

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan.	:	Case No. 12-426-EL-SSO
	:	
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs.	:	Case No. 12-427-EL-ATA
	:	
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority.	:	Case No. 12-428-EL-AAM
	:	
In the Matter of the Application of The Dayton Power and Light Company for the Waiver of Certain Commission Rules.	:	Case No. 12-429-EL-WVR
	:	
In the Matter of the Application of The Dayton Power and Light Company to Establish Tariff Riders.	:	Case No. 12-672-EL-RDR
	:	

**PREFILED TESTIMONY  
OF  
VICTOR P. GALLINA  
RATES DIVISION  
UTILITIES DEPARTMENT  
PUBLIC UTILITIES COMMISSION OF OHIO**

**Staff Exhibit \_\_\_\_\_**

**March 11, 2013**

1 1. Q. Please state your name and your business address.

2 A. My name is Victor P. Gallina. My business address is 180 East Broad  
3 Street, Columbus, Ohio 43215.

4

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

6 A. I am employed by the Public Utilities Commission of Ohio as a Public  
7 Utility Administrator 2 in the Rates Division of the Utilities Department.

8

9 3. Q. Please outline your educational background and work experience?

10 A. I received a Bachelor of Science Degree in Business Administration with a  
11 major in Accounting from Ohio State University in 1979. I began  
12 employment with the Commission that same year by joining the Accounts  
13 and Valuation Division of the Utilities Department. During the first five  
14 years of my employment I performed rate case audits of various gas,  
15 electric, telephone, and water utilities. I testified in several of those  
16 proceedings on revenue requirement issues. In 1984, shortly after the break  
17 up of the Bell System, I transferred to the Telecommunications Division.  
18 For the next 17 years I worked on various telecommunications issues and  
19 cases; my duties included responsibility for rate design and cost of service  
20 studies in rate cases and alternative regulation cases, but mainly I dealt with  
21 a panoply of issues that arose as that industry transitioned to one  
22 characterized by competition. I joined the Electricity Division in 2001 and

1 was assigned to the Rates and Tariffs/Energy and Water Division upon its  
2 inception in 2005. In 2012, following a restructuring, the Division's name  
3 was shortened to the Rates Division. My current duties include overseeing  
4 of fuel audits, review of electric utility tariff applications, and to assist in  
5 other matters in which the Division has responsibilities.

6  
7 4. Q. What is the purpose of your testimony in this proceeding?

8 A. I will provide Staff's position on the Applicant's proposed fuel rider.

9  
10 5. Q. Does the Applicant currently have a fuel rider in effect?

11 A. Yes. The rider was established in the Applicant's most recent ESP  
12 proceeding.

13  
14 6. Q. What is your understanding of the fuel rider proposed in this case?

15 A. Fuel and fuel-related costs that are includable in the fuel rider are booked  
16 to certain FERC Accounts. The Applicant has proposed no change in that  
17 regard as compared to the current fuel rider. However, the proposed rider  
18 would be calculated on a system average cost methodology rather than the  
19 current least cost methodology.

20  
21 7. Q. What is the difference between the two approaches?

1           A.     The system average costs methodology essentially develops an average  
2                   fuel cost across the entire DP&L energy supply, including SSO  
3                   (jurisdictional) and non-SSO (non-jurisdictional) load. The least cost  
4                   approach starts with the same supply, but assigns the lowest cost supply  
5                   sources to the retail load.

6

7   8.    Q.     Do you feel the Applicant’s proposal sets forth an appropriate basis upon  
8                   which to establish a fuel rider?

9           A.     No. I believe the system average cost methodology will result in higher  
10                  than necessary rates to SSO customers as a result of SSO customers  
11                  subsidizing non-SSO customers.

12

13   9.    Q.     Explain.

14           A.     As a threshold matter, the company’s primary obligation, with respect to  
15                  serving load, is to its SSO customers. The company’s generation assets are  
16                  still on the books of DP&L and it is appropriate these assets be used to  
17                  provide DP&L SSO customers with the lowest cost generation. All of  
18                  DP&L’s generation sales, that are not sales to its SSO customers, are, by  
19                  definition, sales to non-jurisdictional DP&L customers. Staff believes  
20                  DP&L’s jurisdictional customers should be availed the lowest cost  
21                  generation and/or purchased power. Average cost will always be higher  
22                  than least cost, and to the extent DP&L SSO customers pay rates higher

1 than least cost, they will be contributing to DP&L's non-regulated  
2 operations.

3 10. Q. Would it be fair to say that your position is that the fuel rider should be set  
4 based on least cost to SSO customers?

5 A. Yes, that would be correct.

6  
7 11. Q. Is the least cost approach currently being used by the company?

8 A. Yes, except that the load of DPL Energy Resources (DPLER), DP&L's  
9 affiliate, is included in the least cost bucket. Staff's proposal is to follow  
10 the same methodology as is currently used, but to exclude DPLER load.

11  
12 12. Q. If DPLER load is currently included in the least cost bucket, wouldn't it be  
13 consistent to continue to include this load in the least cost calculation?

14 A. DPLER load was included in the least cost calculation as a provision of the  
15 settlement package in the previous ESP case. Staff recommends not  
16 continuing this provision on a going-forward basis due to the cross-  
17 subsidization concerns mentioned earlier.

18  
19 13. Q. The Applicant proposes to change the fuel rider's reconciliation periods to  
20 include the most current data available when calculating the rider. What is  
21 the Staff's position on this proposal?

1           A.    The proposal will minimize lags in fuel cost recovery, so Staff supports this  
2                   proposal.

3

4   14.   Q.    Doe this conclude your testimony?

5           A.    Yes, it does.  However, I reserve the right to submit supplemental testi-  
6                   mony as described herein, as new information subsequently becomes avail-  
7                   able or in response to positions taken by other parties.

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Victor P. Gallina, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the parties listed below, this 11<sup>th</sup> day of March, 2013.

*/s/ Thomas W. McNamee*

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Summary: Testimony electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO