

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of The Dayton :
Power and Light Company : Case No. 12-426-EL-SS0
for Approval of its :
Electric Security Plan. :

In the Matter of the :
Application of the Dayton :
Power and Light Company : Case No. 12-427-EL-ATA
for Approval of Revised :
Tariffs. :

In the Matter of the :
Application of the Dayton :
Power and Light Company : Case No. 12-428-EL-AAM
for Approval of Certain :
Accounting Authority. :

In the Matter of the :
Application of the Dayton :
Power and Light Company : Case No. 12-429-EL-WVR
for the Waiver of Certain :
Commission Rules. :

In the Matter of the :
Application of the Dayton : Case No. 12-672-EL-RDR
Power and Light Company :
to Establish Tariff Riders:

- - -

PROCEEDINGS

before Mr. Gregory A. Price and Mr. Bryce A.
McKenney, Hearing Examiners, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-C,
Columbus, Ohio, called at 9:00 a.m. on Friday,
March 22, 2013.

VOLUME V

- - -

1 APPEARANCES:

2 Faruki, Ireland & Cox, PLL
3 By Mr. Charles J. Faruki
4 Mr. Jeffrey S. Sharkey
5 500 Courthouse Plaza, S.W.
6 10 North Ludlow Street
7 Dayton, Ohio 45402

8 The Dayton Power and Light Company
9 By Ms. Judi L. Sobecki
10 1065 Woodman Drive
11 Dayton, Ohio 45432

12 On behalf of The Dayton Power and Light
13 Company.

14 McNees, Wallace & Nurick, LLC
15 By Mr. Frank P. Darr
16 Mr. Joseph E. Olikier
17 Mr. Matthew R. Pritchard
18 Mr. Samuel C. Randazzo
19 Fifth Third Center, Suite 1700
20 21 East State Street
21 Columbus, Ohio 43215

22 On behalf of Industrial Energy Users of
23 Ohio.

24 Bruce J. Weston, Consumers' Counsel
25 Office of the Ohio Consumers' Counsel
By Ms. Maureen R. Grady
Mr. Edmund Berger
Ms. Melissa R. Yost
Assistant Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215

On behalf of the Residential Customers of
The Dayton Power and Light Company.

Krieg DeVault, LLP
By Mr. Steven M. Sherman
Mr. Joshua D. Hague
One Indiana Square, Suite 2800
Indianapolis, Indiana 46204

On behalf of Wal-Mart Stores East, LP and
Sam's East, Inc.

1 APPEARANCES: (Continued)

2 Christensen Law Office, LLC
3 By Ms. Mary W. Christensen
4 8760 Orion Place, Suite 300
5 Columbus, Ohio 43240

6 On behalf of People Working
7 Cooperatively, Inc.

8 Boehm, Kurtz & Lowry
9 By Mr. David F. Boehm
10 Ms. Jody Kyler-Cohn
11 36 East Seventh Street, Suite 1510
12 Cincinnati, Ohio 45202

13 On behalf of Ohio Energy Group.

14 Carpenter, Lipps & Leland, LLP
15 By Ms. Kimberly W. Bojko
16 Ms. Mallory Mohler
17 Mr. Joel E. Sechler
18 280 Plaza, Suite 1300
19 280 North High Street
20 Columbus, Ohio 43215

21 On behalf of SolarVision, LLC.

22 Ice Miller, LLP
23 By Mr. Christopher L. Miller
24 Mr. Chris Michael
25 250 West Street, Suite 700
Columbus, Ohio 43215

On behalf of the City of Dayton, Ohio.

Ohio Environmental Council
By Mr. Trent A. Dougherty
Ms. Cathryn N. Loucas
1207 Grandview Avenue, Suite 201
Columbus, Ohio 43212

On behalf of the Ohio Environmental
Council.

1 APPEARANCES (Continued):

2 Whitt Sturtevant, LLP
3 By Mr. Mark A. Whitt
4 Mr. Andrew J. Campbell
5 Mr. Gregory L. Williams
6 The KeyBank Building
7 88 East Broad Street, Suite 1590
8 Columbus, Ohio 43215

9 On behalf of Interstate Gas Supply, Inc.

10 Duke Energy Ohio, Inc.
11 By Ms. Jeanne W. Kingery
12 155 East Broad Street, 21st Floor
13 Columbus, Ohio 43215

14 Thompson Hine, LLC
15 By Mr. Philip B. Sineneng
16 41 South High Street, Suite 1700
17 Columbus, Ohio 43215

18 On behalf of Duke Energy Sales, LLC and
19 Duke Energy Commercial Asset Management,
20 Inc.

21 Taft, Stettinius & Hollister, LLP
22 By Mr. Zachary D. Kravitz
23 Mr. Mark S. Yurick
24 65 East State Street, Suite 1000
25 Columbus, Ohio 43215

On behalf of the Kroger Company.

Ms. Colleen L. Mooney
231 West Lima Street
Findlay, Ohio 45839-1793

On behalf of Ohio Partners for Affordable
Energy.

Honda of America Manufacturing, Inc.
By Mr. M. Anthony Long
Mr. Asim Z. Haque
24000 Honda Parkway
Marysville, Ohio 43040

On behalf of Honda of America
Manufacturing, Inc.

1 APPEARANCES (Continued):

2 Major Christopher C. Thompson
3 USAF Utility Law Field Support Center
4 139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403-5317

5 On behalf of Federal Executive Agencies.

6 Calfee, Halter & Griswold LLP
7 By Mr. James F. Lang
1400 KeyBank Center
800 Superior Avenue
Cleveland, Ohio 44114

9 Calfee, Halter & Griswold, LLP
10 By Mr. N. Trevor Alexander
1100 Fifth Third Center
21 East State Street
Columbus, Ohio 43215

12 FirstEnergy Service Company
13 By Mr. Mark A. Hayden
76 South Main Street
Akron, Ohio 44308

14 On behalf of the FirstEnergy Service
15 Corporation.

16 Vorys, Sater, Seymour & Pease, LLP
17 By Mr. M. Howard Petricoff
Ms. Gretchen L. Petrucci
52 East Gay Street
P.O. Box 1008
Columbus, Ohio 43216-1008

19 On behalf of the Exelon Generation
20 Company, LLC, Constellation NewEnergy,
Inc., and Retail Energy Supply
21 Association.

22 American Electric Power
23 By Mr. Matthew J. Satterwhite
Mr. Steven T. Nourse
One Riverside Plaza
Columbus, Ohio 43215-2373

24 On behalf of Ohio Power Company.
25

1 APPEARANCES (Continued):

2 Advocates for Basic Legal Equality
3 By Mr. Ellis Jacobs
333 West First Street, Suite 500
4 Dayton, Ohio 45402

5 On behalf of the Edgemont Neighborhood
Coalition of Dayton.

6 Mr. Richard L. Sites
155 East Broad Street, 15th Floor
7 Columbus, Ohio 43215

8 Bricker & Eckler, LLP
By Mr. Thomas J. O'Brien
9 100 South Third Street
Columbus, Ohio 43215-4291

10 On behalf of the Ohio Hospital
11 Association.

12 Bricker & Eckler, LLP
By Mr. J. Thomas Siwo
13 Mr. Matthew W. Warnock
100 South Third Street
14 Columbus, Ohio 43215-4291

15 On behalf of OMA Energy Group.

16 Eberly McMahon, LLC
Mr. Robert L. McMahon
17 2321 Kemper Lane, Suite 100
Cincinnati, Ohio 45206

18 On behalf of Duke Energy Ohio.

19 Thompson Hine, LLP
20 By Ms. Stephanie M. Chmiel
Mr. Michael L. Dillard, Jr.
21 41 South High Street, Suite 1700
Columbus, Ohio 43215

22 On behalf of Border Energy Electric
23 Services.

1 APPEARANCES (Continued):

2 EnerNOC, Inc.
3 By Mr. Gregory J. Poulos
4 471 East Broad Street
5 Columbus, Ohio 43215

6 On behalf of EnerNOC, Inc.

7 Direct Energy
8 By Mr. Joseph M. Clark
9 Ms. Jennifer Lause
10 Direct Energy
11 21 East State Street, Suite 1900
12 Columbus, Ohio 43215

