

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)	
Dayton Power and Light Company to)	
Establish a Standard Service Offer in)	Case No. 12-426-EL-SSO
The Form of an Electric Security Plan)	

TESTIMONY OF

ROGER D. RUCH

ON BEHALF OF

FIRSTENERGY SOLUTIONS CORP.

PUBLIC VERSION

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Roger D. Ruch. I am employed by FirstEnergy Service Company
3 (“FESC”) as the Director, Rates Support in our Rates and Regulatory Affairs
4 organization. My business address is 76 South Main Street, Akron, Ohio 44308.

5 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND**
6 **PROFESSIONAL BACKGROUND AND QUALIFICATIONS.**

7 A. I hold a Bachelor of Science in Business Administration degree with a major in
8 Accounting from The Ohio State University. I am a certified public accountant in
9 the state of Ohio and a member of both the American Institute of Certified Public
10 Accountants and the Ohio Society of Certified Public Accountants. Prior to
11 working for FirstEnergy Corp., I was employed by Coopers & Lybrand LLP for
12 eleven years and Sealy Mattress Company for two and a half years. I have been
13 employed by subsidiaries of FirstEnergy Corp. for 14 years. During that time I
14 have worked in various roles within FESC and FirstEnergy Solutions Corp.
15 (“FES”). My present duties and responsibilities include oversight of the analytical
16 support required for regulatory filings, primarily at the federal level, including
17 determination of revenue requirements, rate case preparation, class cost of service
18 studies, regulatory finance, competitive bidding processes and monitoring and
19 participating in PJM Interconnection, L.L.C. (“PJM”) rule modification
20 stakeholder processes.

21 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

22 A. I am testifying on behalf of FES.

23 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION?**

1 A. No I have not.

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

3 A. The purpose of my testimony is to demonstrate that the ESP proposed by Dayton
4 Power and Light Company (“DP&L”, or the “Company”) is not more favorable in
5 the aggregate than an MRO. Specifically, I will address the Aggregate Price Test
6 sponsored by Company witness Malinak and show that, after a series of necessary
7 corrections and adjustments, the proposed ESP will cost the customers of DP&L
8 [BEGIN CONFIDENTIAL] \$[REDACTED]million [END CONFIDENTIAL] more than
9 an MRO. Further, I will demonstrate that any non-quantifiable benefits that may
10 be realized by customers as a result of the proposed ESP do not offset this
11 quantifiable cost to the DP&L customers. Finally, I will show that the proposed
12 ESP would provide DP&L with almost \$1 billion of above market revenues over
13 the term of the ESP.

14 **Q. PLEASE BRIEFLY DESCRIBE THE AGGREGATE PRICE TEST**
15 **DEVELOPED BY COMPANY WITNESS MALINAK.**

16 A. In Exhibit RJM-1 (Second Revised), Company witness Malinak claims that the
17 proposed ESP provides quantifiable benefits to customers of nearly \$120 million
18 over the term of the proposed ESP. Witness Malinak assumes that the amount of
19 proposed Service Stability Rider (“SSR”) revenue would be the same under an
20 MRO or the proposed ESP (namely, \$137.5 million per year). Hence, the totality
21 of the purported quantifiable benefit of the proposed ESP is attributable to DP&L’s
22 claim that the proposed ESP provides a quicker transition to full market pricing
23 than that which would occur under an MRO. Under both the proposed ESP and

1 an MRO, the effective bypassable generation charges reflect a blend of current
2 ESP pricing and market pricing. Since the current ESP pricing is higher than
3 DP&L's estimated market pricing over the term of the proposed ESP, the blended
4 pricing under the ESP is lower overall than the blended pricing under an MRO,
5 thereby providing a quantifiable benefit to DP&L's non-shopping customers.
6 Based on DP&L's assumptions, this quantifiable benefit is nearly \$120 million
7 from January 1, 2013 through May 31, 2018.

8 **Q. DO YOU AGREE WITH DP&L WITNESS MALINAK'S CALCULATION**
9 **OF THE AGGREGATE PRICE TEST?**

10 A. No, I do not. There are a number of corrections and adjustments that should be
11 made to the Aggregate Price Test to more accurately reflect the impact of the
12 proposed ESP on DP&L customers as compared to an MRO.

13 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED CORRECTIONS AND**
14 **ADJUSTMENTS TO THE AGGREGATE PRICE TEST.**

15 A. I recommend the following corrections and adjustments to the Aggregate Price
16 Test presented by DP&L witness Malinak, each of which is described in more
17 detail later on in my testimony:

- 18 1. SSR Revenue – There should be no SSR revenue assumed on the MRO side of
19 the Aggregate Price Test, and the SSR revenue assumed on the ESP side of the
20 Aggregate Price Test should be modified to better align with the appropriate
21 sales for each period of the ESP term.
- 22 2. Timing – The time period covered by the Aggregate Price Test should be
23 modified to reflect the term of the proposed ESP.

- 1 3. MRO Blending Percentages – The percentages at which the estimated market
- 2 prices are blended on the MRO side of the comparison should properly align
- 3 with the statute and be consistent with the methodology used in comparable
- 4 cases.
- 5 4. Shopping Levels – The assumed shopping levels used in the Aggregate Price
- 6 Test should be updated to reflect DP&L’s projections.
- 7 5. Switching Tracker – The switching tracker should be included in the Aggregate
- 8 Price Test as a cost of the proposed ESP.
- 9 6. Rider AER-N Revenue – Any revenue to be recovered through the proposed
- 10 Rider AER-N should be recognized as a cost of the proposed ESP.

11 **Q. WHAT IS THE OVERALL IMPACT OF INCORPORATING YOUR**

12 **RECOMMENDED CORRECTIONS AND ADJUSTMENTS INTO DP&L’S**

13 **AGGREGATE PRICE TEST?**

- 14 A. Incorporating the above corrections and adjustments into the Aggregate Price Test
- 15 developed by Company witness Malinak results in an MRO being more favorable
- 16 than the proposed ESP by [BEGIN CONFIDENTIAL] \$ [REDACTED] million [END
- 17 CONFIDENTIAL], as summarized in the following table.

18 [BEGIN CONFIDENTIAL]

Adjustment Description	ESP Cost (Benefit)	
	Incremental	Cumulative
<i>\$ in millions</i>		
As Filed - Exhibit RJM-1 (Second Revised)		\$ (119.98)
Adjustment 1 - SSR Revenue	\$ 687.50	\$ 567.52
Adjustment 2 - Timing	\$ 11.70	\$ 579.22
Adjustment 3 - MRO Blending Percentages	\$ 17.16	\$ 596.38
Adjustment 4 - Shopping Levels	[REDACTED]	
Adjustment 5 - Switching Tracker		
Adjustment 6 - Rider AER-N	\$ 3.30	[REDACTED]

1 **[END CONFIDENTIAL]**

2 **Q. PLEASE DESCRIBE YOUR FIRST RECOMMENDED ADJUSTMENT**
3 **TO THE AGGREGATE PRICE TEST.**

4 A. In Exhibit RJM-1 (Second Revised), Company witness Malinak assumes that the
5 amount of revenue under the proposed SSR would be the same under an MRO or
6 the proposed ESP. As discussed in more detail below, this assumption is
7 inappropriate and inconsistent with prior Commission precedent. Instead, I am
8 recommending that the SSR revenue be counted as a cost of the proposed ESP
9 only, with no offsetting cost under an MRO.

10 **Q. ARE YOU TAKING A POSITION ON THE VALIDITY OF DP&L'S**
11 **PROPOSED SSR MECHANISM OR ON THE LEVEL OF THE**
12 **PROPOSED SSR REVENUE?**

13 A. No, I am not taking a position on the establishment of the SSR mechanism or on
14 the level of proposed SSR revenue over the term of the ESP. My testimony is
15 simply intended to address the treatment of the proposed SSR in the Aggregate
16 Price Test offered by Company witness Malinak.

17 **Q. HAVE MECHANISMS SIMILAR TO DP&L'S PROPOSED SSR BEEN**
18 **APPROVED BY THE COMMISSION IN OTHER RECENT CASES IN**
19 **OHIO?**

20 A. Yes. In Case No. 11-346-EL-SSO ("AEP ESP 2"), AEP proposed (and
21 eventually received Commission approval) to implement a non-bypassable
22 Retail Stability Rider ("RSR") charge over the term of its ESP. Also, in Case No.
23 11-3549-EL-SSO (the "Duke ESP"), Duke Energy Ohio ("Duke") received

1 approval to implement a non-bypassable Electric Security Stability Charge Rider
2 (“ESSC”). In fact, DP&L specifically draws a direct comparison between its
3 proposed SSR and AEP’s RSR. As mentioned in the testimony of Company
4 witness Herrington and further explained in the testimony of Company witness
5 Chambers, the proposed SSR “would give DP&L an opportunity to earn a
6 reasonable ROE”, which, DP&L argues, is analogous to the rationale employed
7 by the Commission in its handling of the RSR in the AEP ESP 2 Case.¹

8 **Q. HOW WAS THE RSR TREATED BY THE COMMISSION FOR**
9 **PURPOSES OF COMPARING THE QUANTIFIABLE BENEFITS OF**
10 **THE ESP VS. AN MRO IN THE AEP ESP 2 CASE?**

11 A. In the PUCO Order in the AEP ESP 2 Case, the Commission determined that the
12 RSR should be treated as a cost of AEP’s ESP with no offsetting cost under the
13 MRO: “Likewise, we [the PUCO] must consider the costs associated with the
14 RSR of approximately \$388 million in our quantitative analysis.”² The
15 Commission later refers to the RSR revenue throughout the term of the ESP as
16 “the quantifiable costs of \$388 million under the RSR.”³

17 **Q. HOW WAS THE ESSC TREATED FOR PURPOSES OF COMPARING**
18 **THE QUANTIFIABLE BENEFITS OF THE ESP VS. AN MRO IN THE**
19 **DUKE ESP?**

20 A. In its quantitative analyses of the ESP as compared to an MRO, Duke included its
21 ESSC as a cost of the ESP for each year the ESSC was to be in effect with no

¹ Second Revised Direct Testimony of Philip R. Herrington (“Herrington Direct”), p. 3.

