DISTRICT COURT, DISTRICT OF MASSACHUSETTS

Class v. Life Sciences Company 2

Expert report on the alleged damages of the lead plaintiff, which was a hedge fund, and analysis of alleged class-wide damages. The expert report addressed the economic impact on the lead plaintiff of the simultaneous increase in value of a short position in the Life Sciences' firm's common stock and the decrease in value of the plaintiff's convertible bond position.

U.S. DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

In Re: Xcelera.com Securities Litigation

Overall case management and analysis of the efficiency of the market for the equity securities of an internet-related firm for class certification purposes in a 10b-5 matter. Key issues included the existence of limits to arbitrage (e.g., short sales constraints) and the extent of participation by traders who were trading based on non-fundamental economic criteria during the class period.

U.S. DISTRICT COURT FOR THE DISTRICT OF IDAHO

Muzinich & Co., Inc. et al. v. Raytheon Company, et al.

Overall case management and analysis of the efficiency of the market for the unregistered 144A bonds of a construction firm. Key issues included the existence of appropriate analyst coverage, the amount of trading volume, the nature of the reaction of the bond prices to new information and the size of the bid-ask spread.

COURT OF COMMON PLEAS, PHILADELPHIA COUNTY

Plaintiff Class v. Sun Company, Inc.

Overall case management and analysis of trading in Sun common stock related to allegations that a preferred stock redemption rate calculation was affected by stock price manipulation.

U.S. DISTRICT COURT, EASTERN DISTRICT OF PENNSYLVANIA

Plaintiff Class v. Centocor, Inc.

Analysis of alleged securities fraud damages and other economic issues in a 10b-5 matter involving allegations surrounding the announcement of the outcome of joint venture negotiations. Key issues included the measurement of abnormal stock returns in the presence of extreme volatility and the analysis of damages, if any, to various investor sub-classes, including day traders and short-sellers.

U.S. DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS

Plaintiff Class v. Kemper Mutual Funds

Analysis regarding distribution of returns on over 130,000 S&P500 futures transactions in investigation of improper trading and self-dealing by the fund manager in class-action involving investors in two public equity mutual funds. Key issues included definition of hedging strategies, trade matching methods and appropriate statistical methods.

TEXAS STATE COURT, BEAUMONT

Plaintiff Class v. Paine Webber

Analysis of the sale prices for limited partnership units. Key issues included the amount of damages sustained by two different investor classes, the average settlement amounts in securities fraud matters, and the value of a company after a roll-up reorganization into an equity financed company.

Tax-Related Litigation

AMERICAN ARBITRATION ASSOCIATION, CHICAGO, ILLINOIS

Tax Payer v. Tax Transaction Participant

Overall case management and analysis of finance and valuation issues. Work included assessing the economic substance of a transaction involving the purchase of emerging market distressed consumer and trade debt, determining the value of this distressed debt and performing "forensic accounting" analysis.

U.S. COURT OF FEDERAL CLAIMS

National Westminster Bank, PLC. v. United States

Overall case management and analysis of accounting issues. Work included the reconstruction of the financial statements of the U.S. branches of a foreign bank, based on accounting and other information that was incomplete and, in many cases, over 20 years old.

U.S. DISTRICT COURT, DISTRICT OF MARYLAND, BALTIMORE DIVISION

Black and Decker, Inc. v. United States

Overall case management and analysis of economic issues. Key issues included the economic substance and business purpose of a transaction involving the formation of a special purpose entity and the payoff structures of different financial instruments.

U.S. DISTRICT COURT, SOUTHERN DISTRICT OF W. VIRGINIA

Flat Top Insurance Agency v. United States

Expert report regarding the economic life and value of insurance renewal intangible assets to be used for tax depreciation purposes.

U.S. DISTRICT COURT, EASTERN DISTRICT OF VA, RICHMOND DIV.

Trigon Insurance Company vs. United States of America

Overall case management and analysis of economic issues in a tax refund case involving a customer base as an intangible asset.

Environmental Insurance Litigation

SUPERIOR COURT OF THE STATE OF WASHINGTON, KING COUNTY

Alcoa Inc., and Northwest Alloys, Inc., v. Accident and Casualty Insurance Company, et al.

Analysis of the history of environmental regulation of various pollutants to determine the extent of government and industry knowledge regarding those pollutants at various policy dates. Analysis of economic damages due to environmental contamination.

ENVIRONMENTAL INSURANCE SETTLEMENT MATTER

General Electric v. Environmental Insurance Firms

Analysis of the value of future environmental remediation cost liabilities for settlement purposes, including the determination of the appropriate discount and inflation rates to use in valuing projected environmental remediation costs.

Intellectual Property Litigation

U.S. DISTRICT COURT, DISTRICT OF CONNECTICUT

Joint Medical Products Corporation v. Depuy, Inc., et al.

Analysis of patent damages. Key issues: the factors driving the buying decision in the hip implant market, fixed versus variable costs and relevant licensing rates for comparable products.

U.S. DISTRICT COURT, EASTERN DISTRICT OF VIRGINIA

Wang Laboratories, Inc. v. America Online, Inc. and Netscape Communications Corp.

Valuation of patented on-line services software interface features. Key issue: the economic value of customer retention.

U.S. DISTRICT COURT, EASTERN DISTRICT OF PENNSYLVANIA

BTG USA, Inc. v. Magellan Corp. / BTG v. Trimble Navigation

Patent damages: analysis of prejudgment interest, reasonable royalty, value of inventory on hand, preparation and investments made and business commenced (as of patent reissuance) involving a patent directed to secret or secure communications technology employed in global positioning systems products.

U.S. DISTRICT COURT, DISTRICT OF MASSACHUSETTS

Polaroid v. Kodak

Patent damages: analysis and preparation of trial exhibits in support of academic witness's discount and interest rate testimony. Analysis of fixed and variable costs for use in lost profits study involving an instant photography technology patent.

Prospective Intellectual Property Consulting and Valuation

Internet Security/Privacy Technology

Valuation of a patent-pending technology for enhancing the security and privacy of web-based transactions and interactions.

Smartcard Technology for GSM Wireless Phones

Valuation of a portfolio of patents in relation to their potential use in GSM wireless phones.

Automotive Industry Patent Portfolio

Preparation of a preliminary report supporting the potential value of an international portfolio of product patents in the automotive industry. Identification of industry players, description of market structure, profitability analysis of potential licensees and estimation of potential royalty payments.

Biotechnology Patent

Preparation of materials supporting the potential value of a basic process patent in the biotechnology industry. Identification of industry players, description of market structure, and profitability analysis of potential licensees.

Medical Diagnostic Test Patent

Identification of industry players, description of market structure, evaluation of alternative technologies and profitability analysis of potential licensees.

Wireless Telecommunications Patent

Preparation of a report on the potential value of a basic process patent in the wireless telecommunications industry. Identification of industry players, description of market structure, evaluation of alternative technologies and profitability analysis of potential licensees.

Management Consulting and Valuation Projects

CLIENT: FANNIE MAE

Overall responsibility for assisting in the preparation of a white paper appearing on Fannie Mae's website, including analysis of the financial risk of Fannie Mae. Key issues included the appropriate model to use in evaluating the risk of a large regulated mortgage banking and guarantee business with a sophisticated hedging operation using derivatives.

CLIENT: ENVIRONMENTAL INSURANCE FIRM

Expert report regarding the appropriate discount and inflation rates to use in calculating the present value of projected environmental remediation costs. Participation in settlement meetings.

CLIENT: HOSPITAL MANAGEMENT

Analysis of the value of a hospital in connection with a proposed hospital merger transaction. Key issues included the appropriate measure of hospital profits, the cost of capital to use in valuing those profits and the impact of market forces (e.g., managed care) on the hospital's future revenues.

CLIENT: MAJOR FEDERAL GOVERNMENT AGENCY

Review of the decision making methods and data regarding a large government energy project. Key issues included the best quantitative methods to use to support the government's decision, the appropriate discount rates to use in valuing different projects and the option value of flexibility when projecting the cost of private and government mega-projects.

CLIENT: WOOD FLOORING MANUFACTURER

Preparation of an economic feasibility study for the installation of a cogeneration facility by a basketball court flooring manufacturer. Effort included extensive research into the cost of constructing a facility and the projected cost of power in the Upper Peninsula of Michigan.

Regulatory Consulting

SOUTH CAROLINA PUBLIC SERVICE COMMISSION, DOCKET NO. 2005-113-G (Application for Increase in Gas Rates and Charges)

Overall project management and analysis of the appropriate cost of capital for a natural gas distribution system.

U.S. ENVIRONMENTAL PROTECTION AGENCY, WASHINGTON, D.C.

Energy Industry

Expert affidavit and declaration in a Freedom of Information Act matter regarding the value of information contained in confidential business documents.

U.S. EPA AND/OR PUBLIC INTEREST GROUPS V. VARIOUS DEFENDANT FIRMS

Various Industries

Analysis of the present value of pollution control costs allegedly avoided due to non-compliance with Clean Water Act regulations. Work included review and critique of the EPA's "BEN" financial model for calculating the economic benefit of noncompliance with Clean Water Act regulations.

DEPOSITION AND TRIAL TESTIMONY

U.S. DISTRICT COURT, MIDDLE DISTRICT OF NORTH CAROLINA, DURHAM DIV.

Humana Military Healthcare Services, Inc., v. Blue Cross and Blue Shield of North Carolina, et al.

Expert report and deposition testimony regarding the amount of trade secret damages in the context of a large government managed care contract procurement.

AMERICAN ARBITRATION ASSOCIATION (BOSTON OFFICE)

Pragmatech Software v. Silknet Software, Inc.

Expert report and testimony at an arbitration hearing regarding the proper measure of damages in a breach of contract case involving alleged improper use of intellectual property / confidential information.

PUBLICATIONS

"Estimating the Cost of Capital," Litigation Services Handbook, The Role of the Financial Expert, Chapter 7 (pp. 7.1-7.22), Fourth Edition (2007) (co-authored with G. Jetley and L. Stamm).

SPEECHES/COURSES

"First Mover Advantages and e-Competition: Sustaining Superior Profitability in e-Commerce," presented as part of a panel titled, "Effective Use of Expert Witnesses in e-Commerce Antitrust Litigation," at a regional meeting of the antitrust litigation section of the American Bar Association, February 2001.

"Savings & Loan Financial Modeling Issues," presentation to the Receivership Goodwill Section of the Federal Deposit Insurance Corporation, October 2000 (confidential).

"Internet Patents -- Monetary Remedies" (with John C. Jarosz), American Intellectual Property Law Association (22nd Mid-Winter Institute titled, "IP Law in Cyberspace"), February 1999.

NEWSLETTER ARTICLES

"Damage Awards – Royalty Rates versus Profit Rates," IP Litigator, November/December 2000 (Volume 6, Number 6).

"Presenting Economic Expert Testimony to a Jury: Five Golden Rules," antitrust litigation newsletter.

Line	MRO and ESP Rates and Revenues	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 5/2018	Total or Average	Source / Calculation
1	Bypassable Generation Rates (\$/MWh)							
2	Current Generation Rate	\$ 86.48	\$ 86.48	\$ 86.48	\$ 86.48	\$ 86.48	\$ 86.48	Exhibit RJM-2
3	Forecasted CBP Auction Rates	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	\$ 58.88	Rabb, Schedule 5B, Line 4
4								
5	CBP Rate Blending Schedule (%)							
6	MRO	10.0%	20.0%	30.0%	40.0%	50.0%		Ohio Revised Code Section 4928.143
7	ESP	10.0%	40.0%	70.0%	100.0%	100.0%		Seger-Lawson, Schedule 5
8								
9	Blended SSO Rate (\$/MWh)							
10	MRO	\$ 82.32	\$ 80.78	\$ 79.05	\$ 77.51	\$ 76.11	\$ 79.15	Line(2)*(1-Line(6)) + Line(3)*Line(6)
11	ESP	\$ 82.32	\$ 75.09	\$ 69.14	\$ 64.07	\$ 65.75	\$ 71.27	Line(2)*(1-Line(7)) + Line(3)*Line(7)
12	Difference in Bypassable Rates	\$ -	\$ (5.69)	\$ (9.91)	\$ (13.45)	\$ (10.37)	\$ (7.88)	Line(11) - Line(10)
13								
14	Total Bypassable Revenues (\$Millions)							
15	MRO	\$ 616.43	\$ 427.66	\$ 418.46	\$ 410.34	\$ 402.93	\$ 2,275.82	Line(10)*Line(33)
16	ESP	\$ 616.43	\$ 397.51	\$ 365.99	\$ 339.16	\$ 348.05	\$ 2,067.15	Line(11)*Line(33)
17	Difference in Bypassable Revenues	\$ -	\$ (30.15)	\$ (52.46)	\$ (71.19)	\$ (54.88)	\$ (208.67)	Line(16) - Line(15)
18								
19								
20	Non-Bypassable Revenues (\$Millions)							
21	MRO	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 600.00	Seger-Lawson, Schedule 8
22	ESP	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 600.00	Seger-Lawson, Schedule 8
23	Difference in Non-Bypassable Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line(22) - Line(21)
24								
25	ESP versus MRO Price Test (\$Millions)							
26	Difference in Bypassable Revenues	\$ -	\$ (30.15)	\$ (52.46)	\$ (71.19)	\$ (54.88)	\$ (208.67)	Line(17)
27	Difference in Non-bypassable Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line(23)
28	Total Change in Revenues	\$ -	\$ (30.15)	\$ (52.46)	\$ (71.19)	\$ (54.88)	\$ (208.67)	Line(26) + Line(27)
29								
30	Load and Switching Assumptions							
31								
32	Switching	61.5%	61.7%	61.7%	61.7%	61.7%		1 - Line(33) / Line(34)
33	DP&L SSO Load (TWh)	7.49	5.29	5.29	5.29	5.29		Seger-Lawson, WP-8
34	Total Load (TWh)	19.44	13.82	13.82	13.82	13.82		Seger-Lawson, WP-8

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

**ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY
OF TERESA F. MARRINAN**

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

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
TERESA F. MARRINAN
ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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1 **I. INTRODUCTION**

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

3 A. My name is Teresa F. Marrinan. My business address is 1065 Woodman Drive, Dayton,
4 OH 45432.

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

6 A. I am employed by The Dayton Power and Light Company ("DP&L" or "Company") as
7 Senior Vice President, Competitive Market Services.

8 **Q. How long have you been in your present position?**

9 A. I assumed my present position in January 2012. Prior to that, I held the position of
10 Senior Vice President, Business Planning and Development. I have also served as the
11 Company's risk manager and held prior positions of Senior Vice President, Commercial
12 Operations; Managing Director, Portfolio Management; and several other managerial and
13 technical positions within the Company's wholesale and retail business units.

14 **Q. What are your responsibilities in your current position?**

15 A. In my current position, I am responsible for executing the Company's commercial
16 operations and portfolio management strategies, including the unregulated retail
17 electricity and street lighting businesses; short- and long-term coal, power, emission
18 allowances, and natural gas purchasing and trading activities; the 24-hour real time
19 dispatch of the Company's 3,700 megawatt power generation fleet; the scheduling and
20 physical delivery of the Company's coal and other commodities and the Company's
21 participation within the PJM Regional Transmission Organization market. I direct the

1 Company's strategic market assessment efforts and business and portfolio analytics
2 capabilities. I am responsible for recommending investment alternatives and capital
3 allocation decisions that improve the Company's ability to meet its growth and
4 profitability objectives consistent with an acceptable overall corporate financial risk
5 profile.

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

7 A. I received a Bachelor of Science in Business Administration degree in December 1983
8 from the University of Dayton and a Master of Business Administration in June 1993
9 from Xavier University. I have been employed by DP&L since April 1984.

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

12 A. Yes. I have sponsored testimony before the PUCO in several occasions during my years
13 with the Company. Most recently I provided two pieces of testimony supporting DP&L's
14 current Electric Security Plan (ESP) in Case Nos. 08-1094-EL-SSO, *et al.*

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of this testimony is to describe the items that will be included in the Fuel
17 Rider component of DP&L's proposed Standard Service Offer (SSO) rates and the
18 mechanism that will be used to calculate the Fuel Rider during the term of the proposed
19 ESP. In addition, my testimony supports the proxy market-based auction prices for the
20 Competitive Bid Process (CBP) used in the projections of financial and rate impacts of
21 the proposed ESP supported by other DP&L witnesses.

1 **II. FUEL RIDER**

2 **Q: Please describe DP&L's proposed Fuel Rider.**

3 A. DP&L proposes a bypassable Fuel Rider to be effective January 1, 2013 for the recovery
4 of fuel costs, purchased power costs, and emission allowance costs. The Fuel Rider will
5 be based on a system average cost methodology with the objective of providing the least
6 overall cost energy supply for DP&L customers.

7 **Q. What are the key components that will be included in DP&L's Fuel Rider?**

8 A. A summary of the key components is as follows:

9 **Fuel Costs:** The costs of fuel commodity, fuel transportation and fuel handling, used for
10 the generation of electricity by DP&L-owned resources will be included in the
11 calculation of the system average cost. The applicable fuel costs will be components
12 FERC Accounts 501, 456, and 547. The majority of such fuel costs are recorded in
13 FERC account 501. Gains and losses on fuel sales are recorded in Account 456, netted
14 with Account 501 and are included in the Fuel Rider. Account 547 includes the costs of
15 fuel used in gas and diesel peaking units. The portion of any recorded costs for biomass
16 and similar fuels that is higher than the equivalent cost of coal will be excluded from the
17 system average cost calculations and recovered through DP&L's Alternative Energy
18 Rider. The portion of these costs up to the equivalent cost of fuel will be included in the
19 system average cost calculations for recovery through the Fuel Rider. This is consistent
20 with the proceedings and the Opinion and Order in the Matter of the Application of The
21 Dayton Power and Light Company to establish a Fuel Rider, PUCO Case No. 09-1012-
22 EL-FAC.

Purchased Power Costs: Purchased power costs will be included in the calculation of the system average cost when DP&L-owned resources are not sufficient to meet the SSO load requirement that is not served by the CBP. The applicable purchased power costs will be components of FERC Accounts 555 and any related gains or losses recorded in Accounts 421 and 426.

Emission Allowances: The costs of emissions allowances used for the generation of electricity by DP&L-owned resources will be included in the calculation of the system average cost. FERC Account 509 records the costs of emission allowances. Currently this account includes sulfur dioxide ("SO₂") and nitrogen oxides ("NO_x"), both seasonal and annual, emissions allowance costs. Future legislation may add other types of allowance costs that would also be recorded in this account for recovery. This approach is consistent with the proceedings in the Matter of the Application of The Dayton Power and Light Company to establish a Fuel Rider, PUCO Case No. 09-1012-EL-FAC. Gains and losses on the sale of emission allowances are recorded in FERC Accounts 411.8 and 411.9. This approach is consistent with the proceedings and Opinion and Order in the Matter of the Application of The Dayton Power and Light Company to establish a Fuel Rider, PUCO Case No. 09-1012-EL-FAC.

Q: Please describe the method the Company will use to calculate the Fuel Rider.

A: The Fuel Rider will be calculated using a DP&L system average cost method.

Q: What is the definition of the system for determining the system average cost?

A: The DP&L energy supply system, for purposes of the proposed Fuel Rider, includes DP&L-owned resources and purchased power.

Q: How is the system average cost calculated?

A: The Company will calculate its system average cost by including and adding up all of the components described above for the DP&L energy supply system during the applicable period (e.g., monthly). The system average cost is based on the cost of all supply and it is not dependent on the load of any affiliate or of the utility. These costs will then be divided by the total MWh of power from the DP&L energy supply system for the same period. The result is a system average cost of energy supply in \$/MWh or cents per kWh that will then be the basis for the Fuel Rider component for DP&L's SSO customers.

Q: How will the system average cost be converted into the Fuel Rider Rate?

A: The rate will be forecasted and filed on a seasonal quarterly (averaged over the three months in the quarter) basis, consistent with the approach used for the Fuel Rider component of DP&L's current SSO rates. The quarterly forecast of the system average cost will be determined using projected DP&L energy supply system costs (in \$) and output (in MWh) for the upcoming seasonal quarter, which will then become the basis for the Fuel Rider rate for the upcoming seasonal quarter. The specific approach for filing the Fuel Rider rate, as well as reconciliation and true-up of any differences between the Fuel Rider rate and recorded system average costs, is discussed in Witness Parke's testimony.

Q: Why is the system average cost method appropriate?

A: The system average fuel method is appropriate for several reasons. First, it improves operational efficiency because it is logical, simple and straightforward for DP&L to administer and for the Commission's staff and outside experts to understand and audit.

1 The system average cost method also aligns incentives between DP&L and its customers
2 by assigning the same system average cost for all DP&L customers. By providing
3 DP&L with clear incentives to manage its energy supply portfolio in order to achieve the
4 least overall cost of energy supply, the system average cost method serves to lower the
5 overall cost and market risk for SSO customers under the proposed ESP. This change in
6 methodology is expected to lower the fuel rate for SSO customers. Finally, the system
7 average cost method is consistent with the proposed blending of CBP prices into SSO
8 rates under the proposed ESP, and can be applied consistently and simply throughout the
9 entire term of the proposed ESP.