13 On behalf of Direct Energy Services,
14 LLC and Direct Energy Business, LLC.

15 Mike DeWine, Ohio Attorney General
16 By William Wright, Section Chief
17 Public Utilities Section
18 Mr. Thomas W. McNamee
19 Mr. Werner L. Margard III
20 Mr. Devin D. Parram
21 Assistant Attorneys General
22 180 East Broad Street, 6th Floor
23 Columbus, Ohio 43215-3793

24 On behalf of the staff of the Public
25 Utilities Commission of Ohio.

- - -

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX

WITNESSES

PAGE

DAVID I. FEIN

Direct Examination by Mr. Petricoff	1192
Cross-Examination by Mr. Berger	1194
Cross-Examination by Mr. Sharkey	1195
Cross-Examination by Mr. McNamee	1212
Redirect Examination by Mr. Petricoff	1214
Recross-Examination by Mr. Sharkey	1221
Recross-Examination by Mr. McNamee	1226
Examination by Examiner Price	1228

ROGER D. RUCH

Direct Examination by Mr. Alexander	1231
Cross-Examination by Mr. Sharkey	1233
Redirect Examination by Mr. Alexander	1265

DONA R. SEGER-LAWSON

Direct Examination by Mr. Sharkey	1271
Cross-Examination by Ms. Yost	1273
Cross-Examination by Mr. Boehm	1293
Cross-Examination by Mr. Alexander	1308
Cross-Examination by Mr. Pritchard	1341
Cross-Examination by Mr. Petricoff	1369
Cross-Examination by Mr. Whitt	1427
Redirect Examination by Mr. Sharkey	1431
Examination by Examiner Price	1434

- - -

COMPANY EXHIBITS

IDFD ADMTD

9 - Direct Testimony of D.R. Seger-Lawson	1273	1437
10 - Direct Testimony of E. Rabb	1273	1437
11 - Direct Testimony of C. Hale	1442	1442

- - -

1189

INDEX (Continued)

- - -

FES EXHIBITS

IDFD ADMTD

13 - Testimony of R.D. Ruch 1231 1270

13A - Confidential Testimony of R.D. Ruch 1231 1270

14 - 2010 Long-Term Electric Forecast Report 1312 --

- - -

OCC EXHIBITS

IDFD ADMTD

15 - Second Revised Direct Testimony of D.R. Seger-Lawson (redlined version) 1281 1437

16 - Direct Testimony of J.F. Wilson 1440 1440

17 - Deposition of J.F. Wilson 1440 1440

17A - Errata sheet from the deposition of J.F. Wilson 1441 1441

18 - Direct Testimony of K. Hagans 1441 --

- - -

CONSTELLATION EXHIBIT

IDFD ADMTD

1 - Direct Testimony of D.I. Fein 1191 1230

- - -

1190

INDEX (Continued)

- - -

IEU-OHIO EXHIBITS

IDFD ADMTD

22 - Summary of Projected Jurisdictional Net Costs January 2012 - April 2014 1343 1438

23 - Case No. 12-1230 Opinion and Order 1350 --

24 - Case No. 12-1230 Stipulation and Order 1352 --

25 - Case Nos. 11-2641 and 11-2642 Opinion and Order 1353 --

26 - Case Nos. 11-2641 and 11-2642 Stipulation and Recommendation 1354 --

27 - Technical Accounting Memorandum (Confidential) 1362 1438

- - -

RESA EXHIBITS

IDFD ADMTD

1 - Case No. 91-414 Staff Report 1372 1439

2 - Case Nos. 03-2405, 04-85, and 03-2341 Stipulation and Recommendation 1380 1439

3 - Billing Cost Recovery Rider 1393 1439

4 - Summary of Cost of CRES 1401 --

5 - ESP - Competitive Retail Enhancements (2/21/13) (Withdrawn) 1406 --

- - -

1191

1 Friday Morning Session,

2 March 22, 2013.

3 - - -

4 EXAMINER PRICE: Good morning. The
5 Public Utilities Commission has set for hearing at
6 this time and place, Case Nos. 12-426-EL-SSO, et al.,
7 being in the Matter of the Application of The Dayton
8 Power & Light Company for Approval of its Electric
9 Security Plan and related matters.

10 My name is Gregory Price, with me is
11 Bryce McKenney, we are the examiners assigned to
12 preside over today's hearing.

13 Let's begin by taking Constellation's
14 first witness.

15 MR. PETRICOFF: Thank you, your Honor.
16 First we would like to have marked as Constellation
17 Exhibit No. 1 the direct prepared testimony of David
18 Fein.

19 EXAMINER PRICE: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 MR. PETRICOFF: And with that we'd like
22 to call Mr. Fein to the stand.

23 (Witness sworn.)

24 EXAMINER PRICE: Thank you.

25 Please be seated and state your name and

1 business address for the record.

2 THE WITNESS: Sure. My name is David
3 Fein, that's spelled F-e-i-n. My business address is
4 10 South Dearborn Street, 47th Floor, Chicago,
5 Illinois, 60603.

6 EXAMINER PRICE: Thank you.

7 Mr. Petricoff.

8 - - -

9 DAVID I. FEIN

10 being first duly sworn, as prescribed by law, was
11 examined and testified as follows.

12 DIRECT EXAMINATION

13 By Mr. Petricoff:

14 Q. Mr. Fein, on whose behalf do you appear?

15 A. I'm appearing on behalf of Exelon
16 Generation, LLC and Constellation Energy, Inc.

17 Q. Can you explain the relationship between
18 Constellation and Exelon?

19 A. Yes. Constellation and Exelon Generation
20 are both subsidiaries of Exelon Corp. Constellation
21 Energy being the licensed CRES provider in Ohio, and
22 Exelon Generation is the parent company to
23 Constellation and engages in the wholesale sale of
24 electric power.

25 Q. And your testimony is being offered on

1 behalf of both Exelon and Constellation?

2 A. That's correct.

3 Q. Do you have before you what has been
4 marked as Constellation Exhibit No. 1?

5 A. Yes, I do.

6 Q. And is that your direct prepared
7 testimony?

8 A. Yes, it is.

9 Q. And did you prepare the answers or have
10 the answers prepared under your supervision?

11 A. Yes, I did.

12 Q. If I were to ask you those questions
13 today, would your answers be the same?

14 A. Yes, they would.

15 Q. Are there any changes or amendments that
16 you'd like to make to this testimony?

17 A. No, there are not.

18 MR. PETRICOFF: Your Honor, at this time
19 the witness is available for cross-examination.

20 EXAMINER PRICE: Thank you.

21 Ms. Bojko?

22 MS. BOJKO: No questions, your Honor.

23 Thank you.

24 EXAMINER PRICE: Consumers' Counsel?

25 MR. BERGER: Just a brief question.

CROSS-EXAMINATION

By Mr. Berger:

Q. Good morning, Mr. Fein. My name is Tad Berger, I'm with the Office of the Ohio Consumers' Counsel.

In your testimony you take exception to the position that the Consumers' Counsel's taking that the competitive enhancement costs should be placed upon the suppliers rather than upon -- rather than in a nonreconciliable charge. Would you agree with me that CRES providers could pass these costs on to their customers to the extent that the market will bear?

A. Yes. It's possible that they might have to pass such costs through if the OCC's proposal is adopted.

Q. And would you agree with me that the competitive enhancement costs are designed to benefit CRES providers in providing service to their customers?

A. No, I would not.

MR. BERGER: Thank you. That's all I have.

EXAMINER PRICE: Thank you.

Mr. Williams?

1195

1 MR. WILLIAMS: No questions, your Honor.

2 EXAMINER PRICE: FES?

3 MR. HAYDEN: As fun as that would be, I
4 think we'll pass.

5 EXAMINER PRICE: Mr. Darr?

6 MR. DARR: No questions, your Honor.

7 EXAMINER PRICE: Mr. Yurick?

8 MR. YURICK: No questions, your Honor.

9 Thank you.

10 EXAMINER PRICE: Major?

11 MAJOR THOMPSON: No questions.

12 EXAMINER PRICE: Mr. Boehm?

13 MR. BOEHM: No questions, your Honor.

14 EXAMINER PRICE: Company?

15 MR. SHARKEY: Yes, thank you, your Honor.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Sharkey:

19 Q. Mr. Fein, as you know, my name is Jeff
20 Sharkey and I represent The Dayton Power & Light
21 Company. I want to ask you a couple more questions
22 about Exelon and Constellation.