² Case No. 11-346-EL-SSO, PUCO Order, p. 75.

³ Case No. 11-346-EL-SSO, PUCO Order, p. 75.

1 offsetting cost assumed under the MRO side of the comparison.⁴ In its November
2 22, 2011 Order, the Commission accepted this quantitative analysis as part of its
3 approval of the Duke ESP.⁵

4 **Q. HOW SHOULD DP&L'S PROPOSED SSR BE TREATED FOR**
5 **PURPOSES OF THE AGGREGATE PRICE TEST?**

6 A. Consistent with Commission precedent in the AEP ESP 2 case and the Duke ESP
7 case, the SSR should be treated as a cost of the proposed ESP with no assumed
8 offset under the MRO. Specifically, line 21 of Exhibit RJM-1 (Second Revised)
9 should reflect zero for all periods, resulting in a reduction of the purported benefit
10 of DP&L's proposed ESP of \$687.5 million.⁶ The SSR revenues assumed on the
11 ESP side of the Aggregate Price Test should also be modified slightly. My
12 understanding of DP&L's application is that DP&L is seeking to recover \$137.5
13 million through the SSR for each 12-month period of the proposed ESP.⁷ The
14 Aggregate Price Test shown in Exhibit RJM-1 (Second Revised), though, shows
15 \$137.5 million of SSR revenue for each period of the test, even though, for
16 example, the first period is 17 months. Hence, a more appropriate presentation of
17 the SSR revenues assumed under the ESP side of the Aggregate Price Test (line
18 22 of Exhibit RJM-1 (Second Revised)) would be to align the revenues with the
19 appropriate sales for each period of the proposed ESP. This realignment of SSR

⁴ Case No. 11-3549-EL-SSO. *See* WDW SUPP-1: Better in the Aggregate Test.

⁵ Case No. 11-3549-EL-SSO, PUCO Opinion and Order, p. 47.

⁶ It should be noted that line 21 of Exhibit RJM-1 (Second Revised) shows a total of \$690 million even though the sum of the periods totals \$687.5 million; this is presumably due to rounding as noted on Exhibit CLJ-2. For purposes of my analysis, the total on line 22 was re-calculated as the sum of the periods.

⁷ "DP&L seeks a nonbypassable SSR of \$137.5 million annually through the ESP term." DP&L Application, p. 8.

1 revenue has no impact on the Aggregate Price Test because the nominal SSR
2 revenue assumed under the ESP is still \$687.5 million over the ESP term.
3 Additional details are provided on Exhibit RDR-1 WP.

4 **Q. DOES THE FACT THAT DP&L INCLUDED A PROPOSED**
5 **MECHANISM COMPARABLE TO THE SSR IN ITS INITIAL MRO**
6 **FILING ALTER YOUR CONCLUSION?**

7 A. No. While DP&L did propose a mechanism comparable to the SSR in their initial
8 MRO filing in this case, (albeit at an annual amount of approximately \$73 million
9 as compared to \$137.5 million being proposed in the ESP), there is no evidence
10 that the Commission would approve a similar SSR mechanism at all under an
11 MRO, let alone an SSR at an amount equal to what DP&L is proposing under the
12 ESP. DP&L's initial MRO filing in this case was eventually withdrawn so any
13 assumed Commission action on the mechanism comparable to the SSR is
14 misplaced and irrelevant.

15 **Q. DOES COMPANY WITNESS MALINAK DISCUSS ANY ALTERNATIVE**
16 **SCENARIOS FOR THE AGGREGATE PRICE TEST OTHER THAN**
17 **WHAT IS PRESENTED IN EXHIBIT RJM-1 (SECOND REVISED)?**

18 A. Yes. Company witness Malinak suggests an alternative scenario based on the
19 assumption that "under an MRO DP&L would have requested an SSR that was
20 just large enough so that total customer charges (and DP&L revenue) were the
21 same as under the ESP." Company witness Malinak argues that the ESP and the

1 MRO would be equivalent under the Aggregate Price Test under this alternative
2 scenario.⁸

3 **Q. DOES THIS ALTERNATIVE SCENARIO HAVE AN IMPACT ON YOUR**
4 **ANALYSIS, PARTICULARLY AS IT PERTAINS TO YOUR FIRST**
5 **SUGGESTED ADJUSTMENT?**

6 A. No, it does not. This alternative scenario suggested by Company witness Malinak
7 again assumes an outcome related to the proposed SSR under an MRO. As
8 discussed above, there is no evidence of such an outcome, nor is there reason to
9 believe that the Commission would approve an MRO that incorporates a
10 mechanism similar to the proposed SSR. Since the only appropriate cost of the
11 SSR under an MRO is zero as part of the Aggregate Price Test (consistent with
12 prior Commission precedent), this alternative scenario suggesting an SSR greater
13 than zero but less than the level proposed under the ESP has no impact on the
14 results of my analysis.

15 **Q. IS THERE A SITUATION WHERE AN SSR, AT ANY LEVEL, SHOULD**
16 **BE ASSUMED UNDER AN MRO FOR PURPOSES OF THE ESP VS.**
17 **MRO TEST?**

18 A. No. Even if the Commission determined that an SSR was appropriate under an
19 MRO, which I disagree with, the SSR should not be included on the MRO side of
20 the comparison. My understanding of the intent of the ESP vs. MRO test is to
21 compare the expected pricing of the proposed ESP to market-based prices, i.e., an
22 MRO, recognizing that market pricing could potentially be blended in over time.

⁸ Second Revised Direct Testimony of R. Jeffrey Malinak (“Malinak Direct”), p. 12.

1 In the Aggregate Price Test presented by DP&L, the only market-based prices are
2 the expected results of the competitive bid process (see RJM-1 (Second Revised),
3 line 3), which are assumed to be blended in with current ESP pricing over time.⁹
4 Accordingly, these are the only prices that should be recognized on the MRO side
5 of the comparison. The only appropriate price of the SSR under an MRO for
6 purposes of the Aggregate Price Test is zero.

7 **Q. PLEASE DESCRIBE YOUR SECOND RECOMMENDED ADJUSTMENT**
8 **REGARDING THE TIME PERIOD COVERED BY THE AGGREGATE**
9 **PRICE TEST.**

10 A. According to the Company's application, the term of the proposed ESP is January
11 1, 2013 through December 31, 2017. The Aggregate Price Test presented by
12 Company witness Malinak, though, covers the time period January 1, 2013
13 through May 31, 2018. Thus, as an initial matter, the Aggregate Price Test should
14 be adjusted to align with the term of the proposed ESP, as there is no reason to
15 show five months of sales and revenues which are not part of the ESP term.
16 Specifically, the forecasted sales on lines 33-34 of the column labeled "6/2017 –
17 5/2018" in Exhibit RJM-1 (Second Revised) should reflect June 1, 2017 through
18 December 31, 2017 instead of June 1, 2017 through May 31, 2018.¹⁰

⁹ The proposed blending percentages under an MRO used by DP&L for purposes of the Aggregate Price Test are discussed below in my third recommended adjustment.

¹⁰ The Aggregate Price Test presented in Exhibit RJM-1 (Second Revised) assumes a start date for the proposed ESP of January 1, 2013. While this date has passed without a Commission decision on the proposed ESP, for consistency with the presentation of the Aggregate Price Test in Exhibit RJM-1 (Second Revised), I also assume a start date of January 1, 2013.

Q. WHAT IS THE IMPACT OF YOUR SECOND RECOMMENDED ADJUSTMENT ON THE RESULTS OF THE AGGREGATE PRICE TEST?

A. Aligning the Aggregate Price Test with the appropriate term of the ESP through a reduction to the forecasted sales associated with the period January 1, 2018 through May 31, 2018 reduces the claimed benefit of the proposed ESP by \$11.70 million. This is because the purported price benefit of the ESP in the last 7 months of the ESP (Exhibit RJM-1 (Second Revised), line 12) is applied to a lower amount of SSO load following the exclusion of the five months of sales that are beyond the ESP term. Additional details are provided in the table below and on Exhibit RDR-1 WP.

Adjustment 2 - Modify Time Period Covered by Analysis to Align with Proposed ESP Term			
Line	Line Description	Amount	Source / Calculation
(1)	Total Load (TWh)		
(2)	DP&L Proposed - 6/2017 - 5/2018	13.82	Source: Exhibit RJM-1 (Second Revised), Line 34
(3)	Adjustment to Remove 1/2018 - 5/2018	(5.62)	Source: DP&L Workpaper 8A
(4)	Adjusted for 6/2017 - 12/2017 Only	8.21	Calculation: Line 2 + Line 3
(5)			
(6)	Switching % - 6/2017 - 5/2018	61.70%	Source: Exhibit RJM-1 (Second Revised), Line 32
(7)			
(8)	SSO Load (TWh)		
(9)	DP&L Proposed - 6/2017 - 5/2018	5.29	Calculation: Line 2 x (1 - Line 6)
(10)	Adjustment to Remove 1/2018 - 5/2018	(2.15)	Calculation: Line 3 x (1 - Line 6)
(11)	Adjusted for 6/2017 - 12/2017 Only	3.14	Calculation: Line 9 + Line 10
(12)			
(13)	Blended SSO Rate (\$/MWH) 6/2017 - 5/2018		
(14)	MRO	\$ 71.18	Source: Exhibit RJM-1 (Second Revised), Line 10
(15)	ESP	\$ 65.75	Source: Exhibit RJM-1 (Second Revised), Line 11
(16)	Difference in Bypassable Rates	\$ (5.44)	Calculation: Line 15 - Line 14
(17)			
(18)	Decrease (Increase) in ESP Benefit (\$M)	\$ 11.70	Calculation: Line 10 x Line 16

Q. PLEASE DESCRIBE YOUR THIRD RECOMMENDED ADJUSTMENT TO THE AGGREGATE PRICE TEST ASSOCIATED WITH THE BLENDING PERCENTAGES UNDER AN MRO.