10 **III. AUCTION PRICE**

11 **Q: Did you develop proxy auction prices to permit DP&L to demonstrate how its**
12 **current prices would be blended with DP&L's current rates?**

13 **A.** Yes. To assist in preparing the projected retail rate impacts of the Company's ESP plan, I
14 developed proxy auction prices throughout the duration of the ESP. These proxy auction
15 prices were then used by Company Witness Emily Rabb to demonstrate how the auction
16 prices for the CBP will be assigned to tariff classes and then blended with DP&L's
17 current rates. These proxy auction prices are derived from the actual auction results
18 from recent First Energy (FE) and Duke Energy–Ohio (Duke) auctions, which were then
19 adjusted to reflect an equivalent proxy market-based auction price for a CBP in the
20 Dayton zone.

21 **Q. Please explain the methodology that you used in developing these proxy market-**
22 **based auction prices for the CBP.**

1 A. By way of background, the SSO auction supply contract commonly used in Ohio creates
 2 a complex fixed-price full requirements product which transfers certain risks to the
 3 winning auction supplier. These risks include variables such as forward market price
 4 volatility, day ahead and real time Locational Marginal Pricing (LMP) price volatility,
 5 unknown correlations between fuel and power prices, customer energy usage variations,
 6 customer switching risks, capacity cost recovery risk, and ancillary services price risk.
 7 When a supplier decides to participate in an SSO supply auction, it assigns a value to
 8 these various risks and prices those risks into its estimate of the overall cost to serve the
 9 SSO load. Each supplier prices risks differently, based upon institutional beliefs, risk
 10 appetite and modeling techniques. These opinions will impact the price the suppliers will
 11 be willing to bid in the SSO supply auction. Since pricing methodologies employed by
 12 suppliers vary, DP&L looked to the results of actual supply auctions taking place in the
 13 most recent Duke and FE auctions to derive a reasonable publically-available indication
 14 of the market's assessment as to the value of these risk factors within Ohio.

15 **Q. Did DP&L make adjustments to the Duke and FE auction results?**

16 A. Yes. Starting with the winning prices in each SSO auction, DP&L removed known
 17 fixed-cost components and the locational energy price differences between the products
 18 being solicited in each auction, which left a cost to serve SSO auctions in Ohio at a
 19 common point which could be used in projecting auction clearing prices in a DP&L CBP.
 20 Specifically, for Ohio, this common pricing point is the PJM AEP-Dayton Hub. PJM
 21 RPM capacity prices are currently known through May 2016 delivery. This RPM
 22 capacity value was removed from the auction clearing price. The remaining price was
 23 translated to the common PJM AEP-Dayton Hub by removing the locational energy price
 24 difference to the Duke and FE load zones. Using publicly available average PJM day-

1 ahead LMP price differences between the delivery load zone and AEP-Dayton Hub as a
2 proxy, the locational difference was removed, leaving a common cost to supply SSO
3 auctions in Ohio at AEP-Dayton Hub. This cost to supply SSO auctions is then divided
4 by the forward AEP-Dayton prices for a wholesale block over an equivalent time frame
5 and on the same day as the auctions. This calculation yielded a ratio between market
6 projections and actual auction results. This ratio was then applied to future AEP-Dayton
7 forward curves on August 30th 2012 to project proxy auction clearing prices.

8 **Q. What were the results?**

9 A. This methodology produced fairly consistent results, with an average SSO Auction to
10 AEP-Dayton Hub Scaling Factor (Scaling Factor), of 1.24 times the AD Hub wholesale
11 block supply (WP-13.2).

12 **Q. What does the average Scaling Factor represent?**

13 A. This average Scaling Factor represents a projection of the cost market participants would
14 impute for the cost above a flat block product to deliver supply under an SSO auction
15 contract, factoring in the risks I described earlier.

16 **Q. How did you apply the average Scaling Factor?**

17 A. Using this average Scaling Factor, DP&L used the AEP-Dayton forward price curve from
18 August 30th, 2012 for each of the auction periods and projected a cost to supply that the
19 market would currently place on DP&L's auctions at AEP-Dayton hub. By including
20 historical day-ahead LMP locational price differences to deliver to the Dayton load zone,
21 actual and proxy PJM RPM capacity prices, a final proxy DP&L CBP auction clearing
22 price was estimated.

23 **Q. Does this calculation appear in any Exhibits that you are sponsoring?**

1 A. Yes. A more detailed explanation is included in Exhibit TFM-2, and supported by
2 Workpapers WP 13.1-13.5.

3 **Q. Is that methodology reasonable?**

4 A. Yes, the methodology is reasonable because it represents an unbiased measure of the
5 market's view of the costs and risks of supplying SSO auction load in a CBP, based upon
6 publically available information. A competitive supplier bidding in the CBP individually
7 would make its own assessments of these costs and risks, choose one or more pricing
8 methodologies to account for them, and adjust the bids it submits in the CBP based on its
9 discretion. Any attempt to imply a particular set of assumptions and pricing methodology
10 would be too subjective and speculative. The methodology DP&L has employed for
11 purposes of projected proxy future auction clearing prices in the CBP for purposes of this
12 filing looks to the results of the recent Duke and FE auctions, which is the confluence of
13 all of the auction participants' assessments regarding pricing. Given that each auction has
14 had multiple winning bidders, the projections DP&L used represent unbiased supplier
15 views regarding the value of the various costs and risks of supplying SSO load, as
16 reflected by the market's collective view in assessing these costs and risk premiums based
17 on recent auction results.

18 **IV. CONCLUSION**

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

20 A. Yes, it does.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY
OF NATHAN C. PARKE

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

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
NATHAN C. PARKE
ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Nathan C. Parke. My business address is 1065 Woodman Drive Dayton, OH 45432.

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or "Company") as Manager, Regulatory Operations.

Q. How long have you been in your present position?

A. I assumed my present position in November, 2010. Prior to that time, I held various positions in the Regulatory Operations division, including Supervisor and Rate Analyst. Prior to Regulatory Operations, I spent over five years as an analyst in the Power Production division of DP&L. During that time, I was involved in O&M and Capital spending plans, generation forecasting including modeling for the Corporate Plan, power plant evaluations, and overall performance reporting of the generation fleet.

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

A. In my current position, I have overall responsibility for designing, tracking, and ensuring cost recovery for several of DP&L's rate riders. I am involved in evaluating regulatory and legislative initiatives, and regulatory commission orders that affect the Company's rates and overall regulatory operations. I report to the Director of Regulatory Operations.

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

1 A. I received a Bachelor of Arts degree in Business Administration with a concentration in
2 Management from Wilmington College in Wilmington, Ohio in 2002. I have been
3 employed by DP&L since 2002.

4 Q. Have you previously provided testimony before the Public Utilities Commission of
5 Ohio ("PUCO" or the "Commission"), any other state commission or the Federal
6 Energy Regulatory Commission ("FERC")?

7 A. Yes. I have sponsored testimony before the PUCO in the Company's Fuel Rider Case
8 No. 09-1012-EL-FAC.

9 **II. PURPOSE OF TESTIMONY**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to support and explain several Tariff modifications
12 including modifications to the methodology of setting the Alternative Energy Rider
13 ("AER"), adjustments to the reconciliation of the Fuel Rider, the removal of Rate B on
14 the Residential Heating Tariff, and the phase-out of the maximum charge provision. My
15 testimony explains the development of a new Competitive Bid True-up Rider and the rate
16 design for a new Service Stability Rider. I also support the Typical Bill Comparisons.

17 Q. What Schedules and Workpapers are you supporting?

18 A. I am supporting Schedule 2D, Schedule 7B, Schedule 7D, Tariff Sheet Nos. G26, G28, a
19 new G29, a new G30, and Schedule 10. I also support Workpaper 7B, Workpaper 7B.1,
20 Workpaper 7D.1, Workpaper 7D.2, Workpaper 8, and Appendix C.

III. RATES AND RIDERS

ALTERNATIVE ENERGY RIDER ("AER"):

Q. What modifications to its AER does the Company propose?

A. DP&L is proposing that, similar to all other true-up riders in this case, the AER will be reconciled and adjusted on a seasonal quarterly basis by filing one month in advance of the rate change. The rider will be subject to an annual audit by the PUCO or a third party as directed by the PUCO.

Q. Is the AER rate applied in the same manner as it is today?

A. Yes. The rider will be assessed to customers in the same manner it is today as an energy-based charge; the Company's outdoor lighting rates are listed as a per-lamp charge which is based on the same energy charge.

Q. Where is the Tariff located?

A. The Tariff can be found on Tariff Sheet No. G26.

Q. Are there any other changes to the AER?

A. Yes. DP&L is proposing that the AER contain a 3% cost cap provision that establishes a threshold to be consistent with Ohio Revised Code 4828.64(C)(3).

Q. How is the 3% AER threshold calculated?

A. The estimated CBP auction result is used as the means of otherwise acquiring the electricity. The expected auction result in \$/kWh is \$0.0427100; three percent of that figure is \$0.0012813.

1 Q. Is the Company projecting the 3% AER threshold being met in this filing?

2 A. No. The AER rate in this filing is \$0.0006405/kWh, which is well below the \$0.0012813
3 threshold.

4 **FUEL RIDER:**

5 Q. What modifications does the Company propose to its Fuel Rider?

6 A. The Company is proposing to change the reconciliation periods from three-month periods
7 on a six-month lag to reconciling the balance of the most current complete month. The
8 reconciliation of this rider will then be the same as other true-up riders in this filing.

9 Q. Why is this change necessary?

10 A. Currently the Fuel Rider is reconciled on a six-month lag, and has two true-up periods.
11 The summer and winter reconcile together and the spring and fall reconcile together. The
12 swings in recovery balances between periods cause rate fluctuations between periods.
13 The new method will stabilize the true-up portion of the Fuel Rider.

14 Q. Is this change reasonable?

15 A. Yes. This change allows the Company to reconcile the rider more quickly, and better
16 aligns the costs of fuel with the customers who caused the costs to be incurred.

17 Q. How does the Fuel Rider change as a result of the Competitive Bidding Process?

18 A. The rate will be calculated in a similar manner as it is today by calculating a retail rate
19 that is adjusted for losses. Because of the Competitive Bidding Process ("CBP"),
20 however, the rate will now be blended with the auction result. DP&L witness Dona
21 Seger-Lawson further explains the blending process.

1 **Q. Are there any other changes to the Fuel Rider?**

2 A. Yes. DP&L is proposing additional changes to the methodology used to calculate
3 DP&L's Fuel Rider during the ESP term; the changes are more fully described by DP&L
4 witness Teresa Marrinan. The changes are shown in Schedule 2D.

5 **COMPETITIVE BID TRUE-UP ("CBT") RIDER:**

6 **Q. Can you give a brief description of the Competitive Bid True-up Rider that the**
7 **Company is proposing?**

8 A. Yes. The Competitive Bid True-up ("CBT") Rider is a true-up mechanism intended to
9 recover the difference between amounts paid to suppliers for the delivery of SSO supply,
10 as a result of the CBP auction(s), and amounts billed to customers through the
11 Competitive Bidding ("CB") Rate. The CBT Rider will be assessed on a bills-rendered
12 basis beginning June 1, 2013, and will be reconciled on a seasonal quarterly basis. The
13 CBT Rider rate will be an energy-based charge that will be the same for all customer
14 classes. The Company is proposing that this Rider will be bypassable for shopping
15 customers.

16 **Q. Can you explain why there would be a difference in amounts paid to suppliers and**
17 **amounts billed to customers?**

18 A. Yes. Several factors such as switching, supplier default, or penalties, will cause a
19 difference in the amount of revenue collected from SSO customers and the amount paid
20 to suppliers. These factors will result in over- or under-recovery from the Competitive
21 Bidding rates. The CBT Rider will ensure that the Company recovers the exact cost of
22 acquiring the generation service supplied by winning bidders, and will also ensure that

1 customers do not pay more than the cost incurred by the Company to provide the CBP
2 portion of the SSO generation service.

3 **Q. How will the CBT Rider be reconciled?**

4 A. The CBT Rider will be reconciled on a seasonal quarterly basis. The rate will initially be
5 set at zero on January 1, 2013. The Company is proposing that the first true-up filing will
6 be made by May 1, 2013, effective June 1, 2013. On a typical seasonal quarterly true-up
7 schedule, filings will be made no later than February 1st, May 1st, August 1st, and
8 November 1st of each year, with effective dates of March 1st, June 1st, September 1st, and
9 December 1st. The Company is proposing the initial 5-month period with a filing by
10 May 1, 2013 because a typical February 1st filing does not allow enough time to reconcile
11 any data. After the May 1, 2013 filing, the filings will follow the typical seasonal
12 quarterly schedule.

13 **SERVICE STABILITY RIDER ("SSR"):**

14 **Q. Can you give a brief description of the Service Stability Rider?**

15 A. Yes. The SSR is a non-bypassable rider that is assessed on all DP&L customers. The
16 Residential, Schools, and Streetlighting tariff classes are assessed through a customer
17 charge, and energy charge. The Secondary, Primary, Primary-Substation, and High
18 Voltage tariff classes are assessed through a customer charge, energy charge, and demand
19 charge. The SSR justification is fully supported by Company witness William
20 Chambers.

21 **Q. How was the rate designed?**

1 A. The rate was designed in a manner that factored in rate-making principles of stable and
2 predictable revenues and rates, fair distribution among customer classes, and easily
3 understandable rates. Therefore, the rate was first designed by including the energy and
4 demand rates of a prior non-bypassable rate, the Rate Stabilization Charge. Then, a
5 customer charge was added to balance the overall impact across tariff classes. Finally,
6 the energy charge and demand charge were adjusted to achieve parity among tariff
7 classes and to ensure the appropriate revenue recovery.

8 **Q. How does this design achieve parity among rate classes?**

9 A. The rate was designed in a manner that maintained the historical demand and energy rate
10 design of nonbypassable charges, but made improvements to simplify the rates. For
11 instance, Primary, Primary Substation, and High Voltage customers have the same
12 demand and energy rates. The customer charge, modeled after the current customer
13 charge, was included to balance the rate increases to customers and to provide a
14 predictable revenue recovery for the Company.

15 **Q. How does the design satisfy basic rate-making principles?**

16 A. The rate was designed in a manner that factored in the impact to all customer classes
17 while ensuring the Company will recover the appropriate level of revenue.

18 **RESIDENTIAL HEATING TARIFF:**

19 **Q. What changes are being proposed regarding the Residential Heating Tariff?**

20 A. DP&L is proposing to remove Rate B contained in the Tariff. Rate B is a legacy demand
21 rate for residential customers. There are, and have been for decades, only two customers
22 served under this provision.

Q. Why is DP&L proposing this change?

A. DP&L is proposing to remove Rate B because it is manually billed and creates excessive manual adjustments to reconcilable riders. DP&L is attempting to simplify its processes and streamline its true-up riders.

Q. What is the impact on the two customers?

A. On average, DP&L expects that the customers would see a rate decrease; however the amounts vary month by month.

MAXIMUM CHARGE PROVISION:

Q. Can you explain what the Company is proposing in regard to the maximum charge provision?

A. Yes. DP&L is proposing to phase out the maximum charge provision contained in its Secondary and Primary Tariffs. The maximum charge provision works to limit the average rate (\$/kWh) charged to customers that have very poor load factors. To phase out the maximum charge provision slowly over time, the Company will increase the maximum charge amount by 10% every quarter until 100% of the SSO is being supplied through the CBP.

Q. How does the maximum charge impact distribution rates?

A. The Distribution portion of the maximum charge is dependent on the generation tariff provision. Even though the generation rate would be phased out through the blending plan and replaced with the CBP result, the distribution portion would not be. Under the current maximum charge provision, some customers do not pay their fair share of distribution costs. The proposed change will correct this disparity.

1 Q. What is the impact to customers of the proposed change?

2 A. The impact of the maximum charge provision varies based on the customers' billing
3 determinants; however, the phase-out plan is designed to minimize the impact on
4 customers' bills. Customers will benefit from easier to understand bills and can make
5 better decisions regarding electric choice and electric usage decisions.

6 Q. Are there any other changes to the rates and riders?

7 A. Yes. DP&L is proposing that, similar to other true-up riders in this case, the under- or
8 over-collection balance at the end of the blending period will be removed from the Fuel
9 Rider and added into the Reconciliation Rider. In addition, any reconciliation balances
10 greater the 10% of the forecasted rate of the Fuel Rider, AER, or CBT will be added to
11 the Reconciliation Rider. The reasonableness of these changes to the under- or over-
12 collection balance is more fully explained by DP&L witness Emily Rabb. DP&L is
13 proposing that carrying charges at the cost of long-term debt, as calculated on WP-12.2,
14 will be included in the AER, Fuel Rider, and CBT Rider.

15 Q. Is it reasonable to including carrying charges?

16 A. Yes. Carrying charges will be assessed both in cases of under-recovery, which will
17 protect the Company, and will also be assessed in cases of over-recovery so that the same
18 carrying charges would be included and credited back to the customers in those instances.

19 **IV. TYPICAL BILL COMPARISONS**

20 Q. Can you give a brief description of the Typical Bill Comparisons?

A. Yes. The Typical Bills found in Schedule 10 illustrate the typical bill impacts by tariff class at various usage levels for all of the respective CBP periods 1 through 5 (2013 through May 2017).

Q. What conclusions can you draw from this information?

A. During the first year of the ESP, a typical Standard Service Offer Residential customer using 1,000 kWh or more a month will experience a slight decrease as a result of this filing. Most non-residential customers will see an approximate 2% to 6% decrease.

Q. What is the source of the information shown on Schedule 10?

A. The information on Schedule 10 is sourced from the following Schedules:

- Schedule 1 – Current Rates
- Schedule 4 – Adjusted Rates at SSO Blend Percent
- Schedule 5 – Competitive Bid Rate Results
- Schedule 7A – Reconciliation Rider
- Schedule 7C – Transmission Cost Recovery Rider Non-bypassable
- Schedule 7D – Service Stability Rider
- DP&L Tariffs as of October 1, 2012

Q. Can you describe the process that you used to calculate the figures shown in column (E) of Schedule 10?

A. Yes. This figure was derived by multiplying the billing determinants in column (C) by the respective rates in Schedule 7A, Reconciliation Rider.

Q. Can you describe the process that you used to calculate the figures shown in column (F) of Schedule 10?

1 A. Yes. First, I calculated the TCRR bypassable and TCRR non-bypassable totals by
 2 multiplying the billing determinants in column (B) and (C) by the respective rates in
 3 Schedules 4 and 7C. Second, I summed the TCRR bypassable and TCRR non-
 4 bypassable amounts and subtracted that sum from the current TCRR bill amount in
 5 Schedule 1, given the billing determinants in columns (B) and (C). The resulting figure
 6 is the proposed Transmission bill impact.

7 **Q. Can you describe the methodology that you used to arrive at the figures shown in**
 8 **column (G) of Schedule 10?**

9 A. Yes. The figures illustrated in column (G) are the difference between the proposed
 10 generation rates multiplied by the billing determinants in columns (B) and (C), and
 11 current generation rates as of October 1, 2012, multiplied by the billing determinants in
 12 columns (B) and (C).

13 **Q. Can you identify which components are included in the proposed generation rates**
 14 **that are part of the calculation in column (G) of Schedule 10?**

15 A. Yes. The proposed generation components and supporting schedules are as follows:

- 16 • Base Generation – Schedule 4
- 17 • PJM RPM Rider – Schedule 4
- 18 • Fuel Rider – Schedule 4
- 19 • Competitive Bidding Rate – Schedule 5

20 **Q. Can you identify which components are included in the current generation rates**
 21 **that are part of the calculation in column (G) of Schedule 10?**

22 A. Yes. The current generation components and supporting schedules are as follows:

- Base Generation – Schedule 1
- PJM RPM Rider – Schedule 1
- Fuel Rider – Schedule 1

Q. Can you identify the process that you used to arrive at the figures shown in column (H)?

A. Yes. Column (H) illustrates the proposed impact as a result of implementing the Service Stability Rider. First, I calculated the Service Stability Rider total by multiplying the billing determinants in Columns (B) and (C) by the rates in Schedule 7D. I then subtracted this total by the total derived from multiplying the billing determinants in Columns (B) and (C) by the Rate Stabilization Rates in Schedule 1.

Q. Can you describe the results in columns (I) and (J) of Schedule 10?

A. Yes. Column (I) shows the total dollar impact per month on a bill that results from the proposed rates in this filing. Column (J) illustrates the total percentage impact on a bill as a result of the proposed rates for the respective CBP period.

V. SCHEDULES AND WORKPAPERS

Q. What is shown on Schedule 2D?

A. Schedule 2D shows the proposed adjustment to the current Fuel Rider.

Q. What is the purpose of Schedule 7B?

A. Schedule 7B is an illustrative example of how the CBT Rider is developed.

Q. Can you describe the process that you used to calculate the figures shown on Schedule 7B?

1 A. Yes. CBP costs (Column C) are subtracted from CB Rate revenue (Column D), which is
2 added to CBT Rider revenue (Column E), to get an initial over- or under-recovery
3 (Column F). Carrying costs are calculated based on the initial over- or under-recovery
4 (see WP-7B). The sum of the initial over- or under-recovery and the carrying costs (Line
5 15) is multiplied by a gross revenue conversion factor (Line 16) to produce the CBT
6 Rider balance (Line 17). The CBT Rider balance is divided by forecasted metered kWh
7 sales (Line 18) to generate the Forecasted CBT Rider rate (Line 19).

8 **Q. Is this the CBT rate the Company is proposing to implement on January 1, 2013?**

9 A. No. DP&L plans to make a filing by December 1, 2012 to propose Tariffs to be effective
10 January 1, 2013. The CBT Rider will be set at zero until the first reconciliation occurs
11 and is implemented effective June 1, 2013.