23 As an initial matter, you said that
24 Exelon was a wholesale provider, correct?

25 A. When we use the term "Exelon," we're

1 referring to Exelon Generation Company, that's
2 correct, a wholesale supplier and an owner of
3 generating assets.

4 Q. When I refer to "Exelon" during the day,
5 I'm going to be referring to the Exelon Generation,
6 LLC who is appearing in this case and Constellation
7 NewEnergy who you're appearing on behalf of, okay?

8 A. Okay.

9 Q. Exelon, then, has bid in auctions in Ohio
10 previously?

11 A. Exelon Generation or predecessor
12 companies, Constellation Energy Commodities Group,
13 yes.

14 Q. And it intends to bid in competitive
15 auctions in the future?

16 A. We certainly hope to have those
17 opportunities, yes.

18 Q. And Constellation you mentioned was a
19 CRES, right?

20 A. Correct.

21 Q. And does Constellation have customers in
22 DP&L's service territory?

23 A. Yes, they do.

24 Q. Okay. If you'd turn to page 3 of your
25 testimony, line 10, I see that you've defined The

1 Dayton Power & Light Company for purposes of your
2 testimony as "DPL." Do you see that?

3 A. Yes.

4 Q. Through the day I'm going to be referring
5 to The Dayton Power & Light Company as "DP&L" because
6 DP&L's parent is DPL and that's going to avoid some
7 confusion, okay?

8 A. No problem.

9 Q. So if I refer to in your direct where it
10 says DP&L, I'm just trying to eliminate confusion in
11 the record between the entities.

12 A. Understood.

13 Q. Okay. Turn then, if you would, to
14 page 6, line 13 of your testimony. You make a
15 recommendation there that "DP&L should be required to
16 transfer its generation assets no later than
17 December 31, 2016," correct?

18 A. Yes.

19 Q. Now, it's true, isn't it, that you don't
20 know whether DP&L has liens on its assets that would
21 preclude it from transferring its generation assets?

22 A. I'm not familiar with the particulars of
23 that. I understand that that's an issue that was
24 raised I think through depositions, but I'm not
25 familiar with the particulars of that.

1 Q. So you don't know whether or not there
2 are liens out there that prohibit DP&L from
3 transferring its generation assets.

4 A. I understand that that's the position the
5 company has taken, that as a result of certain liens
6 that have been in place for some time that that
7 somehow prevents a transfer happening any sooner than
8 that.

9 Q. And you haven't reviewed the lien
10 documents to know what restrictions they place.

11 A. I have not.

12 Q. It's also true, isn't it, that you
13 haven't done any analysis to determine whether DP&L
14 could receive financing on commercially reasonable
15 terms to effectuate a separation of its generation
16 assets as you proposed?

17 A. I have not conducted such an analysis.

18 Q. Okay. In the next sentence on that page
19 you propose that neither DP&L nor its affiliates
20 should be permitted to participate in competitive
21 auctions in DP&L's service territory until DP&L
22 separates its generation assets, right?

23 A. Yes.

24 Q. Okay. Your sentence actually says that
25 those entities shouldn't participate in competitive

1 bidding processes, but you actually mean only
2 competitive bidding processes in DP&L's service
3 territory, correct?

4 A. That's correct.

5 Q. Okay. You say in line 21 of your
6 testimony that Duke has a similar process in place
7 for it, correct?

8 A. That's correct.

9 Q. Do you understand that Duke agreed to
10 implement those procedures as part of a stipulation?

11 A. Yes. That was adopted by the Commission,
12 yes.

13 Q. Are you aware of the fact that in the AEP
14 case the Commission permitted AEP's affiliates to bid
15 into auctions?

16 A. The Commission handled that matter
17 slightly different in that case, yes.

18 Q. It permitted AEP's affiliates to bid into
19 auction, right?

20 A. Its affiliates, yes.

21 Q. It's true, isn't it, that your testimony
22 does not include any analysis of whether there would
23 be competitive injury if DP&L or its affiliates were
24 permitted to participate in competitive auctions?

25 A. If by "analysis" you mean some sort of

1 study or something like that, no. My testimony
2 speaks to it from a matter of policy and proper
3 competitive bid structure.

4 Q. You'd also agree with me that it's
5 possible that at auction DP&L or its affiliates may
6 offer the lowest price.

7 A. Certainly possible.

8 Q. So excluding DP&L or its affiliates from
9 bidding into those auctions may lead to a higher
10 auction price.

11 A. Anything's possible, yeah.

12 Q. Turn, if you would, then, to page 9 of
13 your testimony. Starting at the top of that page and
14 running for several other pages you propose certain
15 changes to DP&L's competitive bidding process,
16 correct?

17 A. That's correct.

18 Q. Okay. You understand that DP&L proposes
19 to use Charles River Associates as its auction
20 manager?

21 A. I am aware of that.

22 Q. And you're aware that CRA has operated
23 auctions in the FirstEnergy and Duke service
24 territories?

25 A. Yes, I am.

1 Q. Okay. And Exelon or its predecessors
2 have participated in those auctions?

3 A. I think that's possible information that
4 they have, yes.

5 Q. Okay. You'd agree with me that those
6 auctions were operated appropriately?

7 A. Yes.

8 Q. Then starting at the bottom of page 9,
9 the answer's really on page 10, you make a
10 recommendation DP&L's competitive bidding process
11 should be established so that it would go one year
12 faster.

13 A. That's correct.

14 Q. Okay. You don't sponsor any analysis
15 regarding whether or not shortening the period by one
16 year would impinge upon or adversely effect DP&L's
17 financial integrity, do you?

18 A. No, I do not.

19 Q. Then on page 10, line 20 you state that
20 "DP&L should use a ladder approach as the ESP rate
21 blending decreases for contracts," and then you list
22 some durations on the following pages, correct?

23 A. Correct.

24 Q. You understand that starting in year 2
25 DP&L proposes to offer 12-, 24-, and 36-month

1 products at auction?

2 A. Yes, I do.

3 Q. And you would agree with me that those
4 are, in fact, laddered products?

5 A. Yes.

6 Q. Okay. And for 2014, for example, you
7 recommend that DP&L offer a 36-month contract but not
8 12- and 24-month contracts.

9 A. Correct.

10 Q. It's true, isn't it, that other bidders
11 may prefer to have 12- and 24-month products
12 available to bid on?

13 A. Yes, it's certainly possible.

14 Q. Okay. And the presence of 12- or
15 24-month products in the auction doesn't preclude
16 Exelon from bidding on the 36-month products, does
17 it?

18 A. No. I believe the way the auction is
19 being proposed is bidders can bid on multiple
20 products.

21 Q. And you don't sponsor any analysis that
22 shows that customers would receive lower prices if
23 your proposal was adopted, do you?

24 A. No, I don't.

25 Q. Please turn, then, to page 13 of your

1 testimony, line 9. I apologize, line 19.

2 A. Yes.

3 Q. You state there that DP&L has two
4 extremely large customers that are being served
5 pursuant to contracts --

6 A. Yes.

7 Q. -- correct? And you recommend that those
8 customers be included in the competitive bidding
9 process that DP&L implements?

10 A. Yes.

11 Q. Do you know whether the Public Utilities
12 Commission of Ohio has approved those contracts?

13 A. I presume they did.

14 Q. Okay. Do you know whether those
15 contracts have terms that permit them to be
16 terminated?

17 A. I'm not familiar with the terms of the
18 contracts.

19 Q. Are you aware of any facts suggesting
20 that those customers are incapable of understanding
21 the contracts that they signed?

22 A. No, I'm not.

23 Q. Are you aware of any facts that suggest
24 that those customers were forced or coerced into
25 signing those contracts?

1 A. No, I'm not aware of any facts of that
2 nature.

3 Q. Please turn, then, to page 18 of your
4 testimony. Starting on line 5 you state that "The
5 competitive bidding process manager and/or DP&L
6 should not be allowed to develop a 'reservation
7 price' as a part of the competitive bidding process,"
8 right?