A. To calculate the estimated bypassable generation pricing under an MRO, Company witness Malinak assumes that market pricing is blended at 10% for the initial 17-

1 month period January 1, 2013 – May 31, 2014, growing an incremental 10% for
2 each subsequent 12-month period through May 31, 2018. Section 4928.142(D) of
3 the Ohio Revised Code is cited by Company witness Malinak as the source of
4 these assumed blending percentages. In addition to producing disproportionate
5 blending percentages across the five-year term of the proposed ESP, these assumed
6 blending percentages are inconsistent with the methodology employed in
7 comparable cases by other utilities, the PUCO Staff, and the Commission. My
8 recommendation is to instead assume the market pricing is blended at 10% under
9 an MRO for the first 12 months of the proposed ESP, increasing by 10% for each
10 subsequent 12-month period over the term of the proposed ESP.¹¹ The blending of
11 market pricing under the MRO side of the comparison should be as follows: 10%
12 for calendar year 2013, 20% for calendar year 2014, 30% for calendar year 2015,
13 40% for calendar year 2016, and 50% for calendar year 2017. The resulting
14 weighted blending percentages for each period of the ESP term shown in Exhibit
15 RJM-1 (Second Revised) are: approximately 13% for the 17-month period of
16 January 1, 2013, to May 31, 2014; approximately 24% for the 12-month period
17 June 1, 2014 through May 31, 2015; approximately 34% for the 12-month period
18 June 1, 2015 through May 31, 2016; approximately 44% for the 12-month period
19 June 1, 2016 through May 31, 2017; and 50% for the 7-month period June 1, 2017
20 through December 31, 2017.¹² Since the time periods included on the Aggregate

¹¹ This recommendation is an adjustment to Company witness Malinak's proposed blending percentages to align with 12-month periods for an initial MRO filing. These percentages would not apply to DP&L's second MRO filing.

¹² As an example, the first 17-month period is calculated as follows: $((10\% \times 12 \text{ months} + 20\% \times 5 \text{ months}) / 17 \text{ months}) = 13\%$.

1 Price Test overlap between more than one calendar year, the assumed blending
2 percentage for each period should be weighted based on the number of months.
3 Specifically, the blending percentages on line 6 of Exhibit RJM-1 (Second
4 Revised) should be updated to reflect the appropriate weighted average for each
5 period of the Aggregate Price Test, as discussed above.

6 **Q. HAS YOUR PROPOSED METHODOLOGY FOR THE BLENDING**
7 **PERCENTAGES UNDER AN MRO BEEN USED IN COMPARABLE**
8 **CASES?**

9 A. Yes, this methodology has been employed in other cases, namely the Duke ESP
10 case and the AEP ESP 2 case. The term of the Duke ESP case was 41 months,
11 from January 1, 2012 through May 31, 2015. In support of the stipulation in the
12 Duke ESP case, Duke provided a comparison of the proposed ESP to an MRO.¹³
13 In this comparison, Duke assumed the following blending percentages for market
14 pricing under an MRO: 10% for calendar year 2012, 20% for calendar year 2013,
15 30% for calendar year 2014, and 40% for January 2015 through May 2015. In its
16 Order approving the Stipulation in the Duke ESP case, the Commission
17 determined, based in part on the analysis prepared by Duke, that the ESP was
18 more favorable in the aggregate than the expected results under an MRO.¹⁴
19 Under the stipulation filed on September 7, 2011,¹⁵ the term of the AEP
20 ESP 2 was 41 months, from January 1, 2012 through May 31, 2015. In support of

¹³ See WDW SUPP-1: Better in the Aggregate Test.

¹⁴ Case No. 11-3549-EL-SSO, PUCO Opinion and Order, pp. 46-47.

¹⁵ While this Stipulation was ultimately overturned, references to analyses supporting this Stipulation are included herein to provide another example of the methodology used to blend market pricing under an MRO that was submitted in a prior SSO proceeding.

1 the stipulation AEP provided a comparison of the proposed ESP to an MRO that
2 utilized the following blending percentages for market pricing under an MRO:
3 10% for calendar year 2012, a composite 23% for the 17-month period January 1,
4 2013 through May 31, 2014 (reflecting the weighted average of 20% for calendar
5 year 2013 and 30% for the first 5 months of 2014), and a composite 34% for the
6 12-month period June 1, 2014 through May 31, 2015 (reflecting the weighted
7 average of 30% for the last 7 months of 2014 and 40% for the first 5 months of
8 2015).¹⁶ PUCO Staff also submitted testimony supporting this Stipulation which
9 supported a consistent blending approach.¹⁷ In the Order approving the
10 stipulation, the Commission adopted this blending methodology in its
11 determination that the ESP was more favorable than the expected results under an
12 MRO.¹⁸

13 In its most recent decision in the AEP ESP 2 case, the Commission
14 adopted a consistent blending methodology in evaluating the ESP as compared to
15 the results under an MRO. In the PUCO Order dated August 8, 2012, the
16 Commission's analysis was conducted for the 24-month period from June 1, 2013
17 through May 31, 2015 and incorporated the following percentages to blend
18 market pricing under an MRO: 10% for the 12-month period June 1, 2013 through

¹⁶ See Initial Joint Brief of the Signatory Parties (p. 143) filed on November 10, 2011, referencing Exhibit LJT-3.

¹⁷ "While the Commission can determine the blending percentages, the statute suggests a blending of 10%/90%, 20%/80%, and 30%/70% for the first three years." Testimony of Staff witness Fortney, p. 4, filed on September 13, 2011.

¹⁸ PUCO Order in Case No. 11-346-EL-SSO, pp. 31-32, filed December 14, 2011, with reference to FES' Initial Brief filed on November 10, 2011 (p. 19).

1 May 31, 2014, and 20% for the 12-month period June 1, 2014 through May 31,
2 2015.¹⁹

3 **Q. WHAT IS THE INCREMENTAL IMPACT OF YOUR THIRD**
4 **RECOMMENDED ADJUSTMENT ON THE AGGREGATE PRICE TEST?**

5 A. Increasing the blending percentages for market pricing under the MRO side of the
6 comparison decreases the Blended SSO Rate under an MRO (shown on line 10 of
7 Exhibit RJM-1 (Second Revised)), thereby decreasing the purported benefit of the
8 proposed ESP. Assuming my first recommended adjustment discussed above is
9 incorporated into the Aggregate Price Test, this third adjustment results in an
10 incremental cost of the proposed ESP of \$17.16 million. Additional details are
11 provided in the table below and on Exhibit RDR-1 WP.

¹⁹ PUCO Order in case No, 11-346-EL-SSO, pp. 74-75, filed August 8, 2012.

Adjustment 3 - Change MRO Blending Percentages							
Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	CBP Blending Percentages - MRO	10%	20%	30%	40%	50%	
(2)	Months at CBP Blending Percentage	12	7	7	7	7	
(3)	CBP Blending Percentages - MRO	20%	30%	40%	50%	100%	
(4)	Months at CBP Blending Percentage	5	5	5	5	0	
(5)	Total Months in Period	17	12	12	12	7	60
(6)							
(7)	CBP Rate Blending Schedule (%) - MRO						
(8)	As Filed	10%	20%	30%	40%	50%	
(9)	Adjusted	13%	24%	34%	44%	50%	
(10)							
(11)	Current Generation Rate (\$/MWH)	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	
(12)	Forecasted CBP Auction Rates (\$/MWH)	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	
(13)							
(14)	Blended SSO Rate (\$/MWH) - MRO						
(15)	As Filed	\$ 73.45	\$ 72.90	\$ 72.15	\$ 71.60	\$ 71.18	
(16)	Adjusted	\$ 72.51	\$ 72.12	\$ 71.52	\$ 71.08	\$ 71.18	
(17)	As Filed vs. Adjusted	\$ 0.93	\$ 0.78	\$ 0.62	\$ 0.52	\$ -	
(18)							
(19)	Total Load (TWh)	19.44	13.82	13.82	13.82	8.21	69.11
(20)	Switching %	61.50%	61.70%	61.70%	61.70%	61.70%	
(21)	SSO Load (TWh)	7.48	5.29	5.29	5.29	3.14	26.51
(22)							
(23)	Decrease (Increase) in ESP Benefit (\$M)	\$ 6.99	\$ 4.11	\$ 3.29	\$ 2.77	\$ -	\$ 17.16
Source / Calculation							
(1)-(4)	Source: Ohio Revised Code, Section 4928.143						
(5)	Calculation: Line 2 + Line 4						
(8)	Source: Exhibit RJM-1 (Second Revised), Line 6						
(9)	Calculation: (Ln 1 x Ln 2 + Ln 3 x Ln 4) / Ln 5						
(11)	Source: Exhibit RJM-1, Line 2						
(12)	Source: Exhibit RJM-1, Line 3						
(15)	Source: Exhibit RJM-1 (Second Revised), Line 10						
(16)	Calculation: Ln 11 x (1 - Ln 9) + Ln 12 x Ln 9						
(17)	Calculation: Line 15 - Line 16						
(19)	Source: Exhibit RJM-1 (Second Revised), Line 34. (Adjusted sales for 6/2017 - 12/2017 from Adjustment 2, Line 4).						
(20)	Source: Exhibit RJM-1 (Second Revised), Line 32						
(21)	Calculation: Line 19 x (1 - Line 20)						
(23)	Calculation: Line 17 x Line 21						