12 **Q. What is shown on Workpaper 7B?**

13 A. Workpaper 7B "Competitive Bid True-up Rider – Calculation of Carrying Costs" shows
14 the development of carrying costs that are included in the CBT Rider balance.

15 **Q. Can you describe the process that you used to calculate the figures shown on**
16 **Workpaper 7B and Workpaper 7B.1?**

17 A. Yes. CBP costs (Column D) are subtracted from CB Rate revenue (Column E), which is
18 added to CBT Rider revenue (Column F), to get an initial over- or under-recovery, or
19 "Net Amount" (Column G). Column H, or "End of Month before Carrying Cost" is
20 calculated by adding the "Net Amount" to the "First of Month Balance" (Column C).
21 Column K, or "Less: One-half Monthly Amount," is simply one-half of the current month
22 "Net Amount." Column H and Column K are added to create the "Total Applicable to

Carrying Cost" (Column L). Finally, the "Total Applicable to Carrying Cost" is multiplied by the result of 5.034% divided by 12 to generate the monthly carrying charges. Workpaper 7B.1 shows the calculation of the Private Outdoor Lighting rates.

Q. What is shown on Workpaper 7D.1 and Workpaper 7D.2?

A. These workpapers show the rates and revenue associated with the Service Stability Rider.

Q. Can you describe the process that you used to calculate the figures shown on Workpaper 7D.1 and Workpaper 7D.2?

A. Yes. The goal was to design a rate that recovered the appropriate level of revenue while maintain standard rate-design principles. The customer charge was developed by using an allocation method that already exists. The energy and demand charges were based on a previous non-bypassable charge in an effort to minimize any fluctuations between classes.

Q. What is shown on Schedule 10?

A. Schedule 10 illustrates the typical bill impacts by tariff class at various usage levels for all of the respective CBP periods, 1 through 5.

Q. What is the source for the billing determinants on the Typical Bill Comparisons?

A. The billing determinants were derived by DP&L pursuant to OAC §4901-1-07, Standard Filing Requirements. The billing determinants were selected to represent a range of typical customer consumption patterns. DP&L utilizes typical bill comparisons to assess typical customer impacts when the Company files for changes in cost recovery.

Q. What is shown on Workpaper 8?

1 A. Workpaper 8 shows the 2013 forecasted billing determinants by Tariff class. This
2 Workpaper was developed by using Workpaper 8A and 8B which is the Revenue Class
3 forecast that is supported by Company witness Aldyn Hoekstra.

4 **Q. How is this Workpaper used?**

5 A. This Workpaper is used in Schedule 1B, Schedule 8, Schedule 5, Appendix D, and
6 Workpaper 8.1, and for the development of the Reconciliation Rider found in Schedule
7 7A.

8 **Q. What is the basis for the allocation factors?**

9 A. The allocator percentages were developed by using historical data. Each customer is
10 categorized in both a Revenue Class and a Tariff Class. Customer usage data, for each
11 category, is divided by the total to develop a percentage that is then applied to the
12 forecast.

13 **Q. Is this method reasonable and does it produce accurate results?**

14 A. Yes, this approach is reasonable and accurate.

15 **Q. Can you explain Appendix C?**

16 A. Yes. Appendix C is a depiction of the true-up process for several true-up riders. It shows
17 that the Company will true-up through the most recent month of available accounting
18 data, file one month prior to the effective date, and have a forecasted rate set every
19 seasonal quarter.

20 **VI. TARIFFS**

21 **Q. What is contained on Tariff Sheet No. G26?**

1 A. Tariff Sheet No. G26 contains DP&L's updated Alternative Energy Rider. This rider is
2 bypassable, and not blended with the CBP rates.

3 Q. What is contained on Tariff Sheet No. G28?

4 A. Tariff Sheet No. G28 contains DP&L's Fuel Rider which will continue to be adjusted on
5 a seasonal quarterly basis.

6 Q. What is contained on Tariff Sheet No. G29?

7 A. Tariff Sheet No. G29 contains DP&L's new Service Stability Rider.

8 Q. What is contained on Tariff Sheet No. G30?

9 A. Tariff Sheet No. G30 contains DP&L's proposed Competitive Bid True-up Rider which
10 is a new rider established to true-up the Competitive Bidding rates charged on Tariff
11 Sheet No. G19. This rider will be adjusted on a seasonal quarterly basis.

12 ***VII. CONCLUSION***

13 Q. Does this conclude your direct testimony?

14 A. Yes, it does.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY
OF EMILY W. RABB

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

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY OF
EMILY W. RABB

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Emily W. Rabb. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or "Company") as Supervisor of Regulatory Operations.

Q. How long have you been in your present position?

A. I assumed my present position on December 13, 2010. Prior to this position, I was an Accountant II in the Accounting Policy and External Reporting department for DP&L, beginning in May 2008. From December 2009 to December 2010, I was responsible for Regulatory accounting for DP&L.

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

A. Yes. I received a Bachelor of Science degree in Business Administration with a major in Accounting from the Ohio State University in 2004, and am a Certified Public Accountant. From 2005 to 2008, I was employed as a Senior Accountant for Deloitte & Touche.

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

A. In my current position, I am responsible for various assignments relating to the development of retail electric rates, evaluating regulatory and legislative initiatives and regulatory

1 commission orders that impact the Company's rates and overall regulatory operations. I
2 report to the Director of Regulatory Operations.

3 **Q. Have you previously provided testimony before the Public Utilities Commission of**
4 **Ohio ("PUCO" or the "Commission"), any other state commission or the Federal**
5 **Energy Regulatory Commission ("FERC")?**

6 A. Yes. I sponsored written testimony before the PUCO in the Company's Energy Efficiency
7 Program Portfolio Plan in Case No. 09-1986-EL-POR.

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to explain and support schedules, workpapers and the
10 resulting tariff sheets relating to: (1) the revenue requirement calculation and rate design for
11 the Competitive Bidding (CB) Rates; (2) the revenue requirement calculation and rate
12 design for the Reconciliation Rider (RR); and (3) the gross revenue conversion factor.

13 **Q. What Schedules and Workpapers are you supporting that support the CB rates?**

14 A. I am supporting Schedule 5, Schedule 5A, Schedule 5B, Workpaper-5, Workpaper-5.1,
15 Appendix B, Appendix B.1, Appendix B.2, Appendix B.3 and Tariff Sheet No. G19
16 Competitive Bidding Rate.

17 **Q. What Schedules and Workpapers are you supporting that support the Reconciliation**
18 **Rider?**

19 A. I am supporting Schedule 7A, Workpaper-7A, Workpaper-7A.1, Workpaper-7A.2 and Tariff
20 Sheet No. D29 Reconciliation Rider.

1 Q. Are you supporting any Workpapers relating to the gross revenue conversion factor?

2 A. Yes. I am supporting Workpaper-11.

3 **II. COMPETITIVE BIDDING (CB) RATES**

4 Q. Can you give a brief description of the CB rate that the Company is proposing in this
5 proceeding?

6 A. Yes. The CB rate is designed to recover supply costs associated with the Competitive
7 Bidding Process (CBP). The CB rate will be blended with the adjusted generation service
8 price to come up with the Blended Standard Service Offer (SSO) rate. As Company
9 Witness Dona Seger-Lawson discusses further in her testimony, in period one, January 2013
10 - May 2014, the blend shall be 90% of the current adjusted generation service offer price and
11 10% of the CB price.

12 Q. How will the results of the auction be translated into retail rates?

13 A. The results of the auction will be stated on a \$/MWh basis and will include unbundled
14 energy, capacity, market-based transmission and ancillary services from PJM, transmission
15 and distribution losses to the delivery point, congestion and imbalance costs. The Company
16 will assign the costs associated with the CBP to tariff classes using a blend of two
17 methodologies.

18 Q. Can you describe the first methodology?

19 A. Yes. As illustrated on Schedule 5A, the first methodology assigns the CBP results to tariff
20 classes and to demand and energy components based on today's base generation rate
21 structure. DP&L's current base generation rate structure, at the blend percent for that

period, is applied to forecasted SSO load by tariff class. This methodology maintains the demand, energy and blocking (e.g., 0-750 kWh, over 750 kWh) relationships within tariff classes that exists today. The resulting revenue is compared to the expected CBP costs (blend percent times auction results times forecasted SSO kWh, adjusted for distribution losses, CAT and bad debt). A ratio is calculated on the difference between the CBP costs and the expected revenues based on DP&L's current base generation revenue. This ratio is then applied to DP&L's base generation rates to develop new CB rates to recover the CBP cost.

Q. Can you describe the second methodology?

A. Yes. As illustrated in Appendix B, DP&L also used a method which reflects the proxy Reliability Pricing Model (RPM) price that is in place during the period within the CB results. DP&L calculated the capacity component by tariff class using the following formula:

DP&L's capacity component by tariff class = RPM final zonal capacity price times the reliability obligation per tariff class times days in the period adjusted for the demand distribution loss factor.

The capacity component is then subtracted from the total CB amount to compute the energy component. The calculated demand and energy components are then multiplied against the revenue proportions based on the same relationships that exist in DP&L's current rate structure to compute the CB amount by demand and energy and by block.

Q. Under the second methodology, did you make any adjustments for Street Lighting and Private Outdoor Lighting?

1 A. Yes. Under DP&L's current rate structure, Street Lighting and Private Outdoor Lighting are
2 not charged for RPM because the majority of their usage is off-peak. This second
3 methodology charges the weighted average auction price, which includes a capacity
4 component, to all tariff classes. Therefore, an adjustment is needed to back out the capacity
5 component from the Street Lighting and Private Outdoor Lighting Total CB Amount.

6 **Q. How is the reduction for Street Lighting and Private Outdoor Lighting allocated to**
7 **other tariff classes?**

8 A. As shown on Appendix B, Street Lighting and Private Outdoor Lighting's reduction is
9 allocated to all other tariff classes based on that tariff class's portion of the total calculated
10 capacity component.

11 **Q. Why is this adjustment reasonable?**

12 A. This adjustment is reasonable for three reasons: (1) Street Lighting and Private Outdoor
13 Lighting should have reduced the amount of capacity that suppliers of the CB had to procure
14 for the entire load. Subsequently, all other tariff classes should have received a benefit
15 through a reduced CB price because of Street Lighting and Private Outdoor Lighting. This
16 adjustment properly assigns those capacity costs to only the tariff classes that caused the
17 capacity costs to be incurred. Therefore, this adjustment is consistent with the rate-making
18 principle to charge the cost to those that caused it to be incurred; (2) DP&L has a history of
19 providing a discount to customers whose usage is primarily off-peak. This history is
20 demonstrated by the absence of a RPM charge to Street Lighting and Private Outdoor
21 Lighting customers, as well as through the calculation of Billed Demand as outlined in
22 DP&L's distribution tariffs for Secondary, Primary, Primary Substation, and High Voltage

customers; and (3) It provides rate consistency and stability for the Street Lighting and Private Outdoor Lighting tariff classes.

Q. How are these two methodologies blended into a single CB rate?

A. For the first period, 90% of the rate resulting from the current base generation rate structure will be blended with 10% of the rate resulting from the RPM methodology. This blend will be consistent with the ESP/CBP blend percentages until June 2016 when the CB rate will reflect 100% of the RPM methodology. This sequence will allow the CB rate to gradually reflect actual market based pricing. The resulting CB rate will be applied to all SSO load by tariff class, based on energy and/or demand (depending on tariff class¹).

Q. Why did DP&L choose to calculate the CB rate using a blend of current base generation rates and the RPM methodology discussed above?

A. DP&L believes that the use of the current base generation rates provides rate stability and the RPM methodology represents an accurate reflection of market based pricing. DP&L believes the RPM methodology is the most accurate rate structure to provide correct price signals to customers for generation demand and energy as DP&L shifts to a market based pricing structure through the CB auctions. Therefore, a blending of these two methodologies over the same time period that DP&L's generation rates are shifting to 100% CB is a fair and balanced approach for the design of CB rates.

Q. What is the source of the auction price used each year in Schedule 5B?

¹ Tariff Classes that currently have demand based components will continue to have demand based components. Tariff classes that do not currently have demand based components will continue to have all energy based rates.

1 A. For illustration purposes only, the Company's Commercial Structuring department used
2 recent SSO auction results from First Energy and Duke Energy Ohio to develop a market-
3 based auction price for the Dayton zone. These results are shown on Exhibit TFM-2 which I
4 used in Schedule 5B to calculate the CBP expense owed to suppliers. Support for the
5 development of the auction results is contained in Company Witness Teresa Marrinan's
6 testimony.

7 **Q. How will the CB rate be calculated in years where the CB schedule contains multiple**
8 **bid products?**

9 A. For years when DP&L proposes a CB schedule that contains multiple bid products in a
10 given period, the CB rate will be established by taking the weighted average of each
11 auction(s) bid results for that period.

12 **Q. How often will the CB rate be reset and how long will the CB rate be in effect?**

13 A. The CB rate will be set quarterly and will continue to increase in proportion with the load
14 served by the CBP in each period. Beginning in June 2016, the CB rate will be the total
15 SSO generation tariff rate.

16 **Q. Where can the CB rate by tariff class be found in this filing?**

17 A. The CB rate by tariff class is contained in Tariff Sheet No. G19 Competitive Bidding Rate.
18 These rates are summarized on Schedule 5 with supporting calculations on Schedule 5A,
19 Schedule 5B, Appendix B, Appendix B.1, Appendix B.2 and Appendix B.3. These
20 calculations and the resulting rates are for illustrative purposes only and will be re-calculated
1 based on the actual results of DP&L's first CB auction.

III. RECONCILIATION RIDER (RR)

Q. What is the RR designed to recover?

A. The RR is designed to recover three types of costs:

(1) The RR will include the costs associated with administering and implementing the CBP.

(2) The RR will also include costs the Company incurs for implementing certain competitive retail enhancements. These enhancements are explained in more detail by Company Witness Dona Seger-Lawson.

(3) The RR will include any deferred balance that exceeds 10% of the base recovery rate associated with any of the following true-up riders: the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider. If the reconciliation portion of any of the above true-up riders exceeds 10% of the base recovery rate for that rider, the portion that exceeds 10% will be included in the next seasonal quarterly true-up of the RR. Further, when the FUEL Rider, the RPM Rider and TCRR-B are eliminated as a result of 100% CBP as of June 1, 2016, any remaining deferral balance or credit will be included in the RR at that time.

Q. What is included in CBP expenses?

A. The CBP expenses include costs for administering the CBP auction, CBP consultant fees, supplier default costs, PUCO consultant costs (if any), and audit costs (if any). To the extent the Company incurs costs associated with administering and implementing the CBP that

1 may not fit the above descriptions; the Company may apply for recovery through the RR
2 quarterly true-up filing.

3 **Q. Why is it appropriate to include CBP expenses in the RR?**

4 A. Pursuant to ORC §4928.142(C)(3), a Company has the right to recover all costs incurred as
5 a result of or related to the CBP. Although this statute specifically applies to the MRO,
6 since DP&L is seeking to establish a CBP through an ESP case, which has been authorized
7 by the Commission before, the underlying policy in the MRO statute which supports
8 recovery of CBP-related costs also supports the reasonableness of including CBP expenses
9 in the RR here.

10 **Q. Over what time frame are you planning to recover CBP expenses?**

11 A. CBP expenses will be deferred until the costs are fully recovered. DP&L has proposed that
12 the RR will recover CBP expenses annually.

13 **Q. What will be included in the RR for competitive retail enhancements?**

14 A. Once a given project is used and useful, the Company will place that project in service and
15 will file those costs in the next quarterly RR filing. The revenue requirement for these costs
16 will start with the rate base and apply the cost of debt and cost of equity components to the
17 rate base. DP&L will use the Company's most recently supported cost of capital as filed in
18 Case No. 08-1094-EL-SSO. Depreciation expense, operational and maintenance expenses
19 (if any), and taxes other than income taxes (if any) will then be added to develop the revenue
20 requirement exclusive of income taxes. Next the gross revenue conversion factor will be

1 applied to derive the annual revenue requirement. Complete schedules and workpapers will
2 be filed at the PUCO so all interested parties will have an opportunity to review.

3 **Q. Why is it appropriate to include costs for competitive retail enhancements in the RR?**

4 A. The costs should be charged on a non-bypassable basis as these competitive retail
5 enhancements support CRES Providers who are targeting customers throughout DP&L's
6 service territory, whether they have switched from the SSO rate or not.

7 **Q. Over what time frame are you planning to recover system costs for competitive retail
8 enhancements?**

9 A. Costs will be recovered over the life of the asset placed in service in accordance with
10 accounting standards.

11 **Q. Why is it appropriate to include the FUEL Rider, the RPM Rider and TCRR-B
12 deferral balances over 10% prior to June 1, 2016 and any remaining deferral balance
13 after June 1, 2016 in the RR?**

14 A. Since the FUEL Rider, the RPM Rider and TCRR-B were designed to be bypassable, in
15 theory more customer shopping occurs as the costs for these items increase. Therefore the
16 utility is left with costs associated with providing service to customers who are no longer
17 taking SSO from the utility. Customers that remain on SSO should not be required to bear
18 the brunt of costs associated with those that have switched to a CRES Provider, nor should
19 the utility. Converting the deferral balances that exceed 10% for the FUEL Rider, the RPM
20 Rider and TCRR-B to non-bypassable stabilizes the rate and provides benefits to both SSO
1 customers and switched customers that may elect to return to SSO service in the future.

Q. Why is it appropriate to include the AER and the CBT Rider deferral balances over 10% of the CB Rate in the RR?

A. Similar to the FUEL Rider, the RPM Rider and TCRR-B, if the balance of the AER or the CBT Rider becomes excessive, it will lead to a higher rate, which could incentivize more customer switching. More switching would result in fewer SSO customers to pay the balance, which would lead to an even higher rate. Such a higher rate ultimately would lead to additional customer switching. Converting the AER and the CBT Rider deferral balance that exceeds 10% of the base rate to a non-bypassable charge stabilizes the rate and provides benefits to both SSO customers and switched customers that may elect to return to SSO service in the future.

Q. How will the 10% threshold be calculated?

A. There are two main components of every true-up rider; the base recovery costs and the reconciliation portion. Each true-up rider will continue to calculate the base recovery costs and reconciliation portion of the rate as it does today. The base recovery rate for each rider, excluding the deferral, will then be multiplied by 10%. If the rate calculated to recover the deferral or the unrecovered balance from the previous quarter is higher than 10% of the base recovery rate, the equivalent dollar amount associated with the deferral that equates to the difference over 10% will be moved to the RR. The deferral portion which equals 10% will continue to be included in the overall rate for that rider.

Q. Why is 10% a reasonable threshold to move deferral balances to the RR?

A. DP&L believes 10% is a reasonable threshold because it strikes a balance between recovering costs from SSO customers and maintaining rate stability for all customers.

Q. Over what time frame are you planning to recover the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider deferral balances over 10%?

A. The rate will be set to recover deferral balances exceeding 10% over the following quarter once the costs are known as represented in Appendix C. Because the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider are all also trued-up quarterly, there shouldn't be large variances in the deferral balances.

Q. Will RR include carrying charges?

A. Yes, any over- or under-recovery will accrue carrying charges equal to DP&L's June 30, 2012 embedded cost of long-term debt as shown on Workpaper 12.2.

Q. When will the RR be trued-up?

A. The RR will be trued-up on a seasonal quarter basis to account for any over- or under-collection of CBP related costs, competitive retail system costs and the previously discussed deferral balances over 10%.

Q. Will RR be a bypassable or non-bypassable charge?

A. The RR is designed to be a non-bypassable charge. The costs of implementing and administering the CBP should be shared by all customers because customers are free to switch to alternative suppliers and return to SSO at anytime. This non-bypassable charge is necessary to eliminate the potential for having the remaining SSO customers pay for the entire auction and its related costs. In addition, it is appropriate for the over- or under-recovery balances of the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider to

1 be charged to all customers because these costs have been incurred by both shopping and
2 non-shopping customers.

3
4 In a competitive environment, where customers are free to switch to alternative suppliers,
5 there is the risk that costs will be incurred during a period when there was little to no
6 switching, but which must be recovered in another period during significant switching. To
7 the extent that such switching occurs, all customers that have switched since the inception of
8 these riders will have avoided costs that were incurred because DP&L supplied SSO service
9 to them, yet recovery of these costs, and the increased carrying charges, would be borne by
10 the remaining SSO customers. DP&L has experienced significant switching levels over the
11 last 24 months and there is no way to determine which shopping or non-shopping customers
12 caused these costs to be incurred. Once again, a non-bypassable charge is necessary to
13 avoid the potential for having the remaining SSO customers pay for all of the costs that were
14 incurred to provide service to the customers who have already switched.

15 **Q. Where can the RR rate by tariff class be found in this filing?**

16 A. The RR rate by tariff class is contained in Tariff Sheet No. D29 Reconciliation Rider. These
17 rates are calculated on Schedule 7A. The proposed RR rates are for illustrative purposes
18 only. DP&L plans to finalize and file updated RR Schedules and Workpapers by
19 December 1, 2012.

20 **IV. GROSS REVENUE CONVERSION FACTOR**

21 **Q. Can you explain the purpose of a gross revenue conversion factor?**

A. Yes. DP&L has uncollectible expense and pays Commercial Activities Tax (CAT) on gross receipts. The purpose of the gross revenue conversion factor is to determine how much total revenue DP&L must receive to compensate DP&L for its total revenue requirement after accounting for uncollectible expense and CAT.

Q. How is the gross revenue conversion factor calculated?

A. As shown on WP-11, the gross revenue conversion factor is calculated as 100% less the percent of 2011 uncollectible expense and the percent of the current statutory rate for CAT tax. The resulting percent divided into 100% results in the gross revenue conversion factor.