9 A. That's correct.

10 Q. What is a "reservation price"?

11 A. It's basically, it's almost akin to not
12 only a starting price but a price that would be
13 developed if prices somehow were in excess of that
14 that the auction could not clear, and as CRA has
15 proposed this type of mechanism, it's a price that's
16 developed in conjunction with the utility which seems
17 inappropriate as you're moving to a competitive bid
18 structure, that the utility presumably should be
19 indifferent to the supply choice of customers who
20 would be involved in setting a price like that.

21 Q. It's true, isn't it, that FirstEnergy and
22 Duke had reservation prices in their auctions?

23 A. Yes, it is.

24 Q. And you agreed those auctions were
25 operated successfully and appropriately?

1 A. Yes.

2 Q. Turn then, if you would, to page 19 of
3 your testimony. From page 19 of your testimony
4 through page 40 of your testimony, if you want to
5 page through those, my question is: Did you propose
6 numerous changes to DP&L's proposed master SSO supply
7 agreement? Correct?

8 A. Yes.

9 Q. Okay. As an initial matter it's true,
10 isn't it, that you are not aware of any rule or
11 statute that DP&L's MSA agreement would violate?

12 A. No, I'm not.

13 Q. Turn, if you would, to page 25. Starting
14 at the bottom of 25 and continuing on to page 26 you
15 address certain matters relating to a independent
16 credit requirement and mark-to-market collateral
17 requirements that are in DP&L's MSA, right?

18 A. Right.

19 Q. And you believe that those two collateral
20 requirements are repetitive, create unnecessary
21 overcollateralization?

22 A. That's a good summation of my testimony,
23 yes.

24 Q. Okay. As an initial matter, you agree
25 that DP&L's proposal regarding collateral

1 requirements is similar to what was used in Duke's
2 auction?

3 A. It is similar, yes.

4 Q. And, in fact, you submitted testimony in
5 the Duke proceeding that was supportive of the
6 competitive bidding process that was implemented by
7 Duke, didn't you?

8 A. I submitted testimony in support of the
9 stipulation on comprehensive settlement in that case
10 which it included certain issues regarding their
11 competitive bid process.

12 Q. But your testimony specifically supported
13 the competitive bidding process that was being
14 implemented, didn't it?

15 A. Yes.

16 Q. You understand that the independent
17 credit requirement is set at the close of bidding
18 based upon a formula?

19 A. Yes.

20 Q. And then the mark-to-market collateral
21 requirement will initially be set at zero and require
22 the posting of collateral only if there are
23 subsequent changes to market prices?

24 A. That's correct.

25 Q. So assuming there's no changes ever to

1 market prices during the term of the bid product,
2 there would be no mark-to-market collateral
3 requirement as you understand it.

4 A. Yes. If over the four-year term there
5 were no changes, that's correct.

6 Q. Okay. And what -- do you understand how
7 the independent credit requirement collateral amount
8 is calculated?

9 A. I do. And, you know, it's -- well, I'll
10 wait for your next question.

11 Q. How do you understand that it's
12 calculated?

13 A. It's calculated based upon a little bit
14 of a formulaic process at the end as outlined in the
15 MSA.

16 Q. Do you understand that the ICR is
17 intended to protect DP&L in the event of a CRES
18 provider's default?

19 A. I don't think it would be a CRES
20 provider.

21 Q. I apologize.

22 A. A bidder in the auction. I understand
23 that that's the intent of it, yes.

24 Q. Thank you for the correction. A slip of
25 the tongue when I referred to a "CRES provider."

1 A. That's all right.

2 Q. Turn, if you would, to page 31. You
3 propose certain changes there to DP&L's notional
4 quantity language, right?

5 A. Yes.

6 Q. And, in fact, if you flip to page 32,
7 there's a footnote 6 where you quote the language
8 you're describing as a notional quantity language,
9 right?

10 A. Yes.

11 Q. And you agree with me that similar
12 language was included in both Duke's and
13 FirstEnergy's MSAs?

14 A. Yes.

15 EXAMINER PRICE: Mr. Fein.

16 THE WITNESS: Yes. Yes, sir.

17 EXAMINER PRICE: Excuse me, Mr. Sharkey.

18 A question just occurred to me. How much
19 of a benefit is it to suppliers that the utilities
20 across the state have uniform master service
21 agreements, if everybody offered up the same
22 agreement, would that be a benefit to suppliers?
23 Would it have any significance, or would it be of
24 minimal benefit to suppliers?

25 THE WITNESS: A uniform agreement would

1 be of benefit but more so if, say, for example, we
2 conclude this case and all the Ohio utilities are all
3 conducting auctions. The state of New Jersey, for
4 example, you have one auction for all utilities, it
5 goes over a period of days, so there uniformity has
6 to occur. It certainly makes it easier and some
7 states have attempted to do that and to try to have a
8 uniform agreement for all of these auctions, so it's
9 certainly a benefit.

10 EXAMINER PRICE: Okay. Thank you.

11 Thank you, Mr. Sharkey.

12 MR. SHARKEY: Thank you, your Honor.

13 Q. (By Mr. Sharkey) Mr. Fein, turn, if you
14 would, to page 42 of your testimony. You recommend
15 there that the Commission deny DP&L's request for a
16 nonbypassable alternative energy rider associated
17 with DP&L's Yankee Solar Facility, right?

18 A. Yes.

19 Q. Okay. You understand that facility is
20 owned and operated by DP&L?

21 A. Yes.

22 Q. You do not sponsor any testimony
23 regarding whether that feature was sourced through a
24 competitive bidding process, do you?

25 A. I do not.

1 Q. And you don't sponsor any testimony to
2 determine whether that facility was used and useful
3 on or after January 1, 2009, do you?

4 A. No, I do not.

5 Q. And you don't sponsor any testimony
6 regarding whether or not that facility was needed as
7 a resource planning process, do you?

8 A. I do not.

9 Q. Turn, if you would then, please, to page
10 43 of your testimony. You recommend there that the
11 Commission reject DP&L's request for a switching
12 tracker, don't you?

13 A. Yes.

14 Q. But it's true, isn't it, that you don't
15 sponsor any testimony regarding whether the switching
16 tracker satisfies the elements of Ohio Revised Code
17 4928.143(B) (2) (d)?

18 A. No, I don't.

19 Q. Then regarding DP&L's request for an SSR,
20 you understand DP&L has requested an SSR as a
21 nonbypassable charge in this rider?

22 A. Yes, I'm aware of that issue.

23 Q. Okay. You don't sponsor any testimony
24 regarding whether or not DP&L should be permitted to
25 recover an SSR?

1 A. I did not submit any testimony on that
2 issue.

3 Q. Turn then, if you would, to page 45 of
4 your testimony. Starting at the top of that page and
5 continuing through I believe the remainder of your
6 testimony you address competitive enhancements,
7 correct?

8 A. Yes.

9 Q. Okay. You understand that DP&L Witness
10 Seger-Lawson proposes certain competitive
11 enhancements?

12 A. Yes, I do.

13 Q. And you support those.

14 A. I do.

15 Q. You propose additional enhancements above
16 and beyond those which she proposed?

17 A. Both additional and what I would describe
18 as maybe further clarifications of what she proposes
19 in her testimony.

20 Q. As to the additional changes that you
21 propose, it's true, isn't it, that you're not aware
22 of any rules that DP&L is violating by having not
23 implemented those mechanisms?

24 A. No specific rules, no.

25 Q. And it's true, isn't it, that you don't

1 sponsor any testimony regarding how much it would
2 cost to implement your various proposals?

3 A. No, I do not.

4 Q. Okay. And there's no analysis in your
5 testimony regarding whether the benefits of your
6 various proposals exceed their costs?

7 A. No, there's no such analysis.

8 Q. But, as Mr. Berger alluded to earlier,
9 you, nonetheless, want the Commission to order DP&L's
10 customers to pay for those costs?

11 A. Yes. As customers will be beneficiaries
12 of CRES providers being better able to provide
13 service.

14 MR. SHARKEY: Thank you, Mr. Fein.

15 Your Honors, I have no more questions.

16 EXAMINER PRICE: Thank you.

17 Mr. McNamee?

18 MR. McNAMEE: Thank you.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. McNamee:

22 Q. Good morning, Mr. Fein.

23 A. Good morning.

24 Q. I believe you previously indicated that
25 Exelon Generation, whatever the exact designation of

1 that is, participates in wholesale auctions.