Q. WHAT IS YOUR FOURTH RECOMMENDED ADJUSTMENT TO THE AGGREGATE PRICE TEST?

A. In Exhibit RJM-1 (Second Revised), Company witness Malinak compares the bypassable generation revenue collected under the proposed ESP to that collected under an MRO. Since bypassable generation revenues are only collected from non-shopping customers, Exhibit RJM-1 (Second Revised) assumes a level of non-shopping sales over the term of the proposed ESP. Specifically, Exhibit RJM-1 (Second Revised) assumes that shopping will remain at approximately 62% over the term of the proposed ESP, which is based on actual shopping as of the end of August 2012. I am recommending that the shopping forecast developed by Company witness Hoekstra be used for purposes of the Aggregate

1 Price Test because those assumptions presumably better reflect the level of
2 shopping that will be in place over the term of the proposed ESP.²⁰ Specifically,
3 lines 32-33 of Exhibit RJM-1 (Second Revised) should be adjusted to incorporate
4 the Company's forecast of shopping sales over the term of the proposed ESP.

5 **Q. ARE YOU TAKING A POSITION ON THE CURRENT GENERATION**
6 **RATE OR THE FORECASTED CBP AUCTION RATE INCLUDED ON**
7 **LINES 2-3, RESPECTIVELY, OF EXHIBIT RJM-1 (SECOND REVISED)?**

8 A. No, I am not. For purposes of my analysis, I have no reason to believe that the
9 bypassable generation pricing under the current ESP (line 2) or DP&L's
10 forecasted CBP auction results (line 3) shown on Exhibit RJM-1 (Second
11 Revised) are unreasonable.

12 **Q. WHAT IS THE IMPACT ON THE AGGREGATE PRICE TEST OF**
13 **UPDATING THE SHOPPING ASSUMPTIONS BASED ON DP&L'S**
14 **FORECAST?**

15 A. Since DP&L's forecast projects higher shopping than the levels assumed in
16 Exhibit RJM-1 (Second Revised), incorporating the confidential shopping
17 assumptions from DP&L's forecast into the Aggregate Price Test lowers the
18 amount of non-shopping sales to which the purported price benefit of the ESP
19 applies. This results in an incremental cost of the proposed ESP of [BEGIN
20 CONFIDENTIAL] \$[REDACTED] million [END CONFIDENTIAL]. Additional
21 details behind this calculation are provided in the table below and on Exhibit
22 RDR-1 WP.

²⁰ Second Revised Direct Testimony of Aldyn W. Hoekstra ("Hoekstra Direct"), p. 8.

[BEGIN CONFIDENTIAL]

Adjustment 4 - Update Shopping Assumptions							
Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	Baseline Switching %	61.50%	61.70%	61.70%	61.70%	61.70%	
(2)							
(3)	Projected Switching %	2013	2014	2015	2016	2017	
(4)	Prior Calendar Year-End						
(5)	Current Calendar Year-End						
(6)	Calendar Year Average						
(7)							
(8)	Calendar Year Adjusted to ESP Period						
(9)							
(10)	Incremental Switching %						
(11)							
(12)	Revised Total Load (TWh)	19.44	13.82	13.82	13.82	8.21	69.11
(13)	Incremental Loss of SSO Load (TWh)						
(14)							
(15)	Blended SSO Rate (\$/MWh)						
(16)	MRO - Adjusted	\$ 72.51	\$ 72.12	\$ 71.52	\$ 71.08	\$ 71.18	
(17)	ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	
(18)	ESP vs. MRO - Adjusted	\$ 0.93	\$ (2.95)	\$ (5.35)	\$ (7.01)	\$ (5.44)	
(19)							
(20)	Decrease (Increase) in ESP Benefit (\$M)						
Source / Calculation							
(1)	Source: Exhibit RJM-1 (Second Revised), Line 32						
(4)	Source: Hoesktra Testimony, page 8						
(5)	Source: Hoesktra Testimony, page 8						
(6)	Calculation: (Line 4 + Line 5) / 2						
(8)	Calculation: Weighted average for ESP Period						
(10)	Calculation: Line 8 - Line 1						
(12)	Source: Exhibit RJM-1 (Second Revised), Line 34. (Adjusted sales for 6/2017 - 12/2017 from Adjustment 2, Line 4).						
(13)	Calculation: - Line 10 x Line 12						
(16)	Source: Adjustment 3, Line 16						
(17)	Source: Exhibit RJM-1 (Second Revised), Line 11						
(18)	Calculation: Line 17 - Line 16						
(20)	Calculation: Line 13 x Line 18						

[END CONFIDENTIAL]

**Q. PLEASE BRIEFLY DESCRIBE THE SWITCHING TRACKER
PROPOSED BY DP&L.**

A. The proposed Switching Tracker would allow DP&L to defer for future recovery the difference between actual switching levels and switching levels experienced as of August 30, 2012.

**Q. HOW WILL THE PROPOSED SWITCHING TRACKER BE
CALCULATED?**

A. The Switching Tracker deferral would be in effect from the start of the proposed ESP through May 31, 2016. On a monthly basis DP&L will compare the actual level of switching to the switching levels experienced as of August 30, 2012. The

1 difference in switching percentage is multiplied by total distribution load to
2 determine the quantity of sales subject to the Switching Tracker. These sales are
3 then multiplied by the difference between the Blended SSO rate and the
4 Competitive Bid rate currently in effect to determine the dollar amount of the
5 Switching Tracker each month. It is my understanding that the amount deferred
6 under the Switching Tracker mechanisms in a given calendar year will be
7 recovered from customers in the subsequent calendar year.

8 **Q. FOR PURPOSES OF YOUR FIFTH RECOMMENDED ADJUSTMENT,**
9 **HOW SHOULD THE PROPOSED SWITCHING TRACKER BE**
10 **TREATED FOR PURPOSES OF THE AGGREGATE PRICE TEST?**

11 A. The Switching Tracker should be recognized as a cost of the proposed ESP. To
12 my knowledge, there is no evidence that a similar mechanism would exist under
13 an MRO, nor is there any reason to believe a comparable mechanism would be
14 approved under an MRO. Specifically, the non-bypassable revenues under the
15 proposed ESP shown on line 22 of Exhibit RJM-1 (Second Revised) should
16 include the estimated value of the revenue to be collected by DP&L under the
17 proposed Switching Tracker, with no corresponding revenue under an MRO. The
18 estimated revenue under the proposed Switching Tracker should be calculated
19 based on DP&L's projected levels of switching.

20 **Q. WHAT IS THE IMPACT ON THE AGGREGATE PRICE TEST OF**
21 **INCORPORATING THE PROPOSED SWITCHING TRACKER?**

22 A. Using DP&L's confidential switching projections, I estimate the value of the
23 proposed Switching Tracker to be [BEGIN CONFIDENTIAL] \$[REDACTED] million

1 [END CONFIDENTIAL] over the term of the proposed ESP. Additional details
2 behind this calculation are provided in the table below and on Exhibit RDR-1 WP.
3 [BEGIN CONFIDENTIAL]

Adjustment 5 - Include Switching Tracker on ESP Side of Comparison							
Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	Incremental Loss of SSO Load (TWh)						
(2)							
(3)	Blended SSO Rate (\$/MWh) - ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	
(4)	Forecasted CBP Auction Rates (\$/MWh)	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	
(5)	Cost Subject to Deferral (\$/MWh)	\$ 28.59	\$ 11.17	\$ 4.48	\$ -	\$ -	
(6)							
(7)	Switching Tracker Deferral - ESP Period (\$M)						
(8)							
(9)	Total Load (TWh)						
(10)	2013	13.82	-	-	-	-	13.82
(11)	2014	5.62	8.21	-	-	-	13.82
(12)	2015	-	5.62	8.21	-	-	13.82
(13)	2016	-	-	5.62	8.21	-	13.82
(14)	2017	-	-	-	5.62	8.21	13.82
(15)	Total Load - ESP Period	19.44	13.82	13.82	13.82	8.21	69.11
(16)							
(17)	Switching Tracker Deferral (\$M)						
(18)	2013						
(19)	2014						
(20)	2015						
(21)	2016						
(22)	2017						
(23)	Switching Tracker Deferral - ESP Period						
(24)							
(25)	Recovery of Switching Tracker Deferral (\$M)						
(26)	2013						
(27)	2014						
(28)	2015						
(29)	2016						
(30)	2017						
(31)	Decrease (Increase) in ESP Benefit (\$M)						
Source / Calculation							
(1)	Source: - Adjustment 4, Line 13						
(3)	Source: Exhibit RJM-1 (Second Revised), Line 11						
(4)	Source: Exhibit RJM-1 (Second Revised), Line 3						
(5)	Calculation: Line 3 - Line 4						
(7)	Calculation: Line 1 x Line 5						
(10)-(14)	Source: DP&L Workpaper 8A						
(15)	Calculation: Sum (Lines 10-14)						
(18)	Calculation: Ln 7 x Ln 10 / Ln 15						
(19)	Calculation: Ln 7 x Ln 11 / Ln 15						
(20)	Calculation: Ln 7 x Ln 12 / Ln 15						
(21)	Calculation: Ln 7 x Ln 13 / Ln 15						
(22)	Calculation: Ln 7 x Ln 14 / Ln 15						
(23)	Calculation: Sum (Lines 18-22)						
(26)-(30)	Assumes one year lag in revenue collection						
(31)	Calculation: Sum (Lines 26-30)						