Q. Where and how is the gross revenue conversion factor used in this filing?

A. The gross revenue conversion factor is used to calculate the CB Rate on Schedule 5B and Appendix B, the RR revenue requirement on Schedule 7A, the CBT Rider revenue requirement on Schedule 7B.

V. SCHEDULES AND WORKPAPERS

Q. What is the purpose of Schedule 5, Schedule 5A and Schedule 5B?

A. Schedule 5 shows the CB rate by tariff class and by block. Schedule 5A calculates the CB rate and CB revenue based on the historical base generation rates, the CB rate and CB revenue based on RPM pricing and also calculates the blended CB rate and CB revenue for each period. Schedule 5B converts the auction price to the CBP expense amount to be collected through the CB rate as well as calculates the CBP factors applied to the historical and RPM rates calculated on Schedule 5A.

Q. How is the CBP expense calculated on Schedule 5B?

1 A. The expected CB auction result is adjusted for the blend percent, distribution losses to the
2 meter point, commercial activities tax (CAT) and uncollectible expense. DP&L will adjust
3 the CB price for distribution losses by multiplying it by the average SSO Loss Factor as
4 calculated on Workpaper-5.1. The Loss Factors by tariff class are determined from the
5 Company's most recent Loss Study. DP&L will also adjust the CB price for CAT and
6 uncollectible expenses by multiplying it by the gross revenue conversion factor as calculated
7 on Workpaper-11.

8 **Q. What is the purpose of Workpaper-5?**

9 A. Workpaper-5 shows the kWh per Private Outdoor Lighting fixture in order to translate the
10 kWh rate on Schedule 5A into a per lamp per month rate as shown on Schedule 5 and Tariff
11 Sheet No. G19 Competitive Bidding Rate.

12 **Q. What is the purpose of Schedule 7A?**

13 A. Schedule 7A summarizes the revenue requirement and rate design for the RR. The revenue
14 requirement is an estimate of the deferred costs to be recovered plus carrying costs. The
15 revenue requirement is then divided by forecasted distribution sales to derive a rate per kWh
16 for the RR. For illustration purposes, this rate is shown annually. However, as previously
17 discussed, this rate will be calculated and trued-up on a seasonal quarterly basis.

18 **Q. What is the purpose of Workpaper 7A and Workpaper 7A.1?**

19 A. Workpaper 7A summarizes the CBP expense items. The amounts represent the Company's
20 best estimate of what those costs will be as of December 31, 2012. Workpaper 7A.1

calculates the estimated carrying costs equal to the cost of debt applied to the end of the period balances.

Q. What is the purpose of Workpaper 7A.2?

A. Workpaper 7A.2 translates the Private Outdoor Lighting kWh rate on Schedule 7A into a per lamp per month rate as shown on Tariff Sheet No. D29 Reconciliation Rider.

Q. What is the purpose of Appendix B?

A. Appendix B calculates demand and energy components based on the proxy RPM capacity price that is in place during each period, obtained from Exhibit TFM-2. The auction prices used each year are the same auction prices and assumptions used in Schedule 5B. Appendix B also calculates the Street Lighting and Private Outdoor Lighting capacity adjustment discussed above.

Q. What is the purpose of Appendix B.1?

A. Appendix B.1 converts the demand and energy components calculated in Appendix B into \$/kWh or \$/kW by tariff class and by block (e.g., 0-750 kWh, over 750 kWh). The calculated demand and energy components from Appendix B.1 are multiplied against the revenue proportions based on the same relationships that exist in DP&L's current rate structure to compute the CB amount by demand and energy and by block. This revenue is then divided by projected distribution billing determinants from Workpaper-8 to compute \$/kWh or \$/kW rates by tariff class and by block.

Q. What is the source of the Percent of Revenue shown on Appendix B.1?

1 A. The demand and energy retail revenue shown on Appendix B.1 comes from Appendix B.3
2 and is based on the retail revenue that would result from DP&L's generation rates as if all
3 customers were taking generation service under SSO tariffs. The assumed SSO rates used in
4 this filing are summarized on columns (E) – (G) of Schedule 1 and Column (C) of
5 Schedule 3.

6 **Q. How was the reliability obligation by tariff on Appendix B.2 determined?**

7 A. The reliability obligation by tariff class for all distribution customers was determined by
8 taking DP&L's zonal load multiplied by each tariff class's contribution to PJM's 2011 five
9 Coincident Peaks.

10 **VI. CONCLUSION**

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

12 A. Yes, it does.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

**ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY
OF DONA R. SEGER-LAWSON**

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

**ELECTRIC SECURITY PLAN (ESP)
TESTIMONY OF
DONA R. SEGER-LAWSON**

**ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY**

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1 **I. INTRODUCTION**

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

3 A. My name is Dona R. Seger-Lawson. My business address is 1065 Woodman Drive,
4 Dayton, Ohio 45432.

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

6 A. I am employed by The Dayton Power and Light Company ("DP&L" or "Dayton" or
7 the "Company") as Director, Regulatory Operations.

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

9 A. I received a Bachelor of Science degree in Business Administration with majors in
10 Finance and Management from Wright State University in Dayton, Ohio in 1992. I
11 earned a Masters in Business Administration with a Finance Administration
12 concentration also from Wright State University in August of 1997. I have been
13 employed by DP&L in the Regulatory Operations division since 1992.

14 **Q. How long have you been Director of Regulatory Operations?**

15 A. I assumed my present position on August 25, 2002. Prior to that time, I held various
16 positions in the Rates/Pricing Services/Regulatory Operations division, my most
17 recent prior position being that of Manager, Regulatory Operations, beginning in
18 February 2001.

19 **Q. What are your responsibilities in your current position?**

1 A. I have overall responsibility for all base rate development, for both retail and
2 wholesale electric rates. I am responsible for evaluating regulatory and legislative
3 initiatives, and commission orders that impact the Company's retail and wholesale
4 rates and overall regulatory operations.

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

7 A. Yes. I have sponsored testimony in Case No. 99-220-GA-GCR; Case No. 00-220-
8 GA-GCR; DP&L's Electric Transition Plan Case, No. 99-1687-EL-ETP; DP&L's
9 Extension of the Market Development Period Case, No. 02-2779-EL-ATA; in
10 Opposition to the Complaints in Case Nos. 03-2405-EL-CSS, and 04-85-EL-CSS; in
11 the Company's Rate Stabilization Period Case, No. 05-276-EL-AIR, and in the
12 Company's Electric Security Plan filing Case, No. 08-1094-EL-SSO.

13 **II. PURPOSE OF TESTIMONY**

14 **Q. What are the purposes of your testimony in this proceeding?**

15 A. The purposes of my testimony are to support the Company's current rates, the Rate
16 Blending Plan, the Request for Waivers, the placeholder for the Alternative Energy
17 Rider-Nonbypassable (AER-N), the competitive retail enhancements and any impacts
18 of the Company's plan on government aggregation efforts. I am sponsoring Schedules
19 1, 1A, and 1B, Schedule 2 and 2B, Schedules 3, 4, 6, Schedule 7, and Schedule 8. I
20 also support the changes to Tariff Sheet Nos. G10 – G18, and the implementation of
21 Tariff Sheet No. G31.

1 **III. BACKGROUND**

2 **Q. Are you generally familiar with Ohio SB 221?**

3 A. Yes. Among other points, I understand that under Ohio SB 221, utilities are permitted
4 to file either a Market Rate Offer (MRO) under Ohio Revised Code §4928.142, or an
5 Electric Security Plan (ESP) under Ohio Revised Code §4928.143.

6 **Q. How were DP&L's current Standard Service Offer (SSO) rates established?**

7 A. DP&L filed an Electric Security Plan (ESP) on October 10, 2008 in Case No. 08-
8 1094-EL-SSO. The Commission issued an Opinion and Order in that case on June 24,
9 2009 approving DP&L's ESP. DP&L's current ESP rates went into effect in July
10 2009.

11 **Q. Are any of DP&L's current rates scheduled to expire as of December 31, 2012?**

12 A. No. DP&L's current rate plan, like other rate plans before it, established rates for a
13 period of time. Specifically, Paragraph 1 of the ESP Stipulation reached in Case No.
14 08-1094-EL-SSO states "the parties agree to extend DP&L's current rate plan through
15 December 31, 2012 except as expressly modified herein." The remainder of the ESP
16 Stipulation further states that certain rates will be charged through December 31,
17 2012. The ESP Stipulation does not state that any charge will be set to zero on
18 January 1, 2013. Neither does the ESP Stipulation say that DP&L agrees not to
19 request to implement new or to continue existing rates for the period beginning
20 January 1, 2013.

1 **Q. Under which methodology did DP&L choose to implement SSO rates through**
2 **this filing?**

3 A. DP&L filed this ESP case under ORC §4928.143, and therefore has put forth its filing
4 under the provisions of the ESP section of the Ohio Revised Code.

5 **Q. Why is DP&L proposing to procure a portion of SSO load through a competitive**
6 **bid?**

7 A. DP&L has been monitoring SSO cases as they have come before the Public Utilities
8 Commission of Ohio. Every Ohio electric utility that has had an SSO case ruled on by
9 the PUCO in the last 2 years has had all or some portion of the load required to be
10 procured through a competitive bidding process. Although the ESP provisions of the
11 Ohio Revised Code do not discuss competitive bid processes, DP&L believes that the
12 current state policy is to establish standard offer rates through some form of
13 competitive bid.

14 **Q. What type of waiver is the Company seeking?**

15 A. As specified in the Company's application, DP&L is seeking a waiver of OAC
16 §4901:1-35-03(C)(9)(b). While DP&L is seeking a placeholder for a nonbypassable
17 charge relating to new generation that was used and useful after January 1, 2009, it is
18 proposing to file cost support and full justification for that charge in a separate filing
19 that will be made within six months of a Commission order in this case.

20 **Q. Has the Commission granted similar requests?**

1 A. Yes, the Commission permitted AEP in its SSO Case No. 11-346-EL-SSO, to have a
2 placeholder tariff for cost recovery of its Turning Point Solar project. On page 24 of
3 the August 8, 2012 order in that case, AEP was directed to address all of the statutory
4 requirements in a future proceeding but was granted the authority to establish the
5 Generation Resource Rider (GRR) at a rate initially set at zero. DP&L is seeking the
6 ability to file in a future proceeding its cost support and legal arguments to set its non-
7 bypassable cost recovery mechanism for the Yankee Solar Generating Facility.

8 **IV. ESP RATE BLENDING PLAN**

9 **Q. Please explain DP&L's ESP Rate Blending Plan.**

10 A. DP&L's Rate Blending Plan can be found in Book I of this filing. The Company's
11 Rate Blending Plan describes all changes to DP&L's standard service offer (SSO)
12 rates and DP&L's plan to procure a portion of the SSO load through a competitive
13 bidding process. The competitive bidding price will be blended with DP&L's
14 standard service offer rates to arrive at a new ESP SSO. Some of the rates that make
15 up DP&L's most recent standard service offer price are fixed and do not change.
16 Those rates will simply be adjusted downward by the portion of the SSO load that is
17 part of the Competitive Bidding Process ("CBP"). Other rates/riders are rate
18 "trackers" or are adjusted up or down for changes in actual costs and revenues
19 recovered through the rate. It is DP&L's intent that those rates will remain in their
20 current form to the extent possible, but the underlying costs recovered through those
21 rates should decrease over time as more of the SSO load is bid out.

1 **Q. What is the overall impact of the Company's ESP Rate Blending Plan?**

2 A. DP&L's ESP Rate Blending Plan is expected to result in a slight rate decrease for SSO
3 residential customers that consume 1000 kWh or more a month, and a total bill
4 decrease of 2 – 6% for most non-residential SSO tariff classes. Although the amount
5 of the increase or decrease will ultimately depend upon the results of the CBP,¹ using
6 a placeholder for the CBP result, DP&L's estimate is that proposed rates will result in
7 a per-bill increase for a typical residential customer that uses 750 kWh of electricity a
8 month by \$0.97, or 0.87% from current rates for the first period. Most non-residential
9 customers should experience between 2 and 6% rate decrease from current standard
10 service offer rates in the first year of the Rate Blending Plan. Most tariff classes are
11 expected to experience SSO rate decreases for periods 2 through 5 as market prices are
12 blended into current rates.

13 **Q. What is the expected revenue impact to the Company?**

14 A. DP&L's standard offer generation revenues will decrease overall as a result of this
15 filing by approximately \$52 M per year for the first year, as a portion of DP&L's SSO
16 load will be sourced through a competitive bid and other adjustments were made to the
17 SSO generation rates. As more SSO supply is sourced through the CBP, DP&L will
18 continue to experience a decrease in SSO generation revenues each year throughout
19 the blending period. DP&L's retail transmission rates will increase as a retail

¹ According to DP&L's ESP plan, the first Competitive Bidding Process will take place 8 weeks after a Commission order is issued in this case.

1 nonbypassable transmission charge will be implemented; however this revenue is
2 offset slightly by a decrease in wholesale transmission revenues from Competitive
3 Retail Electric Service (CRES) Providers operating in DP&L's service territory.
4 DP&L is seeking a rate increase relating to its nonbypassable charge of approximately
5 \$47 M per year.

6 **Q. Are all rates that are currently in effect impacted by the ESP Rate Blending**
7 **Plan?**

8 A. No. Several rates or riders that relate to distribution service are not affected by the
9 ESP Rate Blending Plan. Those rates are:

- 10 1. Energy Efficiency Rider
- 11 2. Economic Development Rider
- 12 3. Universal Service Fund Rider
- 13 4. Excise Tax Rider

14 These rates will remain in their current form and may be trued-up periodically based
15 on how these rates are currently implemented.

16 **Q. Which of DP&L's current rates/riders are part of the Blended SSO rate?**

17 A. The following rates/riders are part of the Blended SSO rate:

- 18 1. Base Generation Rates
- 19 2. FUEL Rider
- 20 3. Reliability Pricing Model (RPM) Rider
- 21 4. Transmission Cost Recovery Rider - Bypassable (TCRR-B)

Q. Which rates are fixed, and thus simply decrease by the percentage of load that is served through the competitive bidding process?

A. DP&L's base generation rates are fixed. Through this filing DP&L has merged its environmental investment rider into the base generation rates. The base generation rates as proposed in Tariff Sheet Nos. G10 – G18 of this filing reflect the percentage of load that will be supplied by DP&L. In other words, the base generation rate for the period beginning January 1, 2013 and going through May 31, 2014 is designed to reflect 90% of DP&L's base generation rate and environmental investment rider as those charges are in place as of March 1, 2012. The base generation rate will be reduced for each period during the ESP by the percentage of load supplied by the utility. Since the CBP is designed to coincide with the PJM auction year starting in 2014, beginning June 1st, 2014, and for every subsequent June through 2017, the blending mix will shift from ESP to CB in increments of 30%. On June 1, 2016, one hundred percent of the SSO will be procured through the CBP. The periods and the corresponding blend percent are summarized in the table below:

Period	ESP %	CB %
January '13 – May '14	90%	10%
June '14 – May '15	60%	40%
June '15 – May '16	30%	70%
Beginning June '16	0%	100%

Q. Which of the rates/riders that are part of the Blended SSO rate are “trackers” and will continue to be trued-up through the ESP blending period?

1 A. The FUEL rider, RPM Rider and TCRR are currently trackers and will continue to be
2 trued-up during the ESP blending period. We expect that the level of these charges
3 will decrease over time, since the underlying supply costs should decrease as the
4 percentage of load that is bid out increases.

5 **Q. Is DP&L proposing any adjustments to current rates?**

6 A. Yes. The Company is proposing four changes to rates to implement the ESP blending
7 plan. First, DP&L is proposing to split the TCRR into bypassable and non-bypassable
8 rates. This split is explained in more detail by Company Witness Claire Hale.
9 Second, through this filing, the Company plans to merge the Environmental
10 Investment Rider (EIR) into base generation rates. Third, the Company plans to
11 phase-out the maximum charge provisions contained in current Generation tariffs.
12 The plan to phase-out of the maximum charge provision is explained in more detail by
13 Company Witness Nathan Parke. Finally, the Company plans to move from its current
14 FUEL methodology to a system average cost methodology. This policy change is
15 supported by Company Witness Teresa Marrinan.

16 **Q. Are there any new rates included in DP&L's ESP Rate Blending Plan?**

17 A. Yes. There will be six new rates to implement the ESP Rate Blending Plan. First, to
18 implement the results of the CBP, there will be a new Competitive Bidding ("CB")
19 Rate that will charge customers for the portion of the SSO load that is procured
20 through the auction process. This rate has been designed to keep the Company's

1 current rate structure to the extent practical. This rate is supported by Company
2 Witness Emily Rabb.

3 Second, the costs of energy, capacity, and market-based TCRR costs will not likely
4 match dollar for dollar the revenue recovered from customers through the CB Rate.
5 Thus the Company plans to implement the Competitive Bid True-up (CBT) rider.
6 This rate could be positive or negative depending upon the difference between the
7 costs associated with procuring the competitive bidding product and the revenues
8 collected. This Rider is supported by Company Witness Nathan Parke.

9 Third, the Company is seeking authority to implement a non-bypassable Service
10 Stability Rider (SSR) which is sponsored by Company Witness Bill Chambers.

11 Fourth, the costs of conducting the CBP, the costs of implementing the competitive
12 retail enhancements and any remaining over or under-collection in the true-up trackers
13 at the end of the blending period will be included in a new Reconciliation Rider
14 ("RR"). This charge is supported by Company Witness Emily Rabb.

15 Fifth, the Company is seeking approval of a switching tracker that will be
16 implemented January 1, 2013 and begin recovery January 1, 2014. This charge is
17 supported by Company Witness Craig Jackson and is discussed in further detail below.

18 Finally, the Company is proposing a new Alternative Energy Rider – Nonbypassable
19 (AER-N) as a placeholder to recover costs the Company has incurred from building
20 and operating a solar generation array known as Yankee Solar Generating Facility.
21 The Company plans to make a subsequent filing to cost justify that rate.

1 **Q. Has the Company eliminated any rates?**

2 A. Yes, the Company is proposing to eliminate its Rate Stabilization Charge (RSC)
3 effective January 1, 2013.

4 **Q. How will the “tracker” rates be trued-up?**

5 A. DP&L’s current FUEL rider is designed to be trued-up based on a seasonal quarter
6 basis, meaning the rate changes March 1, June 1, September 1, and December 1. The
7 Company plans to implement all of the tracker riders (FUEL, TCRR-B, RPM, and
8 CBT) on a consistent schedule to minimize the number of times the standard service
9 offer rates will be modified throughout the calendar year. The initial tracker riders
10 will be set via filings on December 1 that will set the rates for the period January 1,
11 2013 through May 31, 2013. The next set of tracker filings will be submitted on
12 May 1, 2013 with a requested implementation date of June 1, 2013. The May 1 filing
13 will true up actual costs through March 31, 2012. A graph of the true-up schedule can
14 be found in Appendix C of this filing.

15 **Q. What happens at the end of the rate blending period?**

16 A. The Company plans to remove any under- or over-recovery from the “tracker” rates
17 that are in effect as of the time the SSO load is procured by 100% through the CBP,
18 and place those amounts into a Reconciliation Rider that would recover any rates that
19 are the residual effect of the previous rate structure. The Reconciliation Rider is
20 addressed in detail by Company Witness Emily Rabb.

1 **V. COMPETITIVE RETAIL ENHANCEMENTS**

2 **Q. Please describe the competitive retail enhancements the Company plans to**
3 **implement.**

4 **A.** In an effort to further promote the policy of the state to encourage competition, the
5 Company plans to implement six projects that will improve the interaction of CRES
6 Providers with DP&L to ensure a smoother customer choice administrative process.
7 Specifically, the Company plans to implement the following modifications to its
8 Customer Service System (CSS), Electronic Data Interchange (EDI) systems, and
9 Information Technology (IT) systems:

- 10 1. Eliminate the minimum stay and return to firm provisions in its generation tariffs.
- 11 2. Implement a web-based portal such that CRES Providers can obtain DP&L
12 customer information in more usable and manageable fashion.
- 13 3. Implement an auto-cancel feature to our Bill-Ready billing function, such that
14 when DP&L cancels its usage and related charges, it will also cancel the supplier
15 usage and related charges on the customer's bill. This change will eliminate
16 customer confusion and will ensure that customer payments are posted to valid
17 charges.
- 18 4. Remove the enrollment verification that requires a CRES Provider to have the first
19 four characters of the customer name on the account as well as the correct account
20 number.
- 21 5. Support DP&L's response to Historical Interval (HI) usage data requests via EDI.

1 6. Provide CRES Providers with a standardized sync list on a monthly basis to ensure
2 that the Company has identified the correct accounts that are served by each CRES
3 Provider.

4 **Q. What is the forecasted cost of these projects?**

5 A. DP&L anticipates that these enhancements will require DP&L to incur approximately
6 \$2.5 million in capital improvements to its CSS, EDI, and IT systems.

7 **Q. What is the timing associated with implementing these enhancements?**

8 A. DP&L is working on a schedule for these projects because several of the projects will
9 take a significant amount of planning, programming and administrative
10 implementation. Assuming that the Commission approves rate recovery of these
11 projects, the Company plans to implement most, if not all of these enhancements
12 within 24 months of rate approval.