2 A. Correct.

3 Q. Okay. It's true, isn't it, that Exelon
4 Generation would intend to participate in future
5 auctions for DP&L load whether or not DP&L itself is
6 permitted to participate in those auctions?

7 A. Would we like the opportunity to? Yes.
8 If that was your question, yes.

9 Q. That wasn't my question.

10 A. Oh.

11 Q. The question was --

12 A. Will you?

13 Q. -- would the presence of DP&L as a
14 potential bidder in a future auction for DP&L SSO
15 load, would that cause Exelon to participate or not?
16 Would it have an effect on their participation?

17 A. It would have an effect and it would be
18 something to consider. If that was to be allowed,
19 we're unaware of any jurisdiction in the U.S. that
20 conducts competitive auctions that would allow the
21 incumbent utility owning generation assets to
22 participate in a similar type of procurement event.

23 MR. McNAMEE: Thank you. That's all.

24 EXAMINER PRICE: Mr. Petricoff, redirect?

25 MR. PETRICOFF: Could I have one moment

1 first, your Honor?

2 EXAMINER PRICE: You may.

3 Let's go off the record.

4 (Discussion off the record.)

5 EXAMINER PRICE: Let's go back on the
6 record.

7 Mr. Petricoff.

8 MR. PETRICOFF: Thank you, your Honor.

9 - - -

10 REDIRECT EXAMINATION

11 By Mr. Petricoff:

12 Q. Mr. Fein, the Bench asked you the
13 question about whether uniformity in master supply
14 agreements would be a good thing. Would it be even
15 better if the uniform master supply agreement
16 contained the additions that you're suggesting for
17 credits and notational accounting?

18 A. We certainly believe those improvements
19 to the MSA would be preferred in some sort of uniform
20 master agreement, yes.

21 Q. And when we say "improvements," what
22 would be the benefit to the public if your
23 suggestions on the master supply agreement were
24 adopted?

25 A. You know, I describe in general terms the

1 recommendations would, while at the same time
2 protecting DP&L, could lead to better and more
3 competitive auctions if you are adding greater
4 clarity to certain terms in the contract, which a
5 number of the recommendations are; if you reduce what
6 I describe as overcollateralization, meaning that a
7 potential bidder would not have to post as much
8 collateral which comes at a cost.

9 You know, in general terms, those are the
10 reasons why we made these recommendations, the
11 reasons why, you know, we've taken great pain to try
12 to improve upon these contracts that are based on our
13 experience in other auctions in other states which
14 have adopted these recommendations. So that is why
15 we . . .

16 Q. And, in your opinion, if you're
17 forecasting what you think the closing price would be
18 in the auction, are we more likely to have a lower
19 closing price if we had a master supply agreement
20 that adopted your suggested changes, or a uniform one
21 that matched what Duke used?

22 MR. SHARKEY: Objection, your Honor.
23 Calls for speculation.

24 EXAMINER PRICE: Overruled.

25 A. I believe that reducing uncertainty and

1 risk in a bidding process is really all that
2 suppliers are wanting to do. Risk comes with a cost
3 and with these recommended changes and clarifications
4 we believe that can reduce risk and can result in a
5 more competitive process which ultimately would
6 benefit ratepayers who remain on the standard service
7 offer.

8 Q. Now, Mr. Sharkey asked you a question
9 concerning the, I guess for lack of a, well, maybe
10 this is the correct term -- let me start up this way:
11 Could you describe again the term "laddering" when
12 used in dividing out load for an auction?

13 A. Sure. Laddering means either in a single
14 auction or in a series of auctions purchasing
15 contracts of varying lengths so that, in this
16 instance the term of the ESP is I guess proposed, it
17 would be four years, and over that four-year period
18 you're not going out one day buying everything, that
19 you're buying different types of products over the
20 term to sort of blend the price together to hopefully
21 get at, you know, the best possible price by mixing
22 either shorter term or longer term or some mixture
23 thereof over the term of the contract.

24 Q. Now, the company has suggested laddering
25 of 12, 24, and 36, and you've suggested a laddering

1 of I guess three 36-term auctions. What's the
2 advantage of three 36s over the 12, 24, and 36?

3 A. It's an advantage of locking in a price,
4 you know, seeking a longer term price of what's
5 available in the marketplace today as this is a good
6 time for consumers, electric rates are pretty much
7 at, at least in the last probably decade, lowest
8 prices they've been, so our recommendation in this
9 case is to take advantage of that and we recommend a
10 modification of the company's laddering proposal in
11 order to potentially take advantage of that.

12 EXAMINER PRICE: Do you have an
13 opinion -- I'm going to ask you to engage in
14 speculation, so Mr. Sharkey probably will find this
15 objectionable, but if you have simultaneous auctions
16 on the same day so all things are being equal, what
17 do you think would result in the lowest price, a 12,
18 a 24, or a 36-month product?

19 THE WITNESS: It really depends. I mean,
20 it depends on what the, you know, the market view is
21 then. So it varies. You know, if we're talking
22 about present day or in the, you know,
23 not-too-distant future, I think they'd be fairly
24 comparable where, you know, the experts say the
25 market is going.

1 Longer term you potentially could have
2 some additional risks, just of time, that you have to
3 factor in and, you know, that's, the degree of that
4 in this day is probably not as great as it was, say,
5 prior to 2008 when prices were much more volatile.

6 EXAMINER PRICE: It's not your opinion,
7 then, the 24-month contract is optimal for achieving
8 the lowest price.

9 THE WITNESS: You know, I think if I knew
10 for certain the answer to that, I'd be doing
11 something different today, but, you know, I think
12 it's hard to -- it's hard to know what will happen.
13 I think if you read most of the literature, the
14 forecasts for prices over at least the next couple
15 years is pretty flat and pretty stable.

16 EXAMINER PRICE: Thank you.

17 Thank you, Mr. Petricoff.

18 MR. PETRICOFF: Thank you, your Honor.

19 Q. (By Mr. Petricoff) Mr. Fein, Mr. McNamee
20 from the staff asked you a question concerning the
21 effect on the bidding if, in fact, DP&L, the utility
22 as opposed to a nonregulated generation company, if
23 DP&L the utility bid in the DP&L auction. Why do you
24 believe it would have a negative effect?

25 A. We believe it would have a negative

1 effect and it's just bad policy in that if, for
2 instance, in this case where not only would the
3 utility in sort of an unprecedented way be allowed to
4 compete in that auction, they could compete with the
5 added benefit, again, under the proposal that's
6 pending in this case, of receiving significant
7 revenues purportedly associated with the generating
8 assets in the form of the SSR, which other potential
9 bidders in the auction, you know, don't have that
10 other revenue stream that can potentially subsidize
11 their participation in such a procurement.

12 Q. Then my final question to you, counsel
13 for the Consumers' Counsel asked you whether you
14 thought the benefits from the data enhancement would
15 benefit only the competitive retail electric
16 suppliers, and you gave the concise answer "no."
17 Would you like to expand on that and explain why you
18 were able to answer that in a single word?

19 A. Yes. I answered it that way because
20 while many of the recommendations on the competitive
21 enhancements are designed to eliminate fees and
22 charges for accessing data and information which you
23 really don't see in many market structures, you
24 really don't see that type of cost.

25 I mean, those costs get borne by

1 consumers already either directly or indirectly, a
2 supplier has to recover their costs, they don't have
3 a captive customer base with which to do that.

4 So, and the recommendations that seek
5 greater data and information is designed to allow
6 suppliers better information to better predict a
7 customer's usage which, in turn, is going to allow
8 them to present a more competitive price.

9 So we believe that beneficiaries
10 ultimately are going to be the consumers for a more
11 competitive marketplace if you have more suppliers
12 with better information to meet their needs.

13 So, you know, we believe that, you know,
14 consumers are the ultimate beneficiaries. It
15 certainly makes our ability to do business easier,
16 which is a good thing, and it will help stimulate
17 greater competition in the marketplace.