4
5 [END CONFIDENTIAL]
6 **Q. THE FOURTH AND FIFTH ADJUSTMENTS DISCUSSED ABOVE BOTH**
7 **DEAL WITH THE IMPACT OF INCREMENTAL SWITCHING ON THE**
8 **AGGREGATE PRICE TEST, AND EACH RESULTS IN AN**
9 **INCREMENTAL COST OF THE PROPOSED ESP AS COMPARED TO**

1 **AN MRO. IS THERE ANY OVERLAP BETWEEN THE RESULTS OF**
2 **THESE ADJUSTMENTS?**

3 A. No, there is no overlap between these two adjustments. My fourth suggested
4 adjustment quantifies the impact on the Aggregate Price Test of incorporating
5 DP&L's switching assumptions, absent the proposed Switching Tracker.
6 Incorporating DP&L's higher switching estimates results in a higher level of
7 switching load and hence, a lower level of SSO load. Therefore, my fourth
8 suggested adjustment simply applies DP&L's purported overall price benefit to a
9 lower level of SSO load, resulting in a decrease in the purported benefit of the
10 ESP. For my fifth adjustment, the estimated revenue to be collected from DP&L
11 customers associated with the proposed Switching Tracker incrementally reduces
12 the ESP benefit. This mechanism produces incremental revenue to be collected
13 from DP&L customers on top of the bypassable generation revenues resulting
14 from the impact of the assumed switching levels discussed above in the fourth
15 adjustment.

16 **Q. IN ADDITION TO THE FIVE PROPOSED ADJUSTMENTS DISCUSSED**
17 **ABOVE, ARE THERE OTHER COSTS OF THE PROPOSED ESP THAT**
18 **SHOULD BE RECOGNIZED AS PART OF THE AGGREGATE PRICE**
19 **TEST PREPARED BY DP&L?**

20 A. Yes, the estimated revenue to be collected under proposed Rider AER-N
21 associated with the Yankee Solar Facility should be recognized as a cost of the
22 proposed ESP with no offsetting cost under an MRO. This is noted above as
23 recommended adjustment 6.

1 **Q. HOW SHOULD PROPOSED RIDER AER-N BE TREATED FOR**
2 **PURPOSES OF THE AGGREGATE PRICE TEST?**

3 A. Estimated Rider AER-N revenue should be treated as a cost of the proposed ESP
4 with no offsetting costs under an MRO. As recognized by Company witness
5 Malinak, “under an MRO, there would be no revenue adjustment associated with
6 Yankee Solar Facility.”²¹ Company witness Malinak goes on to acknowledge
7 that the total capital costs of Yankee Solar Facility should be part of the
8 quantitative analysis. Malinak did not include any impact of Rider AER-N in
9 Exhibit RJM-1 (Second Revised) because its inclusion in the Aggregate Price
10 Test would not affect his ultimate conclusion. Based on the arguments of the
11 Company’s own witness Malinak, the proposed Rider AER-N should be
12 recognized as a benefit to DP&L, and hence, a cost to customers, when compared
13 to an MRO. Specifically, any estimated revenues associated with Rider AER-N
14 should be recognized on line 22 of Exhibit RJM-1 (Second Revised).

15 **Q. IS YOUR RECOMMENDED TREATMENT OF RIDER AER-N**
16 **CONSISTENT WITH ANY RECENT COMPARABLE CASE BEFORE**
17 **THE COMMISSION?**

18 A. Yes it is. In the AEP ESP 2 case, AEP proposed recovery of its Turning Point
19 solar facility through a non-bypassable Generation Resource Recovery Rider
20 (“Rider GRR”). AEP’s Rider GRR is comparable to Rider AER-N being
21 proposed by DP&L in that both mechanisms seek non-bypassable recovery of
22 solar generating facilities. In its analysis of the ESP vs. an MRO in the AEP ESP

²¹ Malinak Direct, p. 13.

1 2 Case, the Commission determined that AEP's Rider GRR should be included as
2 a cost of the ESP that would not occur under an MRO.²² Consistent with this
3 Commission precedent, DP&L's proposed Rider AER-N should likewise be
4 quantified and recognized as a cost of the proposed ESP that would not occur
5 under an MRO.

6 **Q. WHAT IS THE IMPACT ON THE AGGREGATE PRICE TEST OF**
7 **INCORPORATING PROPOSED RIDER AER-N AS YOU SUGGEST?**

8 A. Company witness Malinak estimates the total capital cost of the Yankee Solar
9 facility sought for recovery under Rider AER-N to be approximately \$3.3
10 million.²³ Consequently, the purported benefit of the proposed ESP is decreased
11 by \$3.3 million due to this adjustment. To the extent that DP&L seeks recovery
12 of additional amounts above this estimate, the resulting total amount should be
13 reflected accordingly under the Aggregate Price Test. Additional details behind
14 this adjustment are provided on Exhibit RDR-1 WP.

15 **Q. WHAT IS THE OVERALL IMPACT ON THE AGGREGATE PRICE**
16 **TEST OF INCORPORATING ALL OF YOUR RECOMMENDED**
17 **ADJUSTMENTS?**

18 A. Incorporating all the necessary corrections and adjustments into the Aggregate
19 Price Test presented by Company witness Malinak results in DP&L's proposed

²² "... [W]e believe AEP-Ohio must address costs associated with the GRR, as it is non-bypassable pursuant to Section 4928.143(B)(2)(c), Revised Code, and thus would not occur under an MRO. Therefore, the costs of approximately \$8 million must be considered in our quantitative analysis." Opinion & Order in Case No. 11-346-EL-SSO, dated August 8, 2012, p. 75.

²³ Malinak Direct, p. 13.

1 ESP being less favorable than an MRO by [BEGIN CONFIDENTIAL] \$ [REDACTED]
2 million [END CONFIDENTIAL]. The total is a reduction of approximately
3 [BEGIN CONFIDENTIAL] \$ [REDACTED] million [END CONFIDENTIAL] when
4 compared to the ESP benefit of nearly \$120 million claimed by DP&L in the
5 testimony of Company Malinak (Exhibit RJM-1 – Second Revised). Even if
6 switching is assumed to remain at current levels, the ESP would still cost DP&L
7 customers approximately \$600 million more than an MRO.²⁴

8 **Q. ASIDE FROM THE QUANTITATIVE COMPARISON IN THE**
9 **AGGREGATE PRICE TEST, DOES DP&L OFFER ANY ADDITIONAL**
10 **PROVISIONS OF THE PROPOSED ESP THAT SHOULD BE**
11 **CONSIDERED IN DETERMINING WHETHER THE PROPOSED ESP IS**
12 **MORE FAVORABLE THAN AN MRO?**

13 A. Yes, Company witness Malinak offers three non-quantifiable characteristics in the
14 determination of whether the proposed ESP is more favorable in the aggregate
15 than an MRO. First, DP&L claims that the proposed ESP allows for a quicker
16 transition to market than would otherwise occur under an MRO, therefore
17 providing a non-quantifiable benefit to customers. Second, DP&L suggests that
18 the competitive retail enhancements will facilitate retail competition thereby
19 providing a non-quantifiable benefit to customers. Finally, DP&L argues that an
20 ESP in general provides more flexibility to the Commission as compared to an
21 MRO, which is another non-quantifiable benefit to customers.

²⁴ This estimate is calculated by excluding the incremental impacts of Adjustments 4 and 5 described, which are based on changes in the estimated level of switching.

1 **Q. DO THESE CHARACTERISTICS PROVIDE SUFFICIENT NON-**
2 **QUANTIFIABLE BENEFITS TO CUSTOMERS TO OUTWEIGH THE**
3 **COST OF THE ESP UNDER THE AGGREGATE PRICE TEST?**

4 A. No. Nothing is preventing DP&L from moving forward with an MRO that
5 includes a competitive bidding process for 100% of its SSO load immediately.²⁵
6 In fact, since DP&L already filed an MRO, it is my understanding that a
7 subsequent MRO filing by DP&L would have to implement a 100% competitive
8 bidding process right away.²⁶ Therefore, DP&L's claim that its 41-month
9 transition to 100% market based pricing is a benefit to customers is unfounded.
10 FES witness Noewer argues that DP&L's proposed competitive retail
11 enhancements should not be contingent upon approval of its ESP, but rather
12 should be implemented regardless of its rate plan in order to promote the state
13 policy of competition. As such, while these enhancements could provide benefits
14 to customers, these benefits are not specific to the proposed ESP and should be
15 disregarded for purposes of evaluating the proposed ESP against an MRO. I
16 have no reason to disagree that an ESP, in general, could provide additional
17 regulatory flexibility as compared to an MRO. In this case, though, I do not
18 believe that this purported regulatory flexibility provides sufficient non-
19 quantifiable benefits to outweigh the cost of the proposed ESP discussed above.

²⁵ Company witness Malinak references the Commission's Opinion and Order in Case No. 12-1230-EL-SSO as an example of Ohio electric utilities transitioning to market rates faster than would occur under an MRO. Malinak testimony, p. 14. It should be noted that under Case No. 12-1230-EL-SSO, the FirstEnergy utilities procure 100% of their SSO load through competitive solicitations.