13 **Q. How and when does the Company plan to recover these costs?**

14 A. Through this filing DP&L seeks the authority to recover a revenue requirement based
15 on the implementation costs of these projects through the quarterly adjusted
16 Reconciliation Rider. Assuming that the Commission approves DP&L's ESP as filed,
17 the Company will begin implementation of these competitive enhancements, and once
18 a given project is used and useful the Company will place that project in service and
19 will file for cost recovery in the next quarterly Reconciliation Rider filing.

1 **Q. Does the Company or its shareholders benefit from these competitive retail**
2 **enhancements?**

3 **A. No. Neither the Company nor its shareholders benefit from these system**
4 **enhancements. Most of the projects listed above will improve the administrative**
5 **processes of CRES Providers operating in DP&L's service territory.**

6 **VI. ALTERNATIVE ENERGY RIDER – NONBYPASSABLE (AER-N)**

7 **Q. Ohio Revised Code 4928.143 (B)(2)(c) states that a utility may seek:**

8 **“The establishment of a nonbypassable surcharge for the life of an electric**
9 **generating facility that is owned or operated by the electric distribution utility,**
10 **was sourced through a competitive bid process subject to any such rules as the**
11 **commission adopts under division (B)(2)(b) of this section, and is newly used and**
12 **useful on or after January 1, 2009, which surcharge shall cover all costs of the**
13 **utility specified in the application, excluding costs recovered through a surcharge**
14 **under division (B)(2)(b) of this section. However, no surcharge shall be**
15 **authorized unless the commission first determines in the proceeding that there is**
16 **need for the facility based on resource planning projections submitted by the**
17 **electric distribution utility.**

18 **Does DP&L's Yankee Solar Generating Facility meet all of those requirements?**

19 **A. Yes. That facility was: 1) owned or operated by the utility, 2) sourced through a**
20 **competitive bid process, 3) newly used and useful on or after January 1, 2009, and 4)**
21 **found by the Commission to be needed as a result of the resource planning process.**

1 Q. Did the Commission find there was a need for the Yankee Solar Generating
2 Facility?

3 A. Yes. On April 14, 2010 the Commission issued an order in Case No. 10-505-EL-FOR
4 (DP&L's Long-term Forecast Report), and stated in part at Finding 11 "[t]here is a
5 need for a 1.1 MW solar generation facility, known as Yankee 1."

6 Q. Is the Company seeking a non-bypassable charge for the life of the Yankee Solar
7 Generating Facility?

8 A. Yes. The Company is seeking authority for a placeholder tariff for the Alternative
9 Energy Rider – Non-bypassable (AER-N) in Tariff Sheet No. G31 and asking for the
10 rate to be initially set to zero.

11 Q. When will the Company file its cost support for this AER-N?

12 A. DP&L plans to file its cost support for the AER-N within six months of the
13 Commission order approving the Company's ESP filed in this case.

14 **VII. SWITCHING TRACKER**

15 Q. Can you describe the Company's plans to implement a switching tracker?

16 A. Yes, as supported by Company Witness Craig Jackson, the Company plans to
17 implement a switching tracker that would defer for later recovery from customers the
18 difference between the current level of switching (62% of retail load) and the actual
19 level of switching.

1 Q. For this purpose, how will the Company measure the level of switching?

2 A. Each month, DP&L will compare the actual monthly switching rate to the August 30,
3 2012 switching rate reflected in Workpaper 8 pages 5 and 6 by tariff class, as a
4 percentage of distribution sales. The percentage of additional switching occurring
5 after August 30, 2012 will be multiplied by distribution load contained on Workpaper
6 8 page 1 and 2 and will equal the quantity of additional switched load (MWh) subject
7 to the switching tracker.

8 Q. What will be used to calculate the cost of the switching tracker?

9 A. The costs subject to the switching tracker will equal the difference between the
10 Blended SSO rate and the CB rate in effect based on tariff class. That difference
11 (\$/MWh) multiplied by the quantity of additional switched load in MWh will be the
12 amount that will be included in the switching tracker regulatory asset account for the
13 month.

14 Q. How does the Company propose to recover the switching tracker?

15 A. The Company seeks to recover the balance from all customers beginning January 1,
16 2014 until the deferral balance plus carrying costs are at a zero balance.

17 **VIII. OTHER**

18 Q. Why did DP&L select Charles River Associates to manage the Competitive
19 Bidding Process (CBP) for DP&L?

1 A. Charles River Associates (CRA) has significant experience managing commodity
2 auctions and specifically managing electric power auctions in Ohio. CRA has worked
3 with the PUCO in administering and conducting the structured procurement auctions
4 for both FirstEnergy's Ohio electric distribution utilities and Duke Energy Ohio. It
5 was a logical business choice for DP&L to select CRA to manage DP&L's CBP since
6 this will be the first experience DP&L will have in conducting such an auction.

7 **Q. Is DP&L opposed to choosing a different auction manager for future power**
8 **auctions?**

9 A. No, DP&L is not opposed to choosing a different auction manager in the future. The
10 Company suggests an RFP process be used in the future to select the CBP auction
11 manager. DP&L and the PUCO have issued RFPs in the past to select a FUEL auditor
12 and such a process could be used for the CBP auction manager. DP&L as well as the
13 PUCO and interested stakeholders have an interest in making sure the CBP auction
14 manager is qualified and experienced in conducting such an auction.

15 **Q. Does DP&L have an Operational Support Plan that was approved by the PUCO?**

16 A. Yes. DP&L filed in 99-1987-EL-ETP its original Operational Support Plan. That
17 plan was approved by PUCO order dated September 21, 2000. Since that time,
18 DP&L's operational support plan has been carried out in the form of the Company's
19 Alternative Generation Supplier Coordination Tariff, Tariff Sheet No. G8. DP&L's
20 Tariff Sheet No. G8 governs the relationship between DP&L and CRES Providers
21 who are doing business in DP&L's service territory.

1 Q. Is DP&L proposing to modify its Tariff Sheet No. G8, and therefore its
2 Operational Support Plan, through this filing?

3 A. No. DP&L is not supporting any changes to the Company's Tariff Sheet No. G8.

4 Q. Ohio Administrative Code §4901:1-35-03(C)(6) and (7) require the utility to
5 discuss how its ESP plan impacts governmental aggregation programs. How
6 does DP&L's plan address governmental aggregation programs?

7 A. DP&L's ESP plan does not provide disincentives for municipal corporations or
8 townships to implement governmental aggregation programs. DP&L has had a
9 number of communities pass ballot issues allowing them to implement opt out
10 governmental aggregation programs, and has several communities that have moved
11 forward with government aggregation efforts in 2012. There is nothing in DP&L's
12 ESP plan that would provide disincentives for governmental aggregation programs to
13 go forward with their plans to aggregate.

14 **IX. SCHEDULES AND WORKPAPERS**

15 Q. What is contained on Schedules 1 and 1A?

16 A. Schedule 1 contains a summary of DP&L's rates that are part of the blending process,
17 while Schedule 1A contains a listing of all of DP&L's rates that are in effect as of
18 September 1, 2012.

19 Q. What is contained on Schedule 1B?

1 A. Schedule 1B shows the revenues that are generated by the current rates that are part of
2 the blending process being applied to forecasted SSO billing determinants.

3 **Q. What is the source of the forecasted SSO billing determinants?**

4 A. The forecasted SSO billing determinants can be found on Workpaper 8 and are
5 supported by Company Witness Aldyn Hoekstra.

6 **Q. Please explain what information is provided on Schedule 2.**

7 A. Schedule 2 contains a summary of the changes that were made to the current rates that
8 are subject to the blending process. The change to each rate/rider is supported by its
9 own separate Schedule or short series of Schedules and sponsored by various
10 Company witnesses.

11 **Q. Are you sponsoring Schedule 2B? If so, what does it contain?**

12 A. Yes. Schedule 2B shows that aside from adding the EIR rate to the base generation
13 rates, the Company is not proposing any other adjustments to its base generation rates.

14 **Q. What is contained on Schedule 3?**

15 A. Schedule 3 contains a summary of the rates that are part of the blending process after
16 the adjustments are made.

17 **Q. How are these rates calculated?**

1 A. The rates contained on Schedule 3 are the sum of the rates contained on Schedule 1
2 and the rates contained on Schedule 2.

3 **Q. What is contained on Schedule 4?**

4 A. Schedule 4 shows the adjusted rates from Schedule 3 multiplied by the percentage of
5 SSO load supplied by the utility, or the ESP percentage for the period. There is a
6 separate page for each period during the ESP.

7 **Q. Why does Schedule 4, pages 4 and 5 contain rates that are all zero?**

8 A. Pages 4 and 5 are for periods 4 and 5. These pages show that starting June 2016 the
9 blending process is complete at that time. Thus, the generation rates for SSO load will
10 be 100% CB and 0% ESP for periods 4 and 5 during the ESP.

11 **Q. What is contained on Schedule 6?**

12 A. Schedule 6 shows the Blended SSO rates that will be in effect during each of the five
13 periods during the ESP plan. This schedule takes the ESP rates contained on Schedule
14 4 and blends them with the CB rate that is contained on Schedule 5 based on the ESP
15 to CB percentages. In other words, column C shows the SSO rate that would be in
16 effect January 1, 2013 through May 31, 2014, assuming the CBP results in the rate
17 that was used in Schedule 5 for illustrative purposes.

18 **Q. What is contained on Schedule 7?**

A. Schedule 7 shows a summary of SSO rates that are not part of the blending process. SSO rates that are not part of the blending process are: 1) the Reconciliation Rider, 2) the Competitive Bid True-up Rider, 3) the TCRR-N, 4) the Service Stability Rider (SSR), 5) the Alternative Energy Rider (AER), and 6) the Alternative Energy Rider – Nonbypassable (AER-N).

Q. Please describe Schedule 8.

A. Schedule 8 shows the revenues associated from this ESP plan. Some of the revenues are based on distribution billing determinants and others are based on SSO billing determinants. Not all revenues contained on Schedule 8 are DP&L revenues.

Q. Can one compare the current revenues contained on Schedule 1B to revenues contained on Schedule 8 and draw any relevant conclusions about the impact of this filing on DP&L revenues?

A. No. The revenues contained on Schedule 1B reflect what DP&L revenues would be if current rates are applied to current billing determinants. The revenues contained on Schedule 8 are projected revenues under the ESP plan; however there are several things that make the Schedule 8 revenues not comparable to Schedule 1B revenues. First, the transmission revenues reflected on Schedule 8 are applied to distribution level billing determinants (where the transmission revenues on Schedule 1 are applied only to SSO billing determinants). This difference is because the majority of TCRR costs are moving from bypassable to non-bypassable charges. Second, the revenues on Schedule 8 associated with the competitive bidding rate do not reflect DP&L

1 revenues but instead are revenues that will be provided to the winning bidders of the
2 CBP. Finally, the revenues associated with the Reconciliation Rider on Schedule 8 are
3 to recover new costs associated with implementing the CBP and the competitive retail
4 *enhancements*.

5 **Q. What is the impact of this plan on DP&L's generation revenues?**

6 A. DP&L's generation revenues decrease by approximately \$52 M as shown on
7 Workpaper 8.1 page 1.

8 **Q. What is the impact of this plan on DP&L's transmission revenues?**

9 A. The impact on transmission revenues can be found on Workpaper 8.1 page 2. As
10 DP&L is proposing to implement a non-bypassable TCRR-N to recover the majority
11 of its transmission costs, DP&L's current transmission revenues shift from wholesale
12 revenues received from CRES Providers to retail revenues received from retail
13 customers through the TCRR-N. Current transmission revenues cannot readily be
14 compared to proposed transmission revenues because of this change.

15 **X. TARIFFS**

16 **Q. What is contained on Tariff Sheet Nos. G10 – G18?**

17 A. Tariff Sheet Nos. G10 – G18 contain DP&L's Base Generation rates. These rates are
18 the ESP rates that will be phased out as part of the CBP. These rates are the sum of
19 base generation rates and EIR rates that are in place today, as phased out per the ESP
20 percentage.

1 **Q. Why are they contained on their own tariff sheets?**

2 A. DP&L's base generation rates have historically been provided on their own separate
3 tariff sheets by tariff class. DP&L contemplated rolling into one single rate, all of the
4 rate/rider components that are part of the blending process; however, we decided
5 against doing so, because there are several components that make up the Blended SSO
6 rate that are still subject to true-up. It is easier administratively to track and true-up
7 revenues collected verses expenses by rate/rider if each rate/rider continues to be
8 separately stated. Therefore, we separately stated each rate/rider that is part of the
9 Blended SSO rate.

10 **Q. What is contained on Tariff Sheet No. G31?**

11 A. Tariff Sheet No. G31 is the placeholder tariff for DP&L's Alternative Energy Rider –
12 Nonbypassable (AER-N). This rate will be initially set at zero and the Company plans
13 to file cost support to establish this charge within 6 months of Commission order
14 approving the Company's ESP filing in this case.

15 **Q. Are DP&L's Distribution Tariffs impacted by any proposal the Company has**
16 **made in this filing?**

17 A. Yes. DP&L's Distribution Tariffs may be impacted by the new riders that DP&L has
18 proposed in this filing. Distribution tariffs are also impacted by DP&L's proposal to
19 phase-out the maximum charge provision.

20 **Q. Did DP&L file its proposed changes to the Distribution Tariffs?**

1 A. No. Including all the Distribution Tariff in this filing would make the filing
2 unnecessarily voluminous. Once an order is issued in this case, DP&L anticipates that
3 the Commission will give DP&L an opportunity to file proposed tariffs to implement
4 the order. For example, assuming the Commission's order approves the maximum
5 charge phase-out plan, DP&L would file Distribution tariffs in redline form to
6 implement that provision. Likewise, the Distribution tariffs currently list all riders that
7 apply to customers taking distribution service from the Company. That list of riders
8 would have to be modified assuming the Commission approves any new riders
9 proposed in this case such as the Reconciliation Rider, the SSR and the AER-N.

10 Q. Did DP&L file its proposed changes to Tariff Sheets Nos. G7, G8, and G9?

11 A. No. The only changes the Company is proposing to those Tariffs is to remove the
12 minimum stay and return to firm tariff provisions and add the new generation riders.
13 Assuming the Commission approves the Company's proposal, the Company will re-
14 file those tariffs in redline form showing exactly what provisions have changed.

15 **XI. CONCLUSION**

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

ELECTRIC SECURITY PLAN (ESP)

DIRECT TESTIMONY

OF JUDI L. SOBECKI

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

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF**

JUDI L. SOBECKI

**ON BEHALF OF
THE DAYTON POWER & LIGHT COMPANY**

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Judi L. Sobecki and my business address is 1065 Woodman Drive, Dayton, Ohio, 45432.

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or the "Company") as Senior Counsel.

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

A. I earned a Bachelor of Arts degree in Political Science from Kent State University in Kent, Ohio, in 1993. I earned a Juris Doctor degree from Case Western Reserve University in 1996. I am licensed to practice law in the State of Ohio, in the U.S. District Court for the Southern District of Ohio and the Sixth Circuit Court of Appeals. I have been employed by DP&L in my current position since 2007. Prior to that, I spent eleven years in the private practice of law.

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

A. I provide legal services to DP&L primarily in connection with state regulatory matters, including corporate compliance relating to DP&L's Corporate Separation plan and the PUCO Code of Conduct. In addition, I represent the Company in the government contracting area, as well as advising DP&L's Government Relations groups in connection with proposed legislative initiatives. I also represent the Company in connection with select litigation matters. In my current role, I report directly to the President and Chief Executive Officer of DPL Inc.

II. SUBJECT OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony sponsors DP&L's Third Amended Corporate Separation Plan in this proceeding, which remains substantially unchanged from DP&L's Second Amended Corporate Separation Plan, which was approved by the Commission in Case No. 08-1094-EL-SSO, and is consistent with the Commission's Rules and prior orders. The Third Amended Corporate Separation Plan is attached as Appendix A.

III. DP&L'S THIRD AMENDED CORPORATE SEPARATION PLAN

Q. Is DP&L currently in compliance with its Second Amended Corporate Separation Plan dated October 1, 2008?

A. Yes. DP&L has functionally separated its businesses of providing noncompetitive retail electric service from its businesses of providing competitive retail electric service and services other than retail electric service and has maintained the functional separation organizational structure at the DPL Inc. level. DP&L has implemented and complied with the Code of Conduct that governs its financial and other relationships with its DPL Inc. affiliates, and DP&L has maintained a Cost Allocation Manual. The acquisition of DPL Inc. by the AES Corporation has not changed the functional separation at the DPL Inc. level.

Q. Has the Commission issued any waivers to DP&L regarding the Second Amended Corporate Separation Plan under which DP&L now operates?

A. No.

44 **Q. Under the Third Amended Corporate Separation Plan proposed in this filing, will**
45 **necessary separation of functions be maintained?**

46 A. Yes. DP&L and its affiliates will continue to provide noncompetitive retail electric
47 services and products or services other than retail electric service separately from either
48 (i) a competitive retail electric service or (ii) a non-electric product or service, in
49 compliance with a Commission-approved Corporate Separation Plan, except as otherwise
50 expressly permitted by state statute.

51 **Q. Please describe DP&L's proposed Third Amended Corporate Separation Plan.**

52 A. DP&L's Third Amended Corporate Separation Plan is substantially unchanged from
53 DP&L's Second Amended Corporate Separation Plan currently on file with the
54 Commission, but has been updated to reflect the acquisition by DPLER of MC Squared,
55 and the acquisition of DPL Inc. by the AES Corporation. DP&L's operations under the
56 Third Amended Corporate Separation plan with respect to Corporate Separation and the
57 PUCO Code of Conduct will remain unchanged. DP&L will continue to operate all such
58 businesses under a Code of Conduct and separately account for each business with a Cost
59 Allocation Manual, to avoid any cross-subsidies. DP&L will continue its existing
60 education plan that requires each employee to receive training (either on-line or in
61 person) to understand employee obligations under DP&L's Third Amended Corporate
62 Separation Plan.

63 **IV. GENERATING ASSETS**

64 **Q. Is DP&L seeking the Commission's authority, pursuant to O.R.C. §4928.17(E), to**
65 **transfer any ownership interest in its generation facilities in connection with this**
66 **ESP application?**

67 A. No, not at this time. DP&L continues to study the issue of legal separation of its
68 generation assets. While DP&L is not presently making an application pursuant to
69 O.R.C. §4928.17(E) seeking the Commission's authority to transfer its generation assets
70 into a separate legal entity, DP&L commits to filing such an application with the PUCO
71 by no later than December 31, 2013. In that application, DP&L presently expects to
72 request that the Commission authorize DP&L to transfer its generation assets by
73 December 31, 2017.

74 **V. CONCLUSION**

75 **Q. Does this conclude your pre-filed direct testimony?**

76 A. Yes it does.

THE DAYTON POWER AND LIGHT COMPANY
CASE NO. 12-426-EL-SSO

Electric Security Plan

Appendices

The Dayton Power & Light Company

Appendix A

THE DAYTON POWER AND LIGHT COMPANY

THIRD AMENDED CORPORATE SEPARATION PLAN

October 5, 2012

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THIRD AMENDED CORPORATE SEPARATION PLAN

I. INTRODUCTION

This Third Amended Corporate Separation Plan is being filed by The Dayton Power and Light Company (the "Company" or "DP&L") pursuant to OAC 4901:1-35-03(C)(10)(F). This plan amends, supersedes and replaces the Company's Second Corporate Separation Plan as filed October 1, 2008.

This Third Amended Corporate Separation Plan demonstrates that DP&L will continue to maintain functional separation of its businesses of providing competitive retail electric services and products or services other than retail electric services from its business of providing noncompetitive retail electric services, except when specifically permitted to do otherwise. This Third Amended Corporate Separation Plan also demonstrates how DP&L and its fully separated affiliates will operate in relation to each other in compliance with the provisions of Chapter 4928.

DP&L's has not yet applied to the Commission for authority pursuant to R.C. 4928.17(E) to sell or transfer DP&L's generating assets, both wholly and partly owned, away from the electric distribution utility and to an unregulated affiliate. Until DP&L applies for and is granted authority to transfer its generating assets to an unregulated affiliate, DP&L intends to continue operating under the same functional separation as explained in detail in DP&L's Second Amended Corporate Separation plan as filed October 10, 2008, which was approved by the Commission by Opinion and Order dated June 24, 2009 in Case No. 08-1094-EL-SSO, et al.

This Third Amended Corporate Separation Plan addresses, in general terms, (1) how DP&L will maintain separation of its competitive retail electric service and products and services other than retail electric service from its noncompetitive retail electric service, (2) a description of the separate accounting practices that perform this separation of competitive versus noncompetitive retail electric service, (3) a description of the Company's Code of Conduct, (4) its Cost Allocation Manual, and (5) how the Company's structure and operation is in the public interest and does not create an undue preference or competitive advantage for DP&L's affiliates.

A. Current Organization

DP&L is a regional electric public utility that sells electricity to residential, commercial, industrial and governmental customers in West Central Ohio. DP&L provides "retail electric service" to consumers as defined in Revised Code Section 4928.01(A)(27). DP&L is an "electric utility" as defined in Revised Code Section 4928.01(A)(11) that is engaged in the business of supplying both a noncompetitive retail electric service and competitive retail electric services under Revised Code Section 4928.03. Electricity for the Company's service area is primarily generated by plants wholly-owned or co-owned by DP&L.

As an integrated electric utility, DP&L operates within the statutory and regulatory framework of the state of Ohio and applicable federal law, providing services to its retail customers within its certified territory pursuant to its obligation to serve. Utility services are provided to its retail customers based on tariffed rates previously approved by the Commission.