18 MR. PETRICOFF: No further questions.

19 Thank you, Mr. Fein.

20 EXAMINER PRICE: Thank you.

21 Recross, Ms. Bojko?

22 MS. BOJKO: No, your Honor. Thank you.

23 EXAMINER PRICE: Mr. Berger?

24 MR. BERGER: No, your Honors.

25 EXAMINER PRICE: Mr. Williams?

1221

1 MR. WILLIAMS: No.

2 EXAMINER PRICE: FES?

3 MR. HAYDEN: No.

4 EXAMINER PRICE: Mr. Darr?

5 MR. DARR: No.

6 EXAMINER PRICE: Mr. Yurick?

7 MR. YURICK: No questions, your Honor.

8 EXAMINER PRICE: Major?

9 MAJOR THOMPSON: No, sir.

10 EXAMINER PRICE: Mr. Boehm?

11 MR. BOEHM: No.

12 EXAMINER PRICE: Mr. Sharkey?

13 MR. SHARKEY: Yes, your Honor. Thank
14 you.

15 - - -

16 RECROSS-EXAMINATION

17 By Mr. Sharkey:

18 Q. You explained to Mr. Petricoff that you
19 believed that eliminating certain proposals or
20 changing certain proposals in DP&L's MSA would reduce
21 risks to competitive bidders, correct?

22 A. Correct.

23 Q. Some of those proposals would, in fact,
24 though, impact shift risks to DP&L or its customers
25 or shift costs to DP&L and its customers, wouldn't

1 they?

2 A. I don't believe that any of the
3 recommendations would shift any costs to customers at
4 all. And as to shifting risks or costs to the
5 company, I would also disagree with that.

6 As outlined in my testimony, it's our
7 belief that some of them lead to
8 overcollateralization that are proposed. Some of
9 them actually are designed to put the company -- DP&L
10 on equal footing with potential bidders with making
11 certain changes reciprocal in nature in the event,
12 for example, DP&L had a credit downgrade or suffered
13 some financial strain.

14 So in that regard I would disagree with
15 that.

16 Q. Let's focus on costs first. You make a
17 number of proposals, for example, that DP&L provide
18 additional information or engage in certain steps in
19 your testimony, don't you?

20 A. Are we referring to the MSA still or are
21 we now talking --

22 Q. The MSA and the competitive bidding
23 process as a whole.

24 A. Okay. I'm sorry.

25 MR. PETRICOFF: Your Honor, I'll object,

1 it's a compound question. Can we break this up and
2 take the MSA separately from the enhancement? I
3 object, it's a compound question.

4 EXAMINER PRICE: We'll ask Mr. Sharkey to
5 rephrase and to break up the question.

6 Q. Do you propose that DP&L provide
7 additional information as a part of the competitive
8 bidding process alterations?

9 A. Yes.

10 Q. And do you propose, for example, that
11 DP&L provide additional information under the MSA?

12 A. I don't believe under the MSA we make any
13 recommendations for additional information. I
14 certainly have about eight or nine recommendations
15 for the type of data that's provided to potential
16 bidders in the auction, but I believe all that would
17 be contained in the bidding rules, not in the MSA
18 per se.

19 Q. Regarding the additional costs associated
20 with auction, do you know whether DP&L has requested
21 a rider that would permit DP&L to recover the costs
22 associated with operating the competitive bidding
23 process from customers?

24 A. Yes, I am aware that the company has
25 proposed such a rider to cover its auction-related

1 costs.

2 Q. So if your proposals were implemented,
3 that would mean that assuming DP&L's rider was
4 approved, additional costs could be shifted to
5 customers, right?

6 A. If those customers remain on SSO service
7 and the recommendations resulted in additional costs,
8 yes, it's a bypassable rider, so only to the extent
9 that customers are on SSO service would they be
10 assessed those costs.

11 Q. And you also recommend that DP&L
12 eliminate its mark-to-market collateral requirement,
13 correct?

14 A. Correct.

15 Q. And whether you think it's excessive or
16 not, you would agree with me that eliminating that
17 rider would increase risks to The Dayton Power &
18 Light Company, I called it a rider but it's a
19 collateral requirement.

20 A. I wouldn't agree that it -- excuse me, I
21 wouldn't agree that it increases risks as a result of
22 the other collateral requirements that are placed on
23 potential bidders underneath the agreement.

24 Q. Having more collateral would reduce your
25 risk as a utility sponsoring an auction, wouldn't it?

1 A. In the absence of other credit
2 protections or collateral, yes, but as I outline in
3 my testimony, we believe that there's
4 overcollateralization, so I'm having trouble agreeing
5 with your statement.

6 Q. Well, it's true, isn't it, that even with
7 the independent credit requirement and the
8 mark-to-market collateral requirements that the risks
9 to DP&L could exceed the amounts posed under both of
10 those collateral requirements?

11 A. I'm having trouble agreeing with you
12 because of other credit-related provisions in the
13 agreement that are imposed on potential bidders that,
14 in our experience, are excessive compared to what we
15 see in our auctions around the country.

16 Q. Well, my real point is that although you
17 propose to reduce costs and risks to wholesale
18 providers, some of those costs and risks will end up
19 being borne by the utility or customers under your
20 proposal, won't they?

21 A. Only to the extent that you have a
22 potential event of default or there isn't some other
23 way that some other supplier doesn't step up and take
24 on the obligations of a bidder who might be
25 experiencing financial difficulties.

1 Q. So absent those options, the answer to my
2 question was yes.

3 A. Yes.

4 Q. And you don't sponsor any analysis that
5 shows or even suggests that there would be a lower
6 price at auction if your various recommendations were
7 implemented.

8 A. I don't present a numeric analysis, no.

9 MR. SHARKEY: No further questions, your
10 Honors.

11 EXAMINER PRICE: Thank you.

12 I just have one follow-up question.

13 MR. McNAMEE: I have one. I have one.

14 EXAMINER PRICE: Oh, Mr. McNamee. I'm
15 sorry.

16 MR. McNAMEE: I'm here in the corner,
17 easy to forget.

18 - - -

19 RECROSS-EXAMINATION

20 By Mr. McNamee:

21 Q. Mr. Fein, in answer to one of the
22 questions from Mr. Petricoff you indicated that the
23 participation of utility-owned generation in an
24 auction for serving the customers of that same
25 utility was "unprecedented." I think that was your

1 word.

2 A. Yes.

3 Q. And that's not exactly right, is it?

4 A. In my experience in restructured
5 competitive markets it is unprecedented to have a
6 utility-owned generation or an entity that owns
7 legacy ratepayer funded generation participate in a
8 competitive auction in the restructured markets that
9 I'm familiar with.

10 Q. Are you aware, Mr. Fein, that AEP
11 generation would be permitted to participate in the
12 future AEP SSO auction here in Ohio?

13 A. As I understand the AEP proposal, or the
14 Commission's order in that case, that would not be
15 AEP the utility but it would be an affiliate.

16 MR. McNAMEE: Thank you.

17 EXAMINER PRICE: So just to be clear,
18 when you say it's unprecedented, you're talking about
19 the utility-owned generation being bid by the
20 utility, not necessarily utility-owned generation
21 that is being bid by an affiliate as part of the
22 wholesale source with the utility.

23 THE WITNESS: To tie it up in a clip, it
24 would be a utility still owning generating assets to
25 participate, and that issue becomes, you know, more

1 pernicious if at the same time they are receiving
2 some sort of stability rider or transition payment.

3 EXAMINER PRICE: In any event, your
4 recommendation is that DP&L's affiliates not be
5 permitted to bid into the auction either.

6 THE WITNESS: That's correct.

7 EXAMINER PRICE: But you'll acknowledge
8 this does have the net effect of eliminating one
9 competitor to Constellation from the bidding process.

10 THE WITNESS: It would potentially, and
11 we come at that recommendation due to the really
12 lengthy transition that we see on getting to a
13 competitive environment in the DP&L service
14 territory.

15 EXAMINER PRICE: Okay. If you could turn
16 to -- are you done, Mr. McNamee?

17 MR. McNAMEE: I am done.

18 - - -

19 EXAMINATION

20 By Examiner Price:

21 Q. If you could turn to page 13, Mr. Sharkey
22 asked you a question about your question and answer
23 that begins on 17 and the answer begins on 19
24 regarding the two large commercial customers that
25 have reasonable arrangements.

1 Are you recommending that the terms of
2 the reasonable arrangements be altered or are you
3 recommending that the power that would be provided
4 under the reasonable arrangements be sourced through
5 the competitive auction?

6 A. I'm recommending that as a result of
7 these customers being considered SSO customers
8 underneath a reasonable arrangement, that the load
9 associated with it should be part of the competitive
10 auction.