²⁶ The above market calculation in Exhibit RDR-2, which is discussed later in my testimony, provides a comparison between the proposed ESP and 100% market pricing. This analysis can also be used to compare the proposed ESP to an MRO which transitions to 100% market pricing immediately.

1 FES witness Noewer further addresses the purported non-quantifiable benefits
2 described by DP&L witness Malinak.

3 **Q. WHAT IS YOUR OVERALL CONCLUSION REGARDING WHETHER**
4 **THE PROPOSED ESP IS MORE FAVORABLE IN THE AGGREGATE**
5 **THAN AN MRO?**

6 A. In my opinion, the quantifiable cost of the proposed ESP of [BEGIN
7 CONFIDENTIAL] \$[REDACTED] million [END CONFIDENTIAL] under the Aggregate
8 Price Test presented by DP&L outweighs any benefits that may arise from
9 additional non-quantifiable characteristics. Therefore, the proposed ESP is not
10 more favorable in the aggregate than an MRO. The results of my quantitative
11 analysis are provided in Exhibit RDR-1.

12 **Q. ARE THERE ANY RECENT DECISIONS BY THE COMMISSION THAT**
13 **ARE COMPARABLE TO YOUR ANALYSIS?**

14 A. Yes. In the recent AEP ESP 2 Case, the Commission determined that AEP's ESP
15 was more favorable in the aggregate than the expected results of an MRO, despite
16 the Commission's determination that the ESP was less favorable than an MRO
17 quantitatively by \$386 million. The most significant non-quantifiable
18 characteristic acknowledged in the Commission's evaluation was AEP's transition
19 to market pricing.²⁷ In the Duke ESP case, Duke provided an analysis showing
20 that the ESP was more favorable than the expected results of an MRO by \$62
21 million on a net present value basis, including the ESSC as a cost of the ESP with

²⁷ Case No. 11-346-EL-SSO, PUCO Opinion & Order dated August 8, 2012, pp. 75-77.

1 no offsetting cost of the ESSC under an MRO.²⁸ The Commission cited this
2 analysis in its determination that Duke's proposed ESP was more favorable in the
3 aggregate than the expected results of an MRO.²⁹ Under DP&L's proposed ESP
4 customers would pay [BEGIN CONFIDENTIAL] \$[REDACTED] million [END
5 CONFIDENTIAL] above an MRO in exchange for a 60 month delay in
6 transitioning to 100% market based pricing (including recovery of the proposed
7 SSR). These comparisons are offered simply as points of reference in support of
8 my ultimate conclusion that DP&L's proposed ESP is not more favorable in the
9 aggregate than an MRO.

10 **Q. PLEASE ELABORATE ON YOUR COMPARISON HERE BETWEEN**
11 **DP&L'S PROPOSAL AND THE RECENT PUCO DECISION IN THE AEP**
12 **ESP 2 CASE.**

13 A. The discrepancy discussed immediately above between DP&L's proposed ESP
14 and the Commission's decision in the AEP ESP 2 case is even more staggering
15 when considering the sizes of the respective customer bases. As noted in the
16 PUCO Order in the AEP ESP 2 case, AEP Ohio's total annual sales are
17 approximately 48 million MWH,³⁰ as compared to approximately 14 million
18 MWH at DP&L. It follows that the cost of DP&L's proposed ESP relative to an
19 MRO is approximately [BEGIN CONFIDENTIAL] \$[REDACTED] [END
20 CONFIDENTIAL] per MWH, while the cost of the AEP ESP 2, as determined
21 by the Commission, Order is \$2.68 per MWH, as shown in the table below.

²⁸ Case No. 11-3549-EL-SSO. *See* WDW SUPP-1: Better in the Aggregate Test.

²⁹ Case No. 11-3549-EL-SSO, PUCO Opinion and Order, pp. 46-47.

³⁰ Case No. 11-346-EL-SSO, PUCO Opinion & Order dated August 8, 2012, p. 75.

1 [BEGIN CONFIDENTIAL]

(A)	(B)	(C)	(D)	(E)	
Line	Line Item Description	AEP	DP&L	DP&L vs AEP	Calculation
(1)	Cost of ESP Compared to MRO	\$ 386,000,000			
(2)	ESP Term (in months)	36	60	24	
(3)	Annual MWH Sales	48,000,000	13,822,395	(34,177,605)	
(4)	Total MWH Sales Over ESP Term	144,000,000	69,111,975	(74,888,025)	Line 2 x Line 3 / 12
(5)	Cost of ESP (\$ per MWH)	<u>\$ 2.68</u>			Line 1 / Line 4
(C) Source of Lines 1, 3: Case No. 11-346-EL-SSO, PUCO Order					
Line 2: ESP Term of June 1, 2012 - May 31, 2015					
(D) Source of Line 1: Exhibit RDR-1, Line 28					
Line 2: ESP Term of January 1, 2013 - December 31, 2017					
Source of Line 3: DP&L Workpaper 8A					

2

3 [END CONFIDENTIAL]

4 As previously discussed, even if switching is assumed to remain at current levels,
5 the ESP would still cost DP&L customers approximately \$600 million more than
6 an MRO, which is approximately \$8.68 per MWH.

7 This discrepancy is even more drastic when considered on a per customer
8 basis. According to the 2011 FERC Form 1's, AEP Ohio's average number of
9 customers is 1,459,875 compared to 513,524 at DP&L.³¹ The cost of DP&L's
10 proposed ESP relative to an MRO is [BEGIN CONFIDENTIAL] \$ [END
11 CONFIDENTIAL] per customer, while the cost of the AEP ESP 2, as
12 determined by the Commission Order, is \$264 per customer, over the 60 month
13 and 36 month terms, respectively. Additional details are provided in the table
14 below.

15 [BEGIN CONFIDENTIAL]

³¹ Source: 2011 FERC Form 1, p. 304

(A)	(B)	(C)	(D)	(E)	
Line	Line Item Description	AEP	DP&L	DP&L vs AEP	Calculation
(1)	Cost of ESP Compared to MRO	\$ 386,000,000			
(2)	Average Number of Customers	1,459,875	513,524	(946,351)	
(3)	Cost of ESP (\$ per Customer)	<u>\$ 264.41</u>			Line 1 / Line 2
(C) Source of Line 1: Case No. 11-346-EL-SSO, PUCO Order Source of Line 2: 2011 FERC Form 1, page 304					
(D) Source of Line 1: Exhibit RDR-1, Line 28 Source of Line 2: 2011 FERC Form 1, page 304					

[END CONFIDENTIAL]

Assuming switching remains at current levels, the \$600 million cost of DP&L's proposed ESP is approximately \$1,168 per customer.

Q. IN ADDITION TO YOUR REVIEW OF THE AGGREGATE PRICE TEST PERFORMED BY DP&L, HAVE YOU ALSO ESTIMATED THE AMOUNT OF ABOVE MARKET REVENUE THAT DP&L WOULD COLLECT UNDER THE ESP AS PROPOSED?

A. Yes, I estimate the amount of above market revenue that DP&L would collect under the proposed ESP to be approximately \$988 million.

Q. HOW WAS THIS ESTIMATE OF ABOVE MARKET REVENUES CALCULATED?

A. To perform this above market analysis I started with the Aggregate Price Test presented in Exhibit RJM-1 (Second Revised) and made the following adjustments: (1) removed the SSR revenues assumed on the MRO side of the comparison (Line 21), consistent with my first proposed adjustment above; (2) adjusted the time period covered by the analysis to align with the proposed ESP term, namely to remove the impact of 5 months of sales from January 1, 2018 through May 31, 2018, consistent with my second adjustment above; (3) updated the CBP Rate Blending percentages on Line 6 to show 100% for each period,

1 effectively replacing my third adjustment above by comparing the proposed ESP
2 to 100% market pricing over the entire term of the proposed ESP; and (4) added
3 in the cost of proposed Rider AER-N as described in my sixth adjustment above.
4 This analysis is shown on Exhibit RDR-2.

5 **Q. WHY DOESN'T YOUR ABOVE MARKET ANALYSIS INCORPORATE**
6 **THE IMPACT OF DP&L'S ESTIMATED SWITCHING LEVELS,**
7 **SIMILAR TO YOUR FOURTH AND FIFTH ADJUSTMENTS TO THE**
8 **AGGREGATE PRICE TEST DISCUSSED ABOVE?**

9 A. For purposes of this above market calculation, it was not necessary to incorporate
10 DP&L's estimated switching assumptions because it would have no impact on the
11 results of the analysis. If switching levels are increased above the levels assumed
12 in Exhibit RJM-1 (Second Revised), then the above market bypassable revenues
13 will decrease due to a lower level of SSO load. However, this decrease in above
14 market bypassable revenues will be offset by an increase in non-bypassable
15 revenues via the proposed Switching Tracker. While the timing of these
16 offsetting revenues will differ due to a lag between the Switching Tracker deferral
17 and recovery, on a nominal basis there is no effect on the analysis.

18 **Q. PLEASE PROVIDE THE IMPACT OF DP&L'S ABOVE MARKET**
19 **REVENUE ON A PER MWH AND PER CUSTOMER BASIS.**

20 A. The \$988 million of above market revenue results in DP&L's customers, on
21 average, being subject to \$14.29 per MWH of additional costs over the term of the
22 proposed ESP that they would not have to pay if DP&L went immediately to
23 100% market based pricing. Similarly, on average, each DP&L customer would

1 pay approximately \$1,923 of additional costs over the term of the proposed
2 ESP.³²

3 **Q. WHY IS THIS ABOVE MARKET ANALYSIS RELEVANT?**

4 A. The above market estimate discussed above provides the Commission with a
5 quantification of the amount customers would be required to pay that they would
6 not have to pay if DP&L immediately transitioned to 100% market pricing.
7 DP&L can use a competitive bidding process for 100% of its SSO load today.
8 This analysis further emphasizes that modifications to DP&L's proposed ESP are
9 necessary to make it beneficial for customers.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

11 A. Yes it does.

³² Calculations based on estimated above market revenue of \$988 million, total sales over the term of DP&L's proposed ESP, and DP&L's average total customers.