On November 28, 2011, The AES Corporation ("AES") closed on the acquisition of DPL Inc., the parent company of DP&L. As a result of the acquisition, DPL became a wholly-owned direct subsidiary of AES. On December 22, 2011, after closing of the acquisition of DPL, AES

Parent interposed AES DPL Holdings, LLC as an intermediate holding company between AES Parent and DPL. As a result, AES DPL Holdings is a wholly-owned direct subsidiary of AES, and DPL Inc. is a wholly-owned direct subsidiary of AES DPL Holdings and a wholly-owned indirect subsidiary of AES. Therefore, at all times since November 28, 2011, DPL Inc. has been a wholly-owned subsidiary of AES.

A current organization chart of DPL Inc. and its subsidiaries, including a brief description of subsidiary activities, is attached as Exhibit 1.

B. Deregulation Legislation

On May 31, 2008, the Ohio General Assembly enacted Substitute Senate Bill 221, creating a new framework under which electric utilities must provide electric service to their customers. This regulatory framework continues the functional separation between the electric utility that generally provides noncompetitive retail electric service and electric utility affiliates that may provide competitive retail electric services and products and services other than retail electric service. Under this statute, an electric utility cannot, directly or indirectly, provide such competitive retail electric services, as defined by R.C. 4928.01(B), (i) except through a separate affiliate and pursuant to a Commission-approved corporate separation plan that meets the requirements described in Revised Code Section 4928.17, or (ii) except as otherwise permitted by state statute.

C. Purpose of Third Amended Corporate Separation Plan

Consistent with the policy goals specified in Revised Code Section 4928.02, the requirements of Revised Code Section 4928.17 and the corporate separation rules adopted by the

Commission, this Third Amended Corporate Separation Plan of DP&L is intended to achieve the following:

- (1) Describe the framework under which DP&L and/or its affiliates will engage in the businesses of supplying competitive retail electric services and products or services other than retail electric service; the policies, rules and procedures that will govern the interrelationships among DP&L and its affiliates with respect to such business activities; and how such policies, rules and procedures will be implemented.
- (2) Help to effectuate the policy specified in Revised Code Section 4928.02, specifically to help ensure the availability of adequate, reliable, safe, efficient, nondiscriminatory and reasonably priced retail electric service; ensure the availability of unbundled and comparable retail electric service; ensure diversity of electricity supplies and suppliers; encourage innovation and market access for cost effective supply- and demand-side retail electric service; encourage cost-effective and efficient access to information to promote effective customer choice.
- (3) Satisfy the public interest in preventing unfair competitive advantages and preventing the abuse of market power.
- (4) Allow DP&L and its affiliates to compete fairly, without competitive disadvantages, with other companies engaged in the same or similar businesses, including those companies that are not subject to regulation as electric utilities.

D. Process of Implementing the Third Amended Corporate Separation Plan

DP&L's original Corporate Separation Plan as amended was implemented in response to S. B. 3 and was modified for DP&L's first Standard Service Offer filing made October 10, 2008, to ensure compliance with S. B. 221. A number of factors, events and circumstances, many of which cannot reasonably be foreseen or predicted, will influence DP&L's planning. Some of these factors will be beyond DP&L's ability to control or will be dependent on the actions of unrelated third parties (e.g., competitors, the co-owners of DP&L's jointly-owned generation and transmission facilities, etc.). Accordingly, DP&L and its affiliates will need a reasonable degree

of flexibility. For this reason, the plan is structured in a way to ensure compliance with applicable statutory and regulatory law, while affording DP&L a modicum of discretion to select the precise means for achieving and maintaining such compliance in light of the relevant circumstances.

II. THIRD AMENDED CORPORATE SEPARATION PLAN PROVISIONS

A. Policy

DP&L acknowledges the policy goals of the state of Ohio as described in Revised Code Section 4928.02. Accordingly, consistent with the corporate separation rules, DP&L will not extend any undue preference or advantage to any of its affiliates that engage in the business of providing a competitive retail electric service or a non-electric retail product or service without just compensation as provided herein. Further, DP&L will act so as to effectuate the policy specified in Revised Code Section 4928.02 and to satisfy the public interest in preventing unfair competitive advantage and abuse of market power.

As required by Revised Code Section 4928.17 and the corporate separation rules, DP&L will not engage, either directly or through an affiliate, in the business of supplying a noncompetitive retail electric service and either a competitive retail electric service or a product or service other than retail electric service, except as otherwise authorized by law and except pursuant to the provisions of this Third Amended Corporate Separation Plan as approved by the Commission.

B. Fully Separated Affiliates

Except as permitted by state law and pursuant to its Commission-approved Third Amended Corporate Separation Plan, DP&L will not directly engage in the business of supplying

competitive retail electric services, as defined in Revised Code Section 4928.01(B). Competitive retail electric service will be provided only through an affiliate or affiliates that are fully separate from DP&L, as required by Revised Code Section 4928.17(A)(1).

Each such affiliate or business unit offering competitive retail electric services will generally operate separately from DP&L, except as specifically permitted by state statute under this Commission-approved Third Amended Corporate Separation Plan, and such affiliates or business units will operate independently of each other, all as provided herein.

To the extent deemed economically feasible and prudent, DP&L and its affiliates that provide a competitive retail electric service will endeavor to satisfy their own respective needs through their own respective employees, facilities, equipment and other assets and resources. Employees will be employed by one corporate entity (*i.e.*, DP&L or an affiliate) and no employee will be employed by more than one entity, although an employee may in certain instances provide services for both his or her employer and an affiliate. As required by Revised Code Section 4928.18(D)(2) and OAC Section 4901:1-37-04(A)(5), any common use or sharing of employee services, consultant services, independent contractor services, facilities, equipment, employee benefit plans and/or other services permitted by Revised Code Section 4928.18(D)(2) shall not in any way violate the Code of Conduct adopted herein and shall be appropriately accounted for and the costs thereof allocated pursuant to the terms of this plan and as more specifically described in the Cost Allocation Manual provided for under Section II.F. DP&L will maintain a copy of any shared employee's job description in the Cost Allocation Manual.

While the DP&L affiliated group may have certain officers and directors in common, such officers and directors owe a fiduciary duty under general corporate law principles to each of

the entities he or she is serving as well as an obligation to such entity to abide by the terms and conditions of this *Third Amended Corporate Separation Plan*, including without limitation, the Code of Conduct.

C. Accounting Records

As required by Revised Code Section 4928.17(A)(1) and corporate separation rule OAC Section 4901:1-37-04(B), DP&L and each affiliate or business unit in the DP&L group will maintain, in accordance with generally accepted accounting principles, an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of each other affiliate or business unit.

D. Financial Arrangements

To the extent required by Revised Code Section 4928.17(A)(3) and the applicable corporate separation rules, subject to the provisions of Subsection II.A.3. regarding currently existing financing arrangements, and except as may otherwise be approved by the Commission, the financial arrangements of DP&L with respect to its affiliates engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service will be subject to the following restrictions:

- (1) Any indebtedness incurred by an affiliate shall be without recourse to DP&L.
- (2) DP&L will not enter into any agreement with terms under which it is obligated to commit funds to maintain the financial viability of its affiliate.
- (3) DP&L will not make any investment in an affiliate under any circumstances in which it would be liable for the debts or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.
- (4) DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.
- (5) DP&L will not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of any of its affiliates.
- (6) DP&L will not pledge, mortgage or use as collateral any of its assets for the benefit of any of its affiliates.

E. Code of Conduct

Pursuant to Revised Code Section 4928.17(A)(1), which requires the corporate separation plan to include the Code of Conduct ordered by the Commission pursuant to a rule adopted under Revised Code Section 4928.06, and consistent with corporate separation rules OAC Section 4901:1-37-04(D)(1) through (D)(11), DP&L adopts the following Code of Conduct to govern the

relationship of DP&L with its affiliates or business units engaged in the business of providing a competitive retail electric service or a product or service other than retail electric service:

- (1) DP&L shall not release any proprietary customer information (*e.g.*, individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.
- (2) DP&L shall make customer lists, which include names, addresses and telephone numbers, available on a non-discriminatory basis to all non-affiliated and affiliated certified retail electric competitors transacting business in its service territory, unless otherwise directed by the customer. This paragraph does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.
- (3) Employees of DP&L's affiliates shall not have access to any information about DP&L's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a non-affiliated competitor of retail electric service.
- (4) DP&L shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and non-affiliated, and shall not release such information unless a competitive retail electric service provider provides authorization to do so or unless the information was or thereafter becomes available to the public other than as a result of disclosure by DP&L.
- (5) Except as specifically authorized by state statute and as set forth in its Commission-approved Third Amended Corporate Separation Plan, DP&L shall not tie (nor allow its affiliates to tie) or otherwise condition the provision of its services, discounts, rebates, fee waivers or any other waivers of its ordinary terms and conditions of service, including but not limited to DP&L's tariff provisions, to the taking of any goods or services from affiliates.
- (6) In order to ensure effective competition in the provision of retail electric service, DP&L shall avoid anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

- (7) Upon a request from a customer, DP&L shall provide a complete list of all certified suppliers, registered pursuant to DP&L's tariff requirements, of competitive retail electric services operating on DP&L's system, but shall not endorse any suppliers nor indicate that any supplier will receive preference because of an affiliate relationship.
- (8) DP&L shall strive to ensure that its activities do not create unreasonable sales practices, market deficiencies or market power.
- (9) Employees of DP&L shall not indicate a preference for an affiliated company's services.
- (10) DP&L shall provide comparable access to products and services related to tariffed products and services.
 - (a) DP&L shall not unduly discriminate in the offering of its products and/or services.
 - (b) DP&L shall apply all tariff provisions in the same manner to the same or *similarly situated entities, regardless of any affiliation or non-affiliation.*
 - (c) DP&L shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over non-affiliated competitors providing a competitive retail electric service or their customers in matters relating to any product and/or service.
 - (d) DP&L shall follow all tariff provisions.
 - (e) Except to the extent legally permitted, DP&L shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.
 - (f) Violations of this code of conduct shall be enforced and subject to the disciplinary actions described in Revised Code Sections 4928.18(C) and (D).
- (11) Shared representatives and employees of DP&L shall clearly disclose upon whose behalf public representations are being made.
- (12) Notwithstanding any provision contained in this code of conduct, in an emergency situation, DP&L may take actions necessary to ensure public safety and system reliability. DP&L will maintain a log of all such actions that do not comply with this code of conduct.

As part of meeting the requirements of paragraph (8) above, DP&L does not intend to engage in joint advertising or joint marketing of any kind with its affiliates supplying a competitive retail electric service or directly promote or market any product or service offered by any such affiliate, except as authorized by state statute and pursuant to its Commission-approved Third Amended Corporate Separation Plan. DP&L's generation affiliate and other non-EDU affiliates will not trade upon, promote, or advertise their affiliate relationship with DP&L, nor will DP&L allow the name "The Dayton Power and Light Company" or the logo shown on Exhibit 2 to be used in Ohio by an affiliate in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where DP&L's name or logo is mentioned, that: (i) the affiliate is not the same company as DP&L; (ii) the affiliate is not regulated by the Commission; and (iii) the customer does not have to buy the affiliate's products in order to continue to receive quality, regulated service from DP&L.

F. Cost Allocation Manual

In order to help ensure that anticompetitive cross-subsidization does not occur between DP&L and its affiliates and business units providing any competitive retail electric service or any product or service other than retail electric service, DP&L or its business unit will maintain a Cost Allocation Manual as required by OAC 4901:1-37-08. With respect to any asset, product or service provided or transferred by an affiliate or business unit to DP&L, or by DP&L to an affiliate or business unit, the affiliate or business unit providing or receiving the same shall submit to DP&L for inclusion in the Cost Allocation Manual, and DP&L shall maintain in the Cost Allocation Manual, information documenting the allocation of costs between the affiliate or

business unit and DP&L. The Cost Allocation Manual will include the methods to be used for allocating costs and transferring assets between DP&L and its affiliates and business units, which costs will be based on “fully allocated costs” as required by corporate separation rule OAC 4901:1-37-04(B) and will be traceable to the books of the applicable corporate entity providing such product or service or making such transfer.

In addition to this information, the Cost Allocation Manual will include the following:

- (a) An organization chart of DPL Inc. depicting all active affiliates, as well as a description of activities in which such affiliates are involved.
- (b) A description of all assets, services and products provided to and from DP&L and its affiliates.
- (c) A copy of the job description of each shared employee.
- (d) Information on employees who have either transferred from DP&L to one of its affiliates or are shared between DP&L and such affiliate, including a copy of all transferred employees’ previous and new job descriptions and a list of names and job summaries for shared consultants and shared independent contractors.
- (e) A log of all complaints made to DP&L regarding corporate separation.
- (f) Minutes of each DP&L board of directors meeting.

DP&L and its affiliates and business units will maintain all affiliate transaction information and the DP&L board of directors’ minutes in the Cost Allocation Manual for not less than three years. As required by the corporate separation rules, the initial version of the revised Cost Allocation Manual will be made available to the Commission’s Staff for review. Upon approval of this Third Amended Corporate Separation Plan, DP&L will send to the Director of the Utilities Department of the Commission (or their designee) a summary every twelve months of any significant changes made in the Cost Allocation Manual during such twelve-month

period. Pursuant to corporate separation rule OAC 4901:1-37-08(I), DP&L designates the general counsel of DP&L or his designee to act as a contact person for the Commission's Staff when seeking data regarding affiliate and business unit transactions, personnel transfers and sharing of employees. DP&L may change this designation at any time, and will promptly notify the Commission of any change.

G. Complaint Procedures

All complaints received by DP&L with respect to compliance with the corporate separation rules will be referred to the General Counsel of DP&L or his or her designee. If and to the extent that the complaint provides basic information sufficient to enable the General Counsel or his or her designee to do so, the General Counsel or his or her designee will acknowledge the complaint within five business days of its receipt and will thereafter prepare a written statement of the complaint, containing the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved and the specific claim. The General Counsel or his or her designee will communicate the results of any preliminary investigation made by legal counsel or his or her designee to the complainant in writing in not less than 30 days after the complaint has been received, including a description of any course of action taken. The legal counsel or his designee will also keep a file to be placed in the Cost Allocation Manual of any complaint statements for a period of not less than three years. This complaint procedure will not in any way limit the rights of a party to file a complaint with the Commission.

H. Access to Books and Records

DP&L will comply with legally enacted corporate separation rules relating to Commission and Staff access to, and review of, books and records of DP&L and its affiliates.

I. Effective Date

The above plan provisions will become effective upon Commission approval.

III. IMPLEMENTATION OF AMENDED CORPORATE SEPARATION PLAN

A. Corporate Reorganization

1. Transfer of Businesses and Assets to Separate Corporate Entities

DP&L has (i) previously transferred some of its generating assets and some of its retail generation service business to one or more fully separated affiliates or business units or (ii) functionally separated its retail generation business from its non-competitive retail electric service under DP&L. Both the fully separated retail electric affiliate and DP&L are wholly-owned by DPL Inc.

In addition, since the approval of DP&L's Second Amended Corporate Separation Plan, on November 28, 2011, DPL Energy Resources, Inc. acquired MC Squared Energy Services, LLC ("MC2"), a competitive retail electric service supplier based in Illinois. As a result, MC2 is a wholly-owned direct subsidiary of DPLER, which in turn is a wholly-owned direct subsidiary of DPL Inc.

Organization charts showing how DPL Inc. and its affiliates are organized are attached as Exhibit 1.

2. Functional Separation

DP&L's various operations have been functionally separated for a number of years. Functional separation is used where legal separation is not feasible or is unnecessary. The obstacles to legal separation are described below. Nonetheless, while DP&L is not presently making an application pursuant to O.R.C. §4928.17(E) seeking the Commission's authority to transfer its generation assets into a separate legal entity, DP&L commits to filing such an application with the PUCO by no later than December 31, 2013. In that application, DP&L presently expects to request that the Commission authorize DP&L to transfer its generation assets by December 31, 2017.

3. Indenture and Related Issues

Substantially all of the assets of DP&L, including its electric generating assets and transmission and distribution assets, are subject to, and encumbered by, the first mortgage lien of the indenture pursuant to which DP&L's outstanding first mortgage bonds were issued. The controlling indenture was drafted in the 1930's and did not contemplate or include provisions readily enabling DP&L to redeploy its assets as required by, or desirable in connection with, the deregulation of the electric utility industry. As a result, a large number of complex indenture-related issues would have to be analyzed and resolved for DP&L to permit the legal transfer of the electric generating assets. **B. Sharing of Employees, Facilities and Services**

Shared employees, facilities and services are accounted for according to the time or use they provide to each entity.

The transmission service business unit of DP&L is administered entirely through the PJM Interconnection.

As described in Subsection III.A.1., DPL Inc. currently has a number of wholly-owned subsidiaries that provide services or facilities to DP&L and its affiliates. It is anticipated that these subsidiaries will continue. In addition, it is possible that DPL Inc. will determine that it is

economically feasible and prudent to provide additional services on a company-wide or shared basis, such as legal, accounting, auditing, finance, real estate or human resource services. Also, employees of DP&L and its affiliates currently participate in employee benefit plans that are common to one or more of such entities. For economic purposes as well as for Internal Revenue Code and ERISA compliance reasons, DPL Inc. and its subsidiaries may determine that their current employee benefit plans should continue to cover employees of DP&L and one or more of its affiliates rather than causing each entity to establish and maintain separate plans. In such event, the costs of employee benefit plans are allocated to each affiliate in proportion to the number of employees covered by each such plan or, if not allocable on such basis, in accordance with the other rules for allocating these costs among affiliates as described in the Cost Allocation Manual. In the event that separation of such plans becomes economically feasible and prudent, DP&L and the other subsidiaries of DPL Inc. may establish and maintain separate employee benefit plans.

Any of the above-described services (or any other services) which are provided by DP&L to an affiliate or by an affiliate to DP&L will be properly described in the Cost Allocation Manual, and the cost of such services shall be allocated pursuant to the methods of allocation described in the Cost Allocation Manual.

C. Employee Education and Training

To maintain employee awareness of the requirements in this Second Amended Corporate Separation Plan, including, without limitation, the Code of Conduct provisions and the Cost Allocation Manual requirements, DP&L will train its employees on the subject. This training is

either provided live or via a web-based program. The program describes the Third Amended Corporate Separation Plan (and how the plan affects each employee in light of his or her job description and the specific company for which the employee works or will be working), the provisions of the Code of Conduct to be followed by the employees, the appropriate documentation to be forwarded to DP&L to be included in the Cost Allocation Manual and when such documentation should be forwarded, the complaint procedure and the methods for bringing complaints and violations to the attention of the appropriate party. The compliance procedure (described below) and penalties and consequences with respect to the failure of an employee or an affiliate to comply with the Third Amended Corporate Separation Plan or the Code of Conduct will also be explained at these sessions. The employees will also be advised of the penalties to which DP&L will be subject in the event of a failure to comply. Once the Third Amended Corporate Separation plan is approved, DP&L will implement the Employee Education Plan as set forth in Exhibit 4.

D. Compliance Procedure

To ensure that its Third Amended Corporate Separation Plan is implemented properly by DP&L and its affiliates, DP&L will implement the following compliance monitoring procedures and plans for corrective action:

- (1) After training, each employee of DP&L or its affiliates will be required to acknowledge participation in the training.
- (2) Employees may report to the General Counsel possible violations of the Code of Conduct and other failures to comply with the Third Amended Corporate Separation Plan.

- (3) Possible violations and other failures will be reported to the General Counsel, who will investigate such matters, prepare a report and, if appropriate, a course of recommended action and report to management. DP&L and the relevant affiliate will take reasonable steps necessary to remedy such violation.
- (4) Failure to observe the limitations described in the Code of Conduct with regard to the use of non-public DP&L information will result in appropriate disciplinary action.

IV. DESCRIPTION OF COMPLIANCE WITH COMMISSION RULES FOR CORPORATE SEPARATION PLANS.

In accordance with Corporate Separation Rule OAC 4901:1-37-05(B)(12), DP&L lists below each corporate separation rule and a description of how DP&L will comply with that rule:

Corporate Separation Rule OAC 4901:1-37-04(A)(2) – Each electric utility and its affiliate that provide services to customers within the electric utility's service territory shall not share facilities and services if such sharing in any way violates paragraph (D) of this rule.

As described in Section II.B., any sharing of facilities or services by DP&L with any of its affiliates will be subject to the Code of Conduct restrictions and Cost Allocation Manual requirements.

Corporate Separation Rule OAC 4901:1-37-04(B) - Each electric utility and its affiliates shall maintain, in accordance with generally accepted accounting principles, an applicable uniform system of accounts, books, records and accounts that are separate from the books, records and accounts of its affiliates.

As described in Section II.C., DP&L and each of its affiliates will maintain separate books, records and accounts in accordance with the provisions of this rule.

Corporate Separation Rule OAC 4901:1-37-04(C)(1) – Unless otherwise approved by the Commission, the financial arrangements of an electric utility are subject to the following

restrictions: Any indebtedness incurred by an affiliate shall be without recourse to the electric utility.

As described in Subsection II.D.1., any indebtedness incurred by an affiliate of DP&L will be without recourse to DP&L.

Corporate Separation Rule OAC 4901:1-37-04(C)(2) – Unless otherwise approved by the Commission, the financial arrangements of an electric utility are subject to the following restrictions: an electric utility shall not enter into any agreement with terms under which the electric utility is obligated to commit funds to maintain the financial viability of an affiliate.

As described in Subsection II.D.2., DP&L will not enter into any agreement with terms under which it is obligated to commit funds to maintain the financial viability of an affiliate.