11 Q. And then any difference, delta revenue,
12 between the competitive auction price and the price
13 provided to customers would then be recovered from
14 all other customers.

15 A. Correct.

16 EXAMINER PRICE: Thank you, you're
17 excused.

18 THE WITNESS: Thank you.

19 MR. PETRICOFF: Your Honor, at this time
20 we move for admission of Constellation Exhibit 1.

21 EXAMINER PRICE: Constellation Exhibit
22 No. 1, any objections?

23 (No response.)

24 EXAMINER PRICE: Seeing none, it will be
25 admitted.

1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 EXAMINER PRICE: And we will take a
3 10-minute break.

4 Go off the record.

5 (Recess taken.)

6 EXAMINER MCKENNEY: Let's go back on the
7 record at this time.

8 FES, do you want to call your witness.

9 MR. ALEXANDER: FES would call Roger Ruch
10 to the stand.

11 EXAMINER MCKENNEY: Mr. Ruch, please
12 raise your right hand.

13 (Witness sworn.)

14 EXAMINER MCKENNEY: Thank you.

15 Please state your name and address for
16 the record.

17 THE WITNESS: Sure. My name is Roger D.
18 Ruch. I am employed by FirstEnergy Service Company.
19 My business address is 76 South Main Street, Akron,
20 Ohio, 44308, and I am here to testify on behalf of
21 FirstEnergy Solutions.

22 MR. ALEXANDER: Your Honor, I would like
23 to have the public version of Mr. Ruch's testimony
24 marked as FES Exhibit 13 and the confidential version
25 of Mr. Ruch's testimony marked as FES Exhibit 13A.

1231

1 EXAMINER MCKENNEY: It will be so marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 - - -

4 ROGER D. RUCH

5 being first duly sworn, as prescribed by law, was
6 examined and testified as follows:

7 DIRECT EXAMINATION

8 By Mr. Alexander:

9 Q. Mr. Ruch, do you have any changes to your
10 testimony?

11 A. I do, I have one change. It's on
12 page 16, line 8. The word "first" on line 8 should
13 be changed to "second."

14 No further -- no other changes.

15 Q. Mr. Ruch, with the change that you just
16 identified, if I asked you the questions contained in
17 your testimony, would your answers be as they appear
18 in the exhibit?

19 A. They would.

20 MR. ALEXANDER: With that, your Honor, I
21 would tender Mr. Ruch for cross, and move the
22 admission of FES Exhibits 13 and 13A.

23 EXAMINER MCKENNEY: Thank you,
24 Mr. Alexander.

25 EXAMINER PRICE: Let's go off the record

1 for a moment.

2 (Discussion off the record.)

3 EXAMINER McKENNEY: Let's go back on the
4 record.

5 At this time we'll move to
6 cross-examination.

7 Mr. Petricoff?

8 MR. PETRICOFF: No questions, your Honor.

9 EXAMINER McKENNEY: Ms. Bojko?

10 MS. BOJKO: No questions, your Honor.

11 EXAMINER McKENNEY: OCC.

12 MS. YOST: No questions, your Honor.

13 EXAMINER McKENNEY: Mr. Williams?

14 MR. WILLIAMS: No questions, your Honor.

15 EXAMINER McKENNEY: Mr. Darr?

16 MR. DARR: No questions.

17 EXAMINER McKENNEY: Mr. Yurick?

18 MR. YURICK: No questions at this point,
19 your Honor.

20 EXAMINER McKENNEY: Major?

21 MAJOR THOMPSON: No questions, sir.

22 EXAMINER McKENNEY: Mr. Boehm.

23 MR. BOEHM: No questions, your Honor.

24 EXAMINER McKENNEY: Mr. Sharkey?

25 MR. SHARKEY: Yes. Thank you, your

1 Honor.

2 - - -

3 CROSS-EXAMINATION

4 By Mr. Sharkey:

5 Q. Mr. Ruch, as you know, my name is Jeff
6 Sharkey and I represent The Dayton Power & Light
7 Company in this matter.

8 As an initial matter, the subject of your
9 testimony is whether DP&L's proposed ESP is more
10 favorable in the aggregate than an MRO, correct?

11 A. Correct.

12 Q. Turn, if you would, to page 5 of your
13 testimony, and I'm looking in the confidential
14 version.

15 A. Okay.

16 MR. PETRICOFF: Your Honor, we might have
17 some people here who are not on the confidentiality
18 or have not signed the confidentiality agreement, and
19 then, also, let me ask, is any of the material,
20 because we have confidential and we have attorneys
21 eyes only, I wonder how to advise my clients whether
22 they can stay or not stay.

23 Would any of it be on the attorneys eyes
24 only?

25 MR. SHARKEY: I believe that this would

1 have been sourced from some of the attorneys eyes
2 only information.

3 MR. PETRICOFF: Your Honor, can we have a
4 minute here.

5 EXAMINER MCKENNEY: Let's go off the
6 record.

7 (Discussion off the record.)

8 EXAMINER MCKENNEY: Let's go back on the
9 record.

10 Mr. Sharkey, you can continue.

11 Q. (By Mr. Sharkey) So, Mr. Ruch, on page 5
12 there's a box at the bottom that identifies certain
13 adjustments you make to Mr. Malinak's calculations of
14 the benefits of the ESP, correct?

15 A. Correct.

16 Q. And there is -- in the box at the top a
17 line that says "As filed - Exhibit RJM-1 (Second
18 Revised)" and a line that says \$119.98 million, do
19 you see that?

20 A. I do.

21 Q. And the \$119.98 million is Mr. Malinak's
22 calculation of the amount of the benefit DP&L's ESP
23 has over an MRO.

24 A. From a price quantitative standpoint,
25 correct.

1 EXAMINER MCKENNEY: Mr. Sharkey, before
2 you continue it does say confidential, there's
3 "confidential" before and after those that the
4 numbers you're quoting are confidential. Should we
5 move to confidential at this time?

6 MR. SHARKEY: The numbers that are
7 confidential are the numbers that are in sort of a
8 highlighted gray, at least on my version, your Honor.

9 EXAMINER MCKENNEY: Okay, sorry, I see
10 that now.

11 MR. SHARKEY: So when I ask about those
12 numbers we'll move to a confidential transcript.

13 EXAMINER MCKENNEY: Thank you, I
14 apologize. Continue.

15 Q. (By Mr. Sharkey) Your chart then has a
16 column that says "Incremental" and has under that
17 column six separate numbers and then a total, right?

18 A. Correct.

19 Q. And what's shown there is the effect of
20 each of the line item changes that you make to
21 Mr. Malinak's number, right?

22 A. That is correct.

23 Q. So let's, just as an example, start with
24 adjustment 1 SSR revenue. And you show an adjustment
25 to Mr. Malinak's figure of \$687 million, right?

1 A. 687.5, correct.

2 Q. We'll talk about that adjustment in a
3 little more detail later, but just so we understand
4 the chart, the reason that you include this as an
5 adjustment is that you assumed that the SSR would be
6 available under an ESP but not under an MRO.

7 A. For purposes of this test, correct.

8 Q. Okay. And suppose, for example, that the
9 Commission were to conclude that DP&L was not
10 entitled to any SSR under either an ESP or an MRO,
11 then this line item on your chart would be deleted,
12 right?

13 A. To the extent that the corresponding line
14 items in Mr. Malinak's exhibit were deleted, yes.

15 Q. Then --

16 MR. SHARKEY: Your Honor, I'm going to
17 move to the confidential portions of my questions.

18 EXAMINER MCKENNEY: Let's move to the
19 confidential portion of the transcript at this time.
20 If anyone has not signed a protective agreement with
21 the company, please step out of the room if you have
22 not signed a protective agreement.

23 (Confidential portion excerpted.)

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Open record.)

Q. (By Mr. Sharkey) Your first proposed adjustment to Mr. Malinak's numbers relate to the SSR, right?

A. Correct.

Q. You assume that the SSR would be available under an ESP but not under an MRO?

A. I assumed for purposes of the test that the -- it would be appropriate to include the cost of

1 the SSR for the ESP side of the test but not for the
2 MRO side of the test.

3 Q. Okay. Do you know whether the MRO
4 statute authorizes the Commission to make certain
5 adjustments to DP&L's SSO rates if there's an
6 emergency that threatens DP&L's financial integrity
7 or if the results would result in a taking?