The Dayton Power and Light Company
Case No. 12-426-EL-SSO
Aggregate Price Test: ESP versus MRO - RJM-1 (Second Revised) - Adjusted

<u>Line</u>	<u>MRO and ESP Rates and Revenues</u>	<u>1/2013 - 5/2014</u>	<u>6/2014 - 5/2015</u>	<u>6/2015 - 5/2016</u>	<u>6/2016 - 5/2017</u>	<u>6/2017 - 12/2017</u>	<u>Total or Average</u>	<u>Source/Calculation</u>
1	Bypassable Generation Rates (\$/MWh)							
2	Current Generation Rate	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	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	12.9%	24.2%	34.2%	44.2%	50.0%		Exhibit RDR-1 WP
7	ESP	10.0%	40.0%	70.0%	100.0%	100.0%		Seeger-Lawson, Schedule 5
8								
9	Blended SSO Rate (\$/MWh)							
10	MRO	\$ 72.51	\$ 72.12	\$ 71.52	\$ 71.08	\$ 71.18	\$ 71.68	Line(2)*(1-Line(6)) + Line(3)*Line(6)
11	ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	\$ 67.72	Line(2)*(1-Line(7)) + Line(3)*Line(7)
12	Difference in Bypassable Rates	\$ 0.93	\$ (2.95)	\$ (5.35)	\$ (7.01)	\$ (5.44)	\$ (3.96)	Line(11) - Line (10)
13								
14	Total Bypassable Revenues (\$Millions)							
15	MRO							Line(10)*Line(33)
16	ESP							Line(11)*Line(33)
17	Difference in Bypassable Revenues							Line(16) - Line(15)
18								
19								
20	Non-Bypassable Revenues (\$Millions)							
21	MRO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Exhibit RDR-1 WP
22	ESP	\$ 224.11	\$ 197.90	\$ 177.36	\$ 155.06	\$ 85.54	\$ 839.97	Exhibit RDR-1 WP
23	Difference in Non-Bypassable Revenues	\$ 224.11	\$ 197.90	\$ 177.36	\$ 155.06	\$ 85.54	\$ 839.97	Line(22) - Line(21)
24								
25	ESP versus MRO Price Test (\$Millions)							
26	Difference in Bypassable Revenues							Line(17)
27	Difference in Non-Bypassable Revenues	\$ 224.11	\$ 197.90	\$ 177.36	\$ 155.06	\$ 85.54	\$ 839.97	Line(23)
28	Total Change Revenues							Line(26) + Line(27)
29								
30	Load and Switching Assumptions							
31								
32	Switching							Exhibit RDR-1 WP
33	DP&L SSO Load (TWh)							Line(34)*(1 - Line(32))
34	Total Load (TWh)	19.44	13.82	13.82	13.82	8.21		Exhibit RDR-1 WP

Assumption changed

Adjustment 1 - Remove Rider SSR from MRO Side of Comparison and Reallocate SSR Revenue Under ESP							
Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 5/2018	TOTAL
(1)	Proposed SSR Revenue under MRO / ESP	\$ 137.50	\$ 137.50	\$ 137.50	\$ 137.50	\$ 137.50	\$ 687.50
(2)							
(3)	Adjusted SSR Revenue under MRO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4)	Decrease (Increase) in ESP Benefit (\$M)	\$ 137.50	\$ 137.50	\$ 137.50	\$ 137.50	\$ 137.50	\$ 687.50
(5)							
(6)	Reallocated SSR Revenue under ESP	\$ 193.37	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 687.50
(7)	Decrease (Increase) in ESP Benefit (\$M)	\$ 55.87	\$ -	\$ -	\$ -	\$ (55.87)	\$ -
(8)							
(9)	Decrease (Increase) in ESP Benefit (\$M)	\$ 193.37	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 687.50
Source / Calculation							
(1)	Source: Exhibit RJM-1 (Second Revised), Lines 21-22						
(3)	Source: Ruch testimony						
(4)	Calculation: Line 1 - Line 3						
(6)	Reallocation of SSR revenue under ESP to align with appropriate sales. Source: Ruch testimony.						
(7)	Calculation: Line 6 - Line 1						
(9)	Calculation: Line 4 + Line 7						

Adjustment 2 - Modify Time Period Covered by Analysis to Align with Proposed ESP Term			
Line	Line Description	Amount	Source / Calculation
(1)	Total Load (TWh)		
(2)	DP&L Proposed - 6/2017 - 5/2018	13.82	Source: Exhibit RJM-1 (Second Revised), Line 34
(3)	Adjustment to Remove 1/2018 - 5/2018	(5.62)	Source: DP&L Workpaper 8A
(4)	Adjusted for 6/2017 - 12/2017 Only	8.21	Calculation: Line 2 + Line 3
(5)			
(6)	Switching % - 6/2017 - 5/2018	61.70%	Source: Exhibit RJM-1 (Second Revised), Line 32
(7)			
(8)	SSO Load (TWh)		
(9)	DP&L Proposed - 6/2017 - 5/2018	5.29	Calculation: Line 2 x (1 - Line 6)
(10)	Adjustment to Remove 1/2018 - 5/2018	(2.15)	Calculation: Line 3 x (1 - Line 6)
(11)	Adjusted for 6/2017 - 12/2017 Only	3.14	Calculation: Line 9 + Line 10
(12)			
(13)	Blended SSO Rate (\$/MWH) 6/2017 - 5/2018		
(14)	MRO	\$ 71.18	Source: Exhibit RJM-1 (Second Revised), Line 10
(15)	ESP	\$ 65.75	Source: Exhibit RJM-1 (Second Revised), Line 11
(16)	Difference in Bypassable Rates	\$ (5.44)	Calculation: Line 15 - Line 14
(17)			
(18)	Decrease (Increase) in ESP Benefit (\$M)	\$ 11.70	Calculation: Line 10 x Line 16

Adjustment 3 - Change MRO Blending Percentages

Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	CBP Blending Percentages - MRO	10%	20%	30%	40%	50%	
(2)	Months at CBP Blending Percentage	12	7	7	7	7	
(3)	CBP Blending Percentages - MRO	20%	30%	40%	50%	100%	
(4)	Months at CBP Blending Percentage	5	5	5	5	0	
(5)	Total Months in Period	17	12	12	12	7	60
(6)							
(7)	CBP Rate Blending Schedule (%) - MRO						
(8)	As Filed	10%	20%	30%	40%	50%	
(9)	Adjusted	13%	24%	34%	44%	50%	
(10)							
(11)	Current Generation Rate (\$/MWH)	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	
(12)	Forecasted CBP Auction Rates (\$/MWH)	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	
(13)							
(14)	Blended SSO Rate (\$/MWH) - MRO						
(15)	As Filed	\$ 73.45	\$ 72.90	\$ 72.15	\$ 71.60	\$ 71.18	
(16)	Adjusted	\$ 72.51	\$ 72.12	\$ 71.52	\$ 71.08	\$ 71.18	
(17)	As Filed vs. Adjusted	\$ 0.93	\$ 0.78	\$ 0.62	\$ 0.52	\$ -	
(18)							
(19)	Total Load (TWh)	19.44	13.82	13.82	13.82	8.21	69.11
(20)	Switching %	61.50%	61.70%	61.70%	61.70%	61.70%	
(21)	SSO Load (TWh)	7.48	5.29	5.29	5.29	3.14	26.51
(22)							
(23)	Decrease (Increase) in ESP Benefit (\$M)	\$ 6.99	\$ 4.11	\$ 3.29	\$ 2.77	\$ -	\$ 17.16

Source / Calculation

- (1)-(4) Source: Ohio Revised Code, Section 4928.143
- (5) Calculation: Line 2 + Line 4
- (8) Source: Exhibit RJM-1 (Second Revised), Line 6
- (9) Calculation: $(Ln\ 1 \times Ln\ 2 + Ln\ 3 \times Ln\ 4) / Ln\ 5$
- (11) Source: Exhibit RJM-1, Line 2
- (12) Source: Exhibit RJM-1, Line 3
- (15) Source: Exhibit RJM-1 (Second Revised), Line 10
- (16) Calculation: $Ln\ 11 \times (1 - Ln\ 9) + Ln\ 12 \times Ln\ 9$
- (17) Calculation: Line 15 - Line 16
- (19) Source: Exhibit RJM-1 (Second Revised), Line 34. (Adjusted sales for 6/2017 - 12/2017 from Adjustment 2, Line 4).
- (20) Source: Exhibit RJM-1 (Second Revised), Line 32
- (21) Calculation: $Line\ 19 \times (1 - Line\ 20)$
- (23) Calculation: $Line\ 17 \times Line\ 21$

Adjustment 4 - Update Shopping Assumptions

Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	Baseline Switching %	61.50%	61.70%	61.70%	61.70%	61.70%	
(2)							
(3)	Projected Switching %	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
(4)	Prior Calendar Year-End						
(5)	Current Calendar Year-End						
(6)	Calendar Year Average						
(7)							
(8)	Calendar Year Adjusted to ESP Period						
(9)							
(10)	Incremental Switching %						
(11)							
(12)	Revised Total Load (TWh)	19.44	13.82	13.82	13.82	8.21	69.11
(13)	Incremental Loss of SSO Load (TWh)						
(14)							
(15)	Blended SSO Rate (\$/MWh)						
(16)	MRO - Adjusted	\$ 72.51	\$ 72.12	\$ 71.52	\$ 71.08	\$ 71.18	
(17)	ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	
(18)	ESP vs. MRO - Adjusted	\$ 0.93	\$ (2.95)	\$ (5.35)	\$ (7.01)	\$ (5.44)	
(19)							
(20)	Decrease (Increase) in ESP Benefit (\$M)						