Corporate Separation Rule OAC 4901:1-37-04(C)(3) - An electric utility shall not make any investment in an affiliate under any circumstances in which the electric utility would be liable for the debts and/or liabilities of the affiliate incurred as a result of actions or omissions of an affiliate.

As described in Subsection II.D.3., DP&L will not make any investment in an affiliate under any circumstances in which DP&L would be liable for the debts and/or liabilities of such affiliate incurred as a result of actions or omissions of such affiliate.

Corporate Separation Rule OAC 4901:1-37-04(C)(4) - An electric utility shall not issue any security for the purpose of financing the acquisition, ownership or operation of an affiliate.

As described in Subsection II.D.4., DP&L will not issue any security for the purpose of financing the acquisition, ownership or operation of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(C)(5) - An electric utility shall not assume any obligation or liability as a guarantor, endorser, surety, or otherwise with respect to any security of an affiliate.

As described in Subsection II.D.5., DP&L will not assume any obligation or liability as a guarantor, endorser, surety or otherwise with respect to any security of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(C)(6) - An electric utility shall not pledge, mortgage, or use as collateral, any assets of the electric utility for the benefit of an affiliate.

As described in Subsection II.D.6., DP&L will not pledge, mortgage or use as collateral, any assets of DP&L for the benefit of any of its affiliates.

Corporate Separation Rule OAC 4901:1-37-04(D)(1) - The electric utility shall not release any proprietary customer information (e.g., individual customer load profiles or billing histories) to an affiliate, or otherwise, without the prior authorization of the customer, except as required by a regulatory agency or court of law.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also See Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(2) - On or after the effective date of this chapter, the electric utility shall make customer lists, which include name, address and telephone number, available on a nondiscriminatory basis to all nonaffiliated and affiliated certified retail electric service providers transacting business in its service territory, unless otherwise directed by the customer. This provision does not apply to customer-specific information, obtained with proper authorization, necessary to fulfill the terms of a contract, or information relating to the provision of general and administrative support services.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(3) - Employees of the electric utility's affiliates shall not have access to any information about the electric utility's transmission or distribution systems (*e.g.*, system operations, capability, price, curtailments and ancillary services), that is not contemporaneously and in the same form and manner available to a nonaffiliated competitor of retail electric service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(4) - An electric utility shall treat as confidential all information obtained from a competitive retail electric service provider, both affiliated and non-affiliated, and shall not release such information unless a competitive retail electric service provider provides authorization to do so or unless the information was thereafter becomes available to the public other than as a result of disclosure by the utility.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(5) - The electric utility shall not tie (nor allow an affiliate to tie) or otherwise condition the provision of the electric utility's regulated services, discounts, rebates, fee waivers, or any other waivers of the electric utility's ordinary terms and conditions of service, including but not limited to tariff provisions, to the taking of any goods and/or services from the electric utility's affiliates.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(6) – The electric utility shall ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(7) - The electric utility, upon request from a customer, shall provide a complete list of all competitive retail electric service providers operating on the system, but shall not endorse any competitive retail electric service providers or indicate that any competitive retail electric service providers will receive preference because of an affiliate relationship.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(8) – The electric utility shall ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(9) – Employees of the electric utility shall not indicate a preference for an affiliated electric services company.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10) - The electric utility shall provide comparable access to products and services related to tariffed products and services and specifically comply with the following:

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(a) - An electric utility shall be prohibited from unduly discriminating in the offering of its products and/or services.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule 4901:1-37-04(D)(10)(b) - The electric utility shall apply all tariff provisions in the same manner to the same or similarly situated entities, regardless of any affiliation or non-affiliation.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(c) - The electric utility shall not, through a tariff provision, a contract, or otherwise, give its affiliates preference over nonaffiliated competitors of retail electric service or their customers in matters relating to any product and/or service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(d) - The electric utility shall strictly follow all tariff provisions.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(D)(10)(e) - Except to the extent allowed by state law, the electric utility shall not be permitted to provide discounts, rebates, or fee waivers for any state regulated monopoly service.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule 4901:1-37-04(D)(11) – Shared representatives or shared employees of the electric utility and affiliated electric services company shall clearly disclose upon whose behalf their public representations are being made.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-04(E)(1) and (2) – Notwithstanding the foregoing, in a declared emergency situation, an electric utility may take actions necessary to ensure public safety and system reliability. The electric utility shall maintain a log of all such actions that do not comply with this chapter and such log shall be subject to review by the Commission and its staff.

See Section II.E. above which describes DP&L's and its affiliates' obligation to comply with the Code of Conduct. Also, see Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-05(B)(8) - A description and timeline of all planned education and training, throughout the holding company structure, to ensure that electric utility and affiliate employees know and can implement the policies and procedures of this rule.

As described in Section III.C., DP&L has instituted an education and training program to familiarize the employees of DP&L and its affiliates with the requirements of the Amended Corporate Separation Plan. Information will be maintained on the Company website. See Exhibit 4.

Corporate Separation Rule OAC 4901:1-37-05(B)(9) - A copy of a policy statement to be signed by electric utility and affiliate employees who have access to any nonpublic electric utility information, which indicates that they are aware of, have read, and will follow all policies and procedures regarding limitation on the use of nonpublic electric utility information. The statement will include a provision stating that failure to observe these limitations will result in appropriate disciplinary action.

See Exhibit 3.

Corporate Separation Rule OAC 4901:1-37-05(B)(10) - A description of the internal compliance monitoring procedures and the methods for corrective action for compliance.

See Section III.D.

Corporate Separation Rule OAC 4901:1-37-05(B)(14)(a)-(f) - The electric utility shall establish a complaint procedure for the issues concerning compliance with this chapter, which at minimum shall include the following: All complaints, whether written or oral, shall be referred to the General Counsel of the utility or his or her designee. The General Counsel shall orally acknowledge the complaint within five working days of its receipt. The General Counsel shall prepare a written statement of the complaint that shall contain the name of the complainant and a detailed factual report of the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The General Counsel shall communicate the results of the preliminary investigation to the complainant in writing within thirty days after the complaint was received, including a description of any course of action that was taken. The General Counsel shall keep a file in the CAM of all such complaint statements for a period of not

less than three years. This complaint procedure shall not in any way limit the rights of a party to file a complaint with the Commission.

As described in Section II.G. above, DP&L will establish a complaint procedure concerning compliance with the corporate separation rules. Such procedure will follow those described by this rule.

Corporate Separation Rule OAC 4901:1-37-07(A) – The electric utility shall maintain records sufficient to demonstrate compliance with this chapter, and shall produce, upon request of staff, all books, accounts, and/or other pertinent records kept by an electric utility or its affiliates as they may relate to the businesses for which corporate separation is required under Section 4928.17 of the Revised Code, including those required under section 4928.145 of the Revised Code.

As described in Section II.H. above, DP&L will comply with the corporate separation rules relating to the examination of books and pertinent records.

Corporate Separation Rule OAC 4901:1-37-07(B) - The staff may investigate such electric utility and/or affiliate operations and the interrelationship of those operations at the staff's discretion. In addition, the employees and officers of the electric utility and its affiliates shall be made available for informational interviews, at a mutually agreed time and place, as required by the staff to ensure proper separations are being followed.

As described in Section II.H. above, DP&L will comply with the corporate separation rules relating to investigating DP&L and will make available its employees and officers for informational interviews.

Corporate Separation Rule OAC 4901:1-37-07(C) - If such employees, officers, books and records cannot be reasonably made available to the staff in the state of Ohio, then upon request

of the staff, the appropriate electric utility or affiliate shall reimburse the Commission for reasonable travel expenses incurred.

Section II.H. above.

Corporate Separation Rule OAC 4901:1-37-08(A) - Each electric utility that receives products and/or services from an affiliate and/or that provides products and/or services to an affiliate shall maintain information in the CAM, documenting how costs are allocated between the electric utility and affiliates and the regulated and nonregulated operations.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(B) - The CAM will be maintained by the electric utility.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(C) - The CAM is intended to ensure the Commission that no cross-subsidization is occurring between the electric utility and its affiliates.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D) - The CAM will include:

Corporate Separation Rule OAC 4901:1-37-08(D)(1) - An organization chart of the holding company, depicting all affiliates, as well as a description of activities in which the affiliates are involved.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(2) - A description of all assets, services and products provided to and from the electric utility and its affiliates.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(3) - All documentation including written agreements, accounting bulletins, procedures, work order manuals, or related documents, which govern how costs are allocated between affiliates.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(4), (5) and (6) – A copy of the job description of each shared employee. A list of names and job summaries for shared consultants and shared independent contractors. A copy of all transferred employees' (from the electric utility to an affiliate or vice versa) previous and new job descriptions.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(7) - A log of all complaints brought to the utility regarding this rule.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(D)(8) – A copy of the minutes of each board of directors meeting, where it shall be maintained for a minimum of three years.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(E) - The method for charging costs and transferring assets shall be based on fully allocated costs.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(F) - The costs should be traceable to the books of the applicable corporate entity.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(G) - The electric utility and affiliates shall maintain all underlying affiliate transaction information for a minimum of three years.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(H) - Following approval of a corporate separation plan, an electric utility shall provide the director of the utilities department (or their designee) with a summary of any changes in the CAM at least every twelve months.

See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation Rule OAC 4901:1-37-08(I) - The compliance officer designated by the electric utility will act as a contact for the staff when staff seeks data regarding affiliate transactions, personnel transfers, and the sharing of employees.

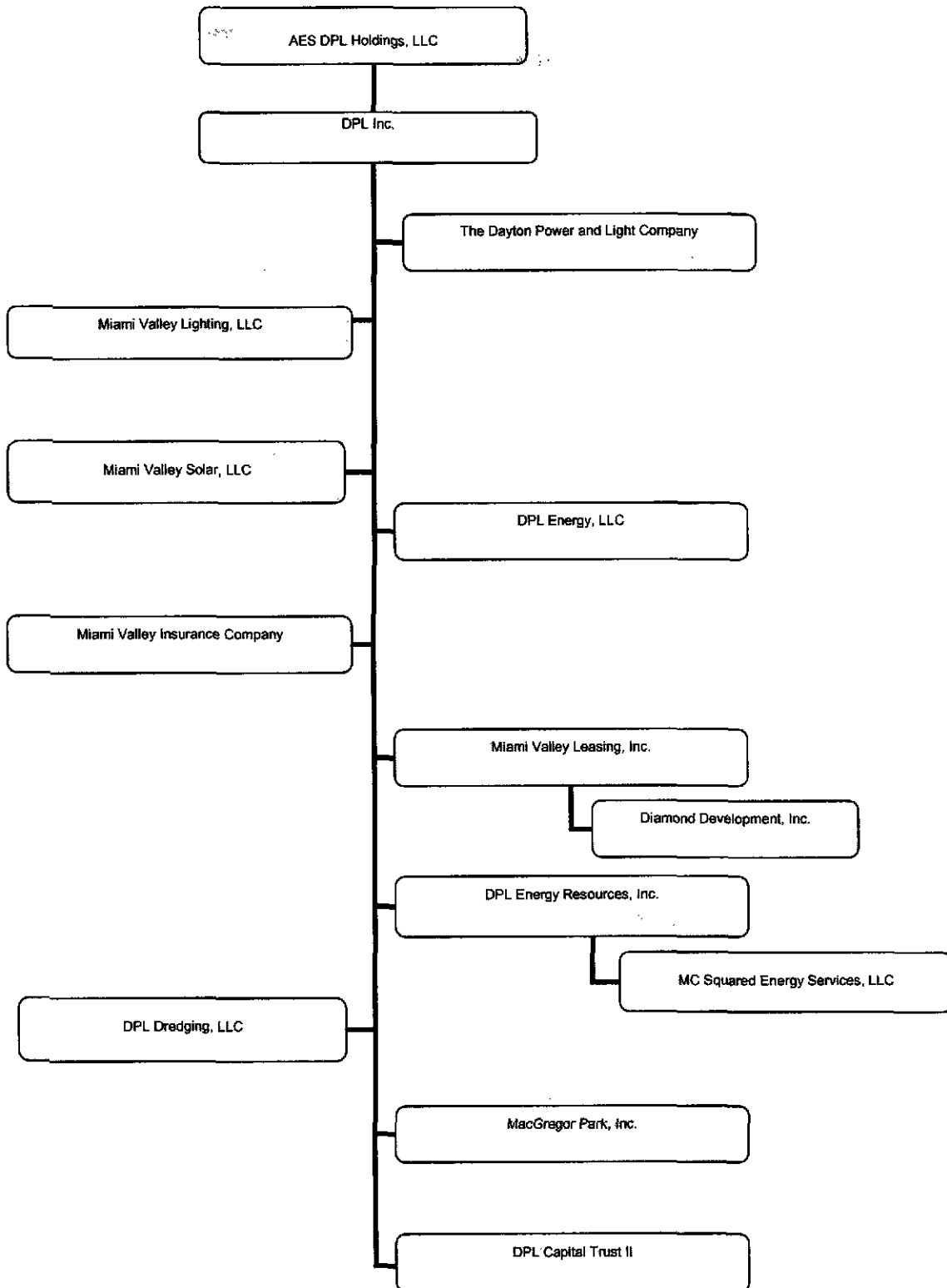
See Section II.F. regarding the adoption and use of a Cost Allocation Manual by DP&L and its affiliates.

Corporate Separation
Exhibit 1
October 5, 2012

DPL Inc. and Subsidiaries

Entity	Business description
DPL Inc.	An Ohio corporation that is a holding company.
The Dayton Power and Light Company	An Ohio corporation that is a regulated electric utility engaged in the businesses of electric generation, transmission and distribution.
DPL Energy, LLC	An Ohio limited liability company that owns and operates electric generation facilities and markets wholesale electric energy.
DPL Energy Resources, Inc.	An Ohio corporation that is a competitive retail electric supplier providing retail electric service.
MC Squared Energy Services, LLC	An Illinois limited liability company that is a competitive retail electric supplier providing retail electric service.
MacGregor Park, Inc.	An Ohio corporation that owns and manages real estate.
Miami Valley Insurance Company	A Vermont corporation that provides insurance to DPL Inc. and its subsidiaries.
Miami Valley Leasing, Inc	An Ohio corporation that owns real estate and leases equipment.
Miami Valley Lighting, LLC	An Ohio limited liability company engaged in the business of street lighting.
Diamond Development, Inc.	An Ohio corporation that buys and sells real estate interests.
Miami Valley Solar, LLC	An Ohio limited liability company that currently has no operations.
DPL Dredging, LLC	An Ohio limited liability company that provides dredging services.
DPL Capital Trust II	A Delaware business trust that was formed for the limited purposes of issuing and selling securities, acquiring debt and engaging in related matters.

DPL Inc.
Organizational Chart
October 5, 2012



DR&I

POLICY STATEMENT

The undersigned has been made aware of, has read and will follow each of the policies and procedures regarding limitations and restrictions on the use of non-public information of The Dayton Power and Light Company ("DP&L") and its affiliates as contained in the Code of Conduct adopted by DP&L and each of its affiliates as part of DP&L's Third Amended Corporate Separation Plan filed with the Public Utilities Commission of Ohio. The undersigned acknowledges that failure by the undersigned to observe these limitations and restrictions will result in appropriate disciplinary action taken against the undersigned.

The undersigned has also been informed that the Cost Allocation Manual requires employees, as part of the Third Amended Corporate Separation Plan, to account for their time so that the appropriate costs and expenses can be reported and correctly accounted for. The undersigned has been given the opportunity to ask questions regarding the Code of Conduct and Cost Allocation Manual and understands the compliance program included therein, including the appropriate method in which complaints are to be handled and the appropriate persons to whom possible violations should be reported. The undersigned has attended one or more training sessions offered by DP&L with regard to the implementation and operation of the Third Amended Corporate Separation Plan.

Signature

Printed Name

Date: _____

Employee Education Plan

The Dayton Power and Light Company ("DP&L" or the "Company") will implement a program to accomplish the training of employees within six months of approval of the Third Amended Corporate Separation Plan. Plan training will reintroduce the plan to employees. In particular, employees will be made aware that the Commission has rules that apply to DP&L and its (1) accounting for costs, (2) employees' use of customer and supplier information, and (3) prohibitions on recommending any particular electric supplier.

Upon approval of the Third Amended Corporate Separation Plan, if necessary, current training materials, whether for a web-based, live or written presentation, will be updated within six weeks. The legal department will contact We Comply, the Company's internet-based training facilitator, and review each page and quiz question, making changes as necessary to ensure that the material accurately presents the Company's policies and obligations. At the same time, materials used for live and written training sessions will be similarly updated.

Two weeks after training materials have been updated and internally approved, each employee with computer access will receive notice that he or she has four weeks to complete the training. Each week for the next three weeks, any of these employees who have not completed the program, will be sent weekly reminders. Those who have still not completed training at the end of four weeks will be individually contacted so that the program is completed. DP&L's web-based training programs create electronic verifications of the training and the time it was completed by each employee.

Following roll-out of web-based training, live and written training will be scheduled for those employees unable to complete training via the internet. This process will be completed as quickly as possible, but six weeks will be scheduled to allow the time necessary to reach employees in outlying locations and to accommodate work schedules.

New employees will receive training on the Company's Third Amended Corporate Separation Plan as part of their new employee orientation. These employees usually receive the web-based program, but occasionally may be trained via a live presentation. The Human Resources Department assigns training to new employees.

Training verification as recorded electronically will be stored on the We Comply server. Verification that other employees have been trained will be kept by DP&L's Legal Department.

Finally, DP&L's Legal and Regulatory staffs will be available on an ongoing basis to answer corporate separation questions and interpret the plan as might be requested.

Corporate Separation Training Timeline

Date from approval of plan	Task
6 weeks	Update all training materials, if necessary.
8 weeks	Notice to begin web-based training, with weekly reminders in weeks 9, 10 and 11.
9 weeks	Live presentations, to the extent necessary, will be arranged and <i>scheduled for completion within the next six weeks.</i> Revised written materials will be distributed to employees who do not have computer access and will not be available for a live presentation <i>and training completed within six weeks.</i>
16 weeks	All employees will have received the new training.
Ongoing	New employees trained as part of new employee orientation. Legal and Regulatory Staffs available to answer questions.

The Dayton Power and Light Company
Case No. 12-026-EL-SSO
Capacity (RPM) and Energy Prices for Delivery Periods

Line (A)	Description (B)	Total (C)	Residential (D)	Residential Heat (E)	Secondary (F)	Primary (G)	Primary Substation (H)	High Voltage (I)	Private Outdoor Lighting (J)	School (K)	Street Lighting (L)	Source (M)
Jan 13 - May 13												
1	Retail Market Price (per MWh)											
2	Weighted Average Auction Price		\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	TFM-2, Page 2, Col (D)
3	Distribution Loss Factor - Energy		1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	DP&L's Loss Study
4	Gross Revenue Conversion Factor		1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	WP-11, Col (C), Line 21
5	Retail Market Price at the Meter (per MWh)		\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	Line 2 * Line 3 * Line 4
6												
7	Forecasted Distribution Billing Determinants (MWh)	5,616,781	1,339,648	838,423	1,613,472	1,189,600	251,866	334,831	12,685	23,611	22,645	WP-8, Col (D) / 1000, Pg 3 - Pg 1 or WP-8, Col (D) / 1000, Pg 4 - Pg 2
8												
9	Total CB Amount	\$250,380,270	\$60,334,349	\$37,903,988	\$72,654,644	\$52,056,496	\$10,898,242	\$14,498,137	\$571,266	\$1,063,203	\$1,019,704	Line 5 * Line 7
10												
11	Retail Capacity Price (per MWh)											
12	Reliability Obligation		1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	Appendix B.2, Line 12
13	Final Zonal Capacity Price		\$16.46	\$16.46	\$16.46	\$16.46	\$16.46	\$16.46	\$16.46	\$16.46	\$16.46	WP-13.1, Col (J)
14	Days in Period		151	151	151	151	151	151	151	151	151	Days in the period
15	Distribution Loss Factor - Demand		1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	DP&L's Loss Study
16	CB Capacity Component	\$8,330,140	\$2,736,315	\$947,159	\$2,764,013	\$1,223,454	\$217,854	\$422,857	\$0	\$28,789	\$0	Line 11 * Line 13 * Line 14 * Line 15
17												
18	Capacity Component as a Percent of Total	3.33%										
19	Capacity Adjustment - POL & Street Lighting	(\$52,977)							(\$19,021)		(\$31,956)	Line 16 / Line 9
20	Additional Capacity Allocation	\$52,977	\$17,338	\$6,023	\$17,378	\$7,781	\$1,385	\$2,689	\$0	\$183	\$0	Line 9 * Line 18, Col (C) -Line 19, Col (C) * Line 16 / Line 16, Col (C)
21												
22	Total Updated CB Capacity Component	\$8,383,118	\$2,743,653	\$953,182	\$2,781,591	\$1,231,234	\$219,240	\$425,546	\$0	\$28,972	\$0	Line 16 + Line 20
23												
24	CB Energy Component	\$241,966,852	\$55,598,035	\$36,356,729	\$69,890,631	\$50,438,442	\$10,880,387	\$14,065,284	\$552,184	\$1,034,415	\$985,748	Line 9 * Line 19 + Line 20 - Line 22
25												
26												
27												
28	Retail Market Price (per MWh)											
29	Weighted Average Auction Price		\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	\$42.71	TFM-2, Page 2, Col (D)
30	Distribution Loss Factor - Energy		1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	DP&L's Loss Study
31	Gross Revenue Conversion Factor		1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	WP-11, Col (C), Line 21
32	Retail Market Price at the Meter (per MWh)		\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	\$45.03	Line 29 * Line 30 * Line 31
33												
34	Forecasted Distribution Billing Determinants (MWh)	13,823,395	3,521,948	1,661,697	4,028,699	2,880,926	620,762	969,428	30,163	54,775	54,075	WP-8, Col (D) / 1000, Pg 1 & Pg 2
35												
36	Total CB Amount	\$415,964,936	\$158,593,318	\$74,226,216	\$181,412,316	\$126,069,322	\$26,860,372	\$41,947,150	\$1,358,430	\$2,464,717	\$2,433,196	Line 32 * Line 34
37												
38	Retail Capacity Price (per MWh)											
39	Reliability Obligation		1.0410	1.0410	1.0410	1.0410	1.0410	1.0410	1.0410	1.0410	1.0410	Appendix B.2, Line 12
40	Final Zonal Capacity Price		\$27.73	\$27.73	\$27.73	\$27.73	\$27.73	\$27.73	\$27.73	\$27.73	\$27.73	WP-13.1, Col (J)
41	Days in Period		365	365	365	365	365	365	365	365	365	Days in the period
42	Distribution Loss Factor - Demand		1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	DP&L's Loss Study
43	CB Capacity Component	\$33,925,754	\$11,102,274	\$3,857,081	\$11,255,791	\$4,982,226	\$887,161	\$1,721,284	\$0	\$117,235	\$0	Line 39 * Line 40 * Line 41 * Line 42
44												
45	Capacity Component as a Percent of Total	8.41%										
46	Capacity Adjustment - POL & Street Lighting	(\$208,913)							(\$74,844)		(\$134,069)	Line 36 * Line 45, Col (C)
47	Additional Capacity Allocation	\$208,913	\$68,371	\$23,753	\$69,317	\$30,682	\$5,463	\$10,605	\$0	\$722	\$0	-Line 46, Col (C) * Line 45 / Line 43, Col (C)
48												
49	Total Updated CB Capacity Component	\$34,132,667	\$11,170,646	\$3,880,834	\$11,325,110	\$5,012,909	\$892,624	\$1,732,888	\$0	\$117,957	\$0	Line 43 + Line 47
50												
51	CB Energy Component	\$381,832,669	\$147,491,044	\$70,969,135	\$170,156,523	\$121,087,095	\$25,973,211	\$40,225,166	\$1,283,486	\$2,547,482	\$2,299,127	Line 36 + Line 46 + Line 47 - Line 49