8 A. I understand that there is discretion
9 within the MRO statute. I put forth my position
10 based on the understanding that the comparison of the
11 ESP versus MRO for purposes of the ESP statute is to
12 market and I do not believe that nonbypassable
13 charges would be appropriate to include in that
14 comparison because they would be above and beyond
15 market.

16 Q. Well, it's true, isn't it, that you don't
17 sponsor an opinion on whether DP&L would need the SSR
18 to maintain its financial integrity?

19 A. That's correct.

20 Q. You do not sponsor an opinion as to
21 whether denial of the SSR would constitute a taking,
22 do you?

23 A. I do not.

24 Q. One of the reasons that you reached your
25 conclusion that a stability charge should not be

1 considered on the MRO side of the comparison is your
2 understanding of the Commission's decisions in the
3 AEP and Duke ESP cases, right?

4 A. Correct.

5 Q. You understand that neither AEP nor Duke
6 asserted in their cases that the Commission should
7 consider a stability charge on both the ESP and MRO
8 sides of the comparison?

9 A. What I understand is that in each of
10 those cases the stability charge was presented in the
11 ESP versus MRO test and the Commission had in front
12 of it to review the treatment of a stability charge,
13 and the treatment that was presented was to include
14 it as a cost on the ESP side of the equation and to
15 not include it as a cost on the MRO side.

16 In their conclusions the -- in each case,
17 specifically as I refer to on page 7 in my testimony,
18 line 13, the PUCO considered the costs associated
19 with the rate stability rider in the AEP case of
20 388 million in the quantitative analysis, and in my
21 opinion they determined that that treatment was
22 appropriate.

23 Q. You don't know what the Commission
24 thought when it was reviewing the proposals made by
25 AEP and Duke, do you?

1 A. I don't know specifically what their
2 thought process was, but when presented with a
3 stability charge, I think it's reasonable that they
4 would review that type of a charge and determine how
5 it should be treated in this test and what the intent
6 of the statute was and they concluded that it was
7 treated as a cost.

8 If it was included on the MRO side, there
9 wouldn't be a cost, and they concluded that there
10 should be a cost and that it was appropriate
11 treatment.

12 Q. But you do agree that neither Duke nor
13 AEP in their submissions included a stability rider
14 on both the ESP and MRO sides of their comparison.

15 A. I agree, they did not specifically
16 present the stability charge on the MRO SSO.

17 Q. And you agreed with me the Commission
18 decided those cases based on how they were presented
19 to it.

20 MR. ALEXANDER: Objection, your Honor.
21 Calls for a legal conclusion as to the method by
22 which the Commission makes its determinations.

23 MR. SHARKEY: I'd agree fully that it's
24 inappropriate for him to be speculating as to how the
25 Commission reached its conclusion. It's the subject

1 of his testimony, your Honor.

2 EXAMINER PRICE: He opened the door.

3 MR. ALEXANDER: Your Honor, Mr. Ruch's
4 testimony cites the language in a Commission order.
5 What his question asks is the method by which the
6 Commission reached that ultimate decision.
7 Mr. Ruch's already testified he doesn't, you know,
8 work at the Commission, how would he possibly know
9 that?

10 MR. SHARKEY: I fully agree that Mr. Ruch
11 wouldn't know that, doesn't have the basis for
12 understanding whether the Commission considered items
13 that weren't presented to it, but he has offered the
14 opinion in response to my questions that he thinks
15 that the Commission reached a conclusion as to a
16 methodology that wasn't presented to it so I think
17 I'm entitled to ask him about it.

18 EXAMINER MCKENNEY: The objection is
19 overruled. The witness can answer the question.

20 THE WITNESS: Can you repeat the
21 question, please?

22 MR. SHARKEY: Can you reread it, please?

23 (Record read.)

24 A. Again, I would say that there's a
25 stability charge and that stability charge was put

1 forth as a cost to the ESP side of the equation, it
2 was not put forth as a cost to the MRO, but when you
3 look at appropriate treatment of a charge, I think
4 it's reasonable to give a similar option.

5 Q. Sir, you would agree with me that the
6 Commission in those cases reached a conclusion based
7 upon how those cases were presented, wouldn't you?

8 A. Yes.

9 Q. Turn, if you would, to page 10, line 18
10 of your testimony. You say there, quote, "Even if
11 the Commission determined that an SSR was appropriate
12 under an MRO, which I disagree with, the SSR should
13 not be included on the MRO side of the comparison."

14 Did I read that accurately?

15 A. You did.

16 Q. Okay. You were assuming there for the
17 sake of argument that an SSR was appropriate under
18 both an MRO and an ESP, correct?

19 A. No, I was not making that assumption. I
20 was saying that I would disagree that it should be on
21 the MRO side but if for some reason it was deemed to
22 be included there, I do not believe it would be
23 appropriate to pull that nonbypassable charge back
24 into this test on the ESP side and include it as a
25 cost of the MRO.

1 Q. I understand that you're not claiming
2 that the SSR should be included in the MRO test but
3 this is a point where you're making an assumption for
4 the sake of argument, even if it were to be included
5 you still think it should not be counted on the MRO
6 side of the test, right?

7 A. Yes. Based on that assumption, correct.

8 Q. Under your assumption one of the results
9 that would apply under the MRO statute was that the
10 SSR would be approved, right?

11 A. Under that assumption, yes.

12 Q. Okay. So it's your view that the
13 relevant comparison between an ESP and an MRO is an
14 ESP that is expected -- strike that. Let me start
15 over.

16 But your view that the relevant
17 comparison is an ESP to the expected result they
18 would otherwise apply under the MRO statute excluding
19 any nonbypassable charges that may be included or
20 approved under the MRO statute?

21 A. Again, I believe that the comparison
22 should be to a competitively bid market price, and I
23 believe that nonbypassable type charges distort that
24 and I believe that the intent is to compare to a
25 default market price, and to the extent that you

1 include things that are above and beyond a market
2 price, I believe you're now comparing an ESP to
3 itself and it defeats the purpose of the test.

4 The test is to compare to a market
5 option. And so I believe that it should be compared
6 to the results of -- as described in 4928.142 of a
7 CBP type process.

8 Q. So it is your view that the Commission
9 should not compare the ESP to the expected results
10 that would otherwise apply under the MRO statute
11 under these assumptions.

12 A. To the extent that that includes
13 nonbypassable above-market charges, yes, that is my
14 position.

15 Q. Before you prepared your testimony did
16 you review the MRO statute?

17 A. I did.

18 Q. Are you aware of any language in the
19 statute that says that the comparison should be from
20 an ESP to the expected results that would otherwise
21 apply under the MRO statute but excluding any
22 nonbypassable charges that might be included or
23 approved under the MRO statute?

24 A. The specific language, no, but the intent
25 of the test as I understand it is to compare to

1 market, and I believe that's been confirmed in other
2 recent cases, specifically the AEP and Duke cases.

3 Q. Let me ask you, then, about your second
4 adjustment.

5 A. Okay.

6 Q. Your second adjustment is to change the
7 end date used by Mr. Malinak?

8 A. Correct.

9 Q. Okay. That adjustment results in a
10 11.7 million-dollar change to the ESP versus MRO
11 test.

12 A. Correct.

13 Q. Without going through all of the details
14 here, that adjustment results in -- strike that.

15 That adjustment, in fact, does not change
16 the results of your comparison one way or the other,
17 does it?

18 A. When you say it doesn't affect the
19 results of my comparison, what do you mean by that?

20 Q. It doesn't change the results whether or
21 not that 11.7 million-dollar adjustment is made.

22 A. If you were just to isolate it
23 exclusively, you mean, all else constant?

24 Q. Yes.

25 A. Well, it's an incremental amount of a

1 cost of the ESP above and beyond the MRO, so when you
2 consider the next step after you look at quantitative
3 costs and you consider the nonquantifiable benefits
4 to get to the overall more favorable than aggregate
5 test, I believe everything that is there is
6 appropriate to consider.

7 Q. My simple question is this: You conclude
8 that DP&L's ESP fails the MRO test by, I'll stay on
9 the public transcript here, by substantially more
10 than \$11.7 million, correct?

11 A. Correct.

12 Q. So whether or not the Commission agrees
13 with that adjustment