Source / Calculation

(1)	Source: Exhibit RJM-1 (Second Revised), Line 32
(4)	Source: Hoesktra Testimony, page 8
(5)	Source: Hoesktra Testimony, page 8
(6)	Calculation: (Line 4 + Line 5) / 2
(8)	Calculation: Weighted average for ESP Period
(10)	Calculation: Line 8 - Line 1
(12)	Source: Exhibit RJM-1 (Second Revised), Line 34. (Adjusted sales for 6/2017 - 12/2017 from Adjustment 2, Line 4).
(13)	Calculation: - Line 10 x Line 12
(16)	Source: Adjustment 3, Line 16
(17)	Source: Exhibit RJM-1 (Second Revised), Line 11
(18)	Calculation: Line 17 - Line 16
(20)	Calculation: Line 13 x Line 18

Adjustment 5 - Include Switching Tracker on ESP Side of Comparison							
Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	Incremental Loss of SSO Load (TWh)						
(2)							
(3)	Blended SSO Rate (\$/MWh) - ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	
(4)	Forecasted CBP Auction Rates (\$/MWh)	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	
(5)	Cost Subject to Deferral (\$/MWh)	\$ 28.59	\$ 11.17	\$ 4.48	\$ -	\$ -	
(6)							
(7)	Switching Tracker Deferral - ESP Period (\$M)						
(8)							
(9)	Total Load (TWh)						
(10)	2013	13.82	-	-	-	-	13.82
(11)	2014	5.62	8.21	-	-	-	13.82
(12)	2015	-	5.62	8.21	-	-	13.82
(13)	2016	-	-	5.62	8.21	-	13.82
(14)	2017	-	-	-	5.62	8.21	13.82
(15)	Total Load - ESP Period	19.44	13.82	13.82	13.82	8.21	69.11
(16)							
(17)	Switching Tracker Deferral (\$M)						
(18)	2013						
(19)	2014						
(20)	2015						
(21)	2016						
(22)	2017						
(23)	Switching Tracker Deferral - ESP Period						
(24)							
(25)	Recovery of Switching Tracker Deferral (\$M)						
(26)	2013						
(27)	2014						
(28)	2015						
(29)	2016						
(30)	2017						
(31)	Decrease (Increase) in ESP Benefit (\$M)						
Source / Calculation							
(1)	Source: - Adjustment 4, Line 13						
(3)	Source: Exhibit RJM-1 (Second Revised), Line 11						
(4)	Source: Exhibit RJM-1 (Second Revised), Line 3						
(5)	Calculation: Line 3 - Line 4						
(7)	Calculation: Line 1 x Line 5						
(10)-(14)	Source: DP&L Workpaper 8A						
(15)	Calculation: Sum (Lines 10-14)						
(18)	Calculation: Ln 7 x Ln 10 / Ln 15						
(19)	Calculation: Ln 7 x Ln 11 / Ln 15						
(20)	Calculation: Ln 7 x Ln 12 / Ln 15						
(21)	Calculation: Ln 7 x Ln 13 / Ln 15						
(22)	Calculation: Ln 7 x Ln 14 / Ln 15						
(23)	Calculation: Sum (Lines 18-22)						
(26)-(30)	Assumes one year lag in revenue collection						
(31)	Calculation: Sum (Lines 26-30)						

Adjustment 6 - Rider AER-N

Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	Rider AER-N Revenue*	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ 3.30
(2)	Decrease (Increase) in ESP Benefit (\$M)	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ 3.30

Source / Calculation

- (1) Source: Malinak Testimony, page 13
(2) Calculation: Sum (Line 1)
* Based on testimony of DP&L witness Malinak. To the extent that DP&L seeks recovery of additional amounts through Rider AER-N above this estimate, the resulting total should be reflected in this analysis.

Summary - Adjusted Non-Bypassable Revenues Under the ESP

Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	SSR Revenue	\$ 193.37	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 687.50
(2)	Switching Tracker Revenue						
(3)	Rider AER-N Revenue	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ 3.30
(4)	Subtotal - ESP Non-Bypassable Revenue						

Source / Calculation

- (1) Source: Adjustment 1, Line 9
(2) Source: Adjustment 5, Line 31
(3) Source: Adjustment 6, Line 2
(4) Calculation: Sum (Lines 1-3)

Summary - Cumulative Impact of Adjustments on Aggregate Price Test

Line	Line Item Description	1/2013 - 5/2014	6/2014 - 5/2015	6/2015 - 5/2016	6/2016 - 5/2017	6/2017 - 12/2017	TOTAL
(1)	ESP Cost (Benefit) As Proposed (\$M)	\$ -	\$ (19.71)	\$ (31.59)	\$ (39.89)	\$ (28.79)	\$ (119.98)
(2)							
(3)	Incremental ESP Cost (Benefit)						
(4)	Adjustment 1 - SSR Revenue	\$ 193.37	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 687.50
(5)	Adjustment 2 - Timing	\$ -	\$ -	\$ -	\$ -	\$ 11.70	\$ 11.70
(6)	Adjustment 3 - MRO Blending Percentages	\$ 6.99	\$ 4.11	\$ 3.29	\$ 2.77	\$ -	\$ 17.16
(7)	Adjustment 4 - Shopping Levels						
(8)	Adjustment 5 - Switching Tracker						
(9)	Adjustment 6 - Rider AER-N	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ 3.30
(10)	Total Decrease in ESP Benefit						
(11)							
(12)	ESP Cost (Benefit) - Adjusted (\$M)						

Source / Calculation

- (1) Source: Exhibit RJM-1 (Second Revised), Line 28
(4) Source: Adjustment 1, Line 9
(5) Source: Adjustment 2, Line 18
(6) Source: Adjustment 3, Line 23
(7) Source: Adjustment 4, Line 20
(8) Source: Adjustment 5, Line 31
(9) Source: Adjustment 6, Line 2
(10) Calculation: Sum (Lines 4-9)
(12) Calculation: Line 1 + Line 10

The Dayton Power and Light Company
Case No. 12-426-EL-SSO
Above Market Calculation

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 - 12/2017	Total or Average	Source/Calculation
1	Bypassable Generation Rates (\$/MWh)							
2	Current Generation Rate	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	\$ 76.62	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	Market	100.0%	100.0%	100.0%	100.0%	100.0%		Assumption
7	ESP	10.0%	40.0%	70.0%	100.0%	100.0%		Seeger-Lawson, Schedule 5
8								
9	Blended SSO Rate (\$/MWh)							
10	Market	\$ 44.86	\$ 58.01	\$ 61.70	\$ 64.07	\$ 65.75	\$ 58.88	Line(2)*(1-Line(6)) + Line(3)*Line(6)
11	ESP	\$ 73.45	\$ 69.18	\$ 66.18	\$ 64.07	\$ 65.75	\$ 67.72	Line(2)*(1-Line(7)) + Line(3)*Line(7)
12	Difference in Bypassable Rates	\$ 28.59	\$ 11.17	\$ 4.48	\$ -	\$ -	\$ 8.85	Line(11) - Line (10)
13								
14	Total Bypassable Revenues (\$Millions)							
15	Market	\$ 335.71	\$ 307.08	\$ 326.65	\$ 339.16	\$ 206.62	\$ 1,515.23	Line(10)*Line(33)
16	ESP	\$ 549.68	\$ 366.22	\$ 350.35	\$ 339.16	\$ 206.62	\$ 1,812.02	Line(11)*Line(33)
17	Difference in Bypassable Revenues	\$ 213.97	\$ 59.13	\$ 23.70	\$ -	\$ -	\$ 296.79	Line(16) - Line(15)
18								
19								
20	Non-Bypassable Revenues (\$Millions)							
21	Market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Exhibit RDR-1 WP
22	ESP	\$ 196.67	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 690.80	Exhibit RDR-1 WP
23	Difference in Non-Bypassable Revenues	\$ 196.67	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 690.80	Line(22) - Line(21)
24								
25	Above Market Calculation (\$Millions)							
26	Difference in Bypassable Revenues	\$ 213.97	\$ 59.13	\$ 23.70	\$ -	\$ -	\$ 296.79	Line(17)
27	Difference in Non-Bypassable Revenues	\$ 196.67	\$ 137.50	\$ 137.50	\$ 137.50	\$ 81.63	\$ 690.80	Line(23)
28	Total Change Revenues	\$ 410.64	\$ 196.63	\$ 161.20	\$ 137.50	\$ 81.63	\$ 987.59	Line(26) + Line(27)
29								
30	Load and Switching Assumptions							
31								
32	Switching	61.50%	61.70%	61.70%	61.70%	61.70%		Exhibit RJM-1 (Second Revised), Line 32
33	DP&L SSO Load (TWh)	7.48	5.29	5.29	5.29	3.14		Line(34)*(1 - Line(32))
34	Total Load (TWh)	19.44	13.82	13.82	13.82	8.21		Exhibit RDR-1 WP

Assumption changed

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Case No(s). 12-0426-EL-SSO, 12-0427-EL-ATA, 12-0428-EL-AAM, 12-0429-EL-WVR, 12-0672-EL-RDR

Summary: Testimony of Roger D. Ruch (Public Version) electronically filed by Ms. Laura C. McBride on behalf of FirstEnergy Solutions Corp.