Jun 13 - May 14

The Dayton Power and Light Company
Case No. 12-426-EL-S50

Capacity (RPM) and Energy Prices for Delivery Periods

Data: Actual and Forecasted
Type of Filing: Revised
Work Paper Reference No(s):

Line	Description	Total (C)	Residential (D)	Residential Heat (E)	Secondary (F)	Primary (G)	Primary Substation (H)	High Voltage (I)	Private Outdoor Loading Pools (J)	School (K)	Street Lighting (L)	Source (M)
1	Retail Market Price (per MWh)											
2	Weighted Average Auction Price	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	TFM-2, Page 2, Col (D)
3	Distribution Loss Factor - Energy	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	DP&LS Loss Study
4	Gross Revenue Concession Factor	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	WP-11, Col (C), Line 21
5	Retail Market Price at the Meter (per MWh)	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	\$64.32	Line 2 * Line 1 + Line 4
6	Forecasted Distribution Billing Determinants (MWh)											
7	Total CB Amount	13,822,395	1,521,548	1,661,697	4,028,699	2,880,926	620,762	969,428	30,165	54,735	\$4,035	WP-8, Col (D) / 1000, Pg 1 & Pg 2
8												Line 5 * Line 7
9		\$879,805,882	\$226,531,695	\$106,880,351	\$259,125,920	\$180,667,876	\$38,363,892	\$49,910,650	\$1,940,213	\$1,520,555	\$3,475,531	
10												
11	Retail Capacity Price (per MWh)											
12	Reliability Obligation	1.0510	1.0510	1.0510	1.0510	1.0510	1.0510	1.0510	-	11.1	-	Appendix B 2, Ln 12
13	Firm Zonal Capacity Price	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	\$174.25	WP-11, Col (I)
14	Days in Period	365	365	365	365	365	365	365	365	365	365	Days in the period
15	Distribution Loss Factor - Demand	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	1.04364	DP&LS Loss Study
16	CB Capacity Component	\$69,764,363	\$69,764,363	\$24,237,154	\$70,729,243	\$31,387,355	\$5,574,749	\$10,820,617	\$0	\$736,684	\$0	Line 12 * Line 11 * Line 14 * Line 15
17												Line 16 / Line 9
18	Capacity Component as a Percent of Total	24.23%	-	-	-	-	-	-	(\$470,114)	-	(\$342,121)	Line 9 * Line 18, Col (C)
19	Capacity Adjustment - POL & Street Lighting	\$1,312,235	\$439,457	\$149,199	\$435,395	\$192,722	\$34,117	\$66,610	\$0	\$4,535	\$0	Line 19, Col (C) * Line 16 / Line 16, Col (C)
20	Additional Capacity Allocation											
21												
22	Total Updated CB Capacity Component	\$214,482,698	\$70,194,619	\$24,386,353	\$71,164,638	\$31,500,077	\$5,609,866	\$10,887,226	\$0	\$741,219	\$0	Line 16 + Line 20
23												
24	CB Energy Component	\$665,323,264	\$156,767,135	\$82,643,197	\$188,396,677	\$148,750,520	\$14,788,343	\$49,090,034	\$1,470,099	\$2,763,871	\$2,633,410	Line 9 * Line 19 + Line 20 + Line 22
25												
26												
27												
28	Retail Market Price (per MWh)											
29	Weighted Average Auction Price	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	\$62.60	TFM-2, Page 2, Col (D)
30	Distribution Loss Factor - Energy	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	1.04687	DP&LS Loss Study
31	Gross Revenue Concession Factor	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	1.0072	WP-11, Col (C), Line 21
32	Retail Market Price at the Meter (per MWh)	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	\$66.01	Line 29 * Line 30 * Line 31
33	Forecasted Distribution Billing Determinants (MWh)											
34	Total CB Amount	13,822,395	3,321,248	1,661,697	4,028,699	2,880,926	620,762	969,428	30,165	54,735	54,055	WP-8,

Jan 13 - May 14 Rates														Jan 14 - May 15 Rates													
Usage / Allowance				Rate Calculation						Usage / Allowance				Rate Calculation													
Line	Description	Estimated Billing Demand kW, kW	Percent of Revenue (D)	Allocated Capacity Code	Allocated Energy Cost (F)	Allocated Revenue (G)	Rules (see kWh, kW) (H)	Percent of Revenue (I)	Estimated Billing Demand kW, kW & Fig. 2	Allocated Capacity Code	Allocated Energy Cost (L)	Allocated Revenue (M)	Rules (see kWh, kW) (N)														
(D) = Wt-8, Col (D), Pg. 3 & Fig. 4 (F) = App B, Pg. 1, Line 24 + 51 (G) = (F) * (H) (I) = Wt-8, Col (D), Pg. 1 & Fig. 2 (K) = App B, Pg. 2, Line 16 (L) = App B, Pg. 2, Line 18 (M) = (L) * (K) (N) = (M) / (L)																											
Residential																											
1	Energy	3,321,031.876	49.78%		\$312,114.943	\$164,817.072	\$0.0406173	49.88%	2,366,727.882		\$233,903.470	\$150,774.783	\$0.0637060														
2	Over 750 kWh	1,540,565.379	19.73%			\$63,238.334	\$0.0424055	20.80%	1,155,219.817			\$62,872.245	\$0.0544215														
Residential Heating																											
7	Energy	1,221,997.733	18.35%			\$60,755.049	\$0.0406173	17.98%	853,219.021			\$54,156.431	\$0.0637060														
8	Summer, Over 750 kWh	217,781.121	2.79%			\$9,255.116	\$0.0424055	3.91%	217,234.907			\$11,822.354	\$0.0544215														
9	Winter, Over 750 kWh	1,048,441.764	9.56%			\$50,596.766	\$0.0286094	7.42%	591,233.153			\$22,455.938	\$0.0379477														
Secondary																											
11	Demand				\$14,106.761	\$2,040,047.154						\$51,434.511															
12	Over 5 kW	15,867.506	100.00%			\$14,106.761	\$0.8860767	100.00%	11,325.958			\$51,434.511	\$4.542945														
Primary																											
20	Demand				\$6,244.143	\$171,920.518			6,282.027			\$22,766.800															
21	All kW	8,816.080	100.00%			\$6,244.143	\$0.7062675	100.00%	6,282.027			\$22,766.800	\$1.6241168														
22	Energy	4,074,523.833	100.00%			\$171,920.518	\$0.0423355	100.00%	2,880,926.133			\$140,408.065	\$0.0487557														
Primary Substation																											
26	Demand				\$1,111.864	\$56,655.598			1,071.435			\$4,053.973															
27	All kW	1,504.383	100.00%			\$1,111.864	\$0.7367885	100.00%	1,071.435			\$4,053.973	\$3.7836857														
28	Energy	872,622.653	100.00%			\$56,655.598	\$0.0420037	100.00%	620,761.842			\$30,702.458	\$0.0454593														
High Voltage																											
31	Demand				\$2,158.134	\$54,290.446			1,842.383			\$7,868.784															
32	All kW	2,223.426	100.00%			\$2,158.134	\$0.833297	100.00%	1,842.383			\$7,868.784	\$1.2658228														
33	Energy	1,304,259.195	100.00%			\$54,290.446	\$0.0416255	100.00%	969,427.850			\$46,418.845	\$0.0779827														
Private Outdoor Lighting																											
38	Demand				\$0	\$1,835.670					\$0	\$1,416.799															
39	Energy	516.965	1.21%			\$22,146	\$0.0428188	1.20%	362,577			\$17,070	\$0.069581														
40	28/00 Lumens High Pressure Sodium	628.144	1.47%			\$26,909	\$0.0428188	1.46%	459,197			\$20,628	\$0.065681														
41	70/00 Lumens Mercury	29,238.909	68.28%			\$1,255,417	\$0.0428188	68.36%	20,602,916			\$967,680	\$0.0469681														
42	21/00 Lumens Mercury	11,877.669	27.72%			\$508,825	\$0.0428188	27.71%	8,360,224			\$392,664	\$0.0469681														
43	25/0 Lumens Mercury	6,178	0.01%			\$265	\$0.0128188	0.01%	4,320			\$209	\$0.0469681														
44	7000 Lumens Incandescent	16,946	0.04%			\$756	\$0.0428188	0.04%	11,792			\$554	\$0.0469681														
45	4200 Lumens PT Mercury	545,809	12.79%			\$23,182	\$0.0128188	1.27%	181,059			\$18,040	\$0.0469681														
School																											
47	Demand				\$146,929	\$3,181.896						\$535,219															
48	Energy	78,136.152	100.00%			\$3,284.875	\$0.0450415	100.00%	54,734.766			\$1,190,496	\$0.0282601														
Streetlighting																											
51	Demand				\$0						\$0																
52	Energy	76,680.429	100.00%			\$3,284.875	\$0.0428188	100.00%	54,035.176			\$2,517.913	\$0.0469681														
53	All kW																										

[illegible]

Date: Actual and Forecasted
Type of Filing: Revised
Work Paper Reference No(s): WP-8

The Dayton Power and Light Company
Case No. 12-424-EL-SSO
Capacity (RPM) and Energy Prices for Delivery Periods

Appendix B.1
Page 3 of 3
Witness Responsible: Emily Rabb

Jan 17 - May 18 Rates							
Usage / Allocations			Rate Calculations				
Line (A)	Description (B)	Forecasted Billing Demand kWh, kW (C)	Percent of Revenue (D)	Allocated Capacity Cost (E)	Allocated Energy Cost (F)	Allocated Revenue (G)	Rate (per kWh, kW) (H)
(C) = WP-8, Col (D) Pg 1 & Pg 2 (E) = App B, Pg 3, Line 49 (F) = App B, Pg 3, Line 51 (G) = (D) * (F) (H) = (G) / (C)							
1	Residential						
2	Energy						
3	First 750 kWh	2,366,727.882	49.88%			\$170,996,417	\$0.0722501
4	Over 750 kWh	1,155,219.817	20.80%			\$71,304,553	\$0.0617238
5							
6	Residential Heating						
7	Energy						
8	First 750 kWh	853,239.023	17.98%			\$63,646,637	\$0.0722501
9	Summer, Over 750 kWh	217,224.907	3.91%			\$13,407,946	\$0.0617238
10	Winter, Over 750 kWh	591,231.331	7.42%			\$25,445,027	\$0.0430372
11							
12	Secondary						
13	Demand						
14	Over 5 kW	11,325.938	100.00%	\$77,366,142	\$189,140,952	\$77,266,142	\$6.8220403
15	Energy						
16	First 1,500 kWh	524,434.839	23.86%			\$45,130,009	\$0.0860546
17	Next 123,500 kWh	2,845,950.876	65.06%			\$119,275,878	\$0.0419107
18	Over 125,000 kWh	658,313.111	13.08%			\$24,715,046	\$0.0375734
19							
20	Primary						
21	Demand						
22	All kW	6,292,027	100.00%	\$14,240,826	\$150,790,981	\$14,240,826	\$5.442342
23	Energy						
24	All kWh	2,880,926,133	100.00%			\$150,790,981	\$0.0523411
25							
26	Primers Substation						
27	Demand						
28	All kW	1,071,455	100.00%	\$6,089,975	\$73,116,005	\$6,089,975	\$5.6839425
29	Energy						
30	All kWh	620,761,842	100.00%			\$33,316,005	\$0.0536695
31							
32	High Voltage						
33	Demand						
34	All kW	1,842,885	100.00%	\$11,820,674	\$49,732,760	\$11,820,674	\$6.4142291
35	Energy						
36	All kWh	969,427,850	100.00%			\$49,732,760	\$0.0513011
37							
38	Private Outdoor Lighting						
39	Energy						
40	9500 Lumens High Pressure Sodium	943,577	1.20%	\$0	\$1,380,849	\$17,799	\$0.0189014
41	28000 Lumens High Pressure Sodium	430,187	1.46%			\$21,561	\$0.0496914
42	7000 Lumens Mercury	20,602,916	68.30%			\$1,031,427	\$0.0500114
43	21000 Lumens Mercury	8,360,224	27.71%			\$410,415	\$0.0490914
44	2300 Lumens Fluorescent	4,320	0.01%			\$212	\$0.0490914
45	7000 Lumens Fluorescent	11,792	0.04%			\$579	\$0.0490914
46	4000 Lumens PT Mercury	384,099	1.27%			\$18,856	\$0.0469518
47							
48	School						
49	Energy						
50	All kWh	54,794,766	100.00%	\$504,770	\$2,815,211	\$3,317,980	\$0.0611002
51							
52	Streets Lighting						
53	Energy						
54	All kWh	\$4,035,176	100.00%	\$0	\$2,652,667	\$2,652,667	\$0.0490915

Appendix B.2
Page 1 of 1
Witness Responsible: Emily Rabb

Date: Actual and Forecasted
Type of Filing: Revised
Work Paper Reference No(s)

Line (A)	Description (B)	Total (C)	Residential (D)	Residential Heat (E)	Secondary (F)	Primary (G)	Primary Substation (H)	High Voltage (I)	Private Outdoor Lighting (J)	School (K)	Street Lighting (L)
1	5 CP by Tariff Class - total distribution system										
2	Class Load (kW) ¹	2,809,632	914,166	317,594	926,807	418,303	75,862	147,248	-	9,653	-
3	Class Percent	100.00%	32.54%	11.30%	32.99%	14.89%	2.70%	5.24%	0.00%	0.34%	0.00%

	Reliability Obligation by Class									
	Total Zonal Load	Residential	Residential Heat	Secondary	Primary	Primary Substation	High Voltage	Private Outdoor Lighting	School	Street Lighting
	(MW)	Col (C) * Col (D), Ln 3	Col (C) * Col (E), Ln 3	Col (C) * Col (F), Ln 3	Col (C) * Col (G), Ln 3	Col (C) * Col (H), Ln 3	Col (C) * Col (I), Ln 3	Col (C) * Col (J), Ln 3	Col (C) * Col (K), Ln 3	Col (C) * Col (L), Ln 3
DP&L's Distribution Load Obligation	3,230 ^2	1,051.0	365.1	1,065.6	480.9	87.2	169.3	-	11.1	-

Source:
 ^1 Internal Documents
 ^2 Total Zonal Load for Dayton was obtained from the PJM website less the portion that relates to non-jurisdiction load.

The Dayton Power and Light Company
Case No. 12-426-EL-SSO
Revenue Allocator

Data, Actual and Forecasted
Type of Filing: Revised
Work Paper Reference No(s): None
Appendix B.3
Page 1 of 1
Witness Responsible: Emily Rabb

Line (A)	Description (B)	12 Months			17 Months			5 Months		
		Historical Billing Determinants (C)	Total Revenue ¹ (D)	Energy Revenue Allocator (E)	Historical Billing Determinants (F)	Total Revenue ¹ (G)	Energy Revenue Allocator (H)	Historical Billing Determinants (I)	Total Revenue ¹ (J)	Energy Revenue Allocator (K)
1	Residential									
2	Energy Charge	2,384,333,317	\$220,606,387	49.88%	3,337,191,100	\$308,767,933	49.78%	952,857,783	\$88,161,547	49.52%
3	0-750 kWh	1,163,813,178	\$91,991,634	20.80%	1,548,059,335	\$122,363,718	19.73%	384,246,157	\$30,372,084	17.06%
4	Over 750 kWh									
5										
6	Residential Heating									
7	Energy Charge	859,586,032	\$79,531,736	17.98%	1,229,953,368	\$113,799,344	18.35%	370,367,336	\$34,267,608	19.25%
8	0-750 kWh									
9	Over 750 kWh (S)	218,840,783	\$17,297,898	3.91%	218,840,783	\$17,297,898	2.79%	-	\$0	0.00%
10	Over 750 kWh (W)	595,631,375	\$32,827,211	7.42%	1,053,442,705	\$38,058,704	9.36%	457,811,330	\$25,231,493	14.17%
11										
12	GS Secondary									
13	Billed Demand - Over 5.0 kW	11,247,952	\$105,969,172		15,800,763	\$148,862,118		4,552,813	\$42,892,946	
14	Energy Charge									
15	0-1500 kWh	528,335,966	\$52,726,080	23.86%	749,669,666	\$74,814,409	24.18%	221,333,700	\$22,088,329	24.99%
16	1501 - 125,000 kWh	2,867,121,120	\$139,351,815	63.06%	4,009,495,928	\$194,875,134	62.99%	1,142,374,808	\$55,523,300	62.82%
17	Over 125,000 kWh	663,210,423	\$28,898,333	13.08%	910,458,864	\$39,671,788	12.82%	247,248,441	\$10,773,455	12.19%
18										
19	GS Primary									
20	Billed Demand - All kW	6,237,618	\$72,641,450		8,776,794	\$102,211,944		2,539,176	\$29,570,494	
21	Reactive Demand - All kVar	3,761,537	\$0		5,310,673	\$0		1,549,136	\$0	
22	Energy Charge - All kWh	2,902,356,547	\$126,511,110		4,090,331,888	\$178,293,886		1,187,975,341	\$51,782,776	
23										
24	GS Primary-Substation									
25	Billed Demand - All kW	1,064,057	\$13,065,655		1,498,653	\$18,402,389		434,597	\$5,336,534	
26	Reactive Demand - All kVar	592,773	\$0		839,824	\$0		247,051	\$0	
27	Energy Charge - All kWh	625,379,518	\$25,769,826		876,873,618	\$36,133,068		251,494,100	\$10,363,242	
28										
29	GS High Voltage									
30	Billed Demand - All kW	1,879,651	\$22,568,638		2,611,750	\$31,358,584		732,079	\$8,789,946	
31	Reactive Demand - All kVar	837,843	\$0		1,179,001	\$0		341,159	\$0	
32	Energy Charge - All kWh	976,639,156	\$39,970,618		1,363,652,571	\$55,809,800		387,013,415	\$15,839,182	
33										
34	Private Outdoor Lighting									
35	Energy Charge - per lamp									
36	9500 Lumens High Pressure Sodium	9,366	\$18,132		13,320	\$25,786		3,954	\$7,655	
37	28000 Lumens High Pressure Sodium	4,609	\$20,653		6,575	\$29,462		1,966	\$8,810	
38	7000 Lumens Mercury	276,749	\$1,030,300		392,017	\$1,459,427		115,268	\$429,127	
39	21000 Lumens Mercury	54,691	\$393,129		77,503	\$557,106		22,812	\$163,977	
40	2500 Lumens Incandescent	68	\$277		97	\$395		29	\$118	
41	7000 Lumens Fluorescent	180	\$954		258	\$1,368		78	\$414	
42	4000 Lumens PT Mercury	8,999	\$65,939		12,755	\$93,461		3,756	\$27,522	
43										
44	School Rate									
45	Energy Charge - All kWh	55,141,923	\$4,682,829		78,727,363	\$6,685,780		23,585,440	\$2,002,951	
46										
47	Street Lighting									
48	Energy Charge - All kWh	54,437,128	\$2,621,659		77,053,535	\$3,710,852		22,616,407	\$1,089,193	
49										

Source: ¹Billing Determinants multiplied by Columns (E) thru (G) on Schedule 1 and Column (C) on Schedule 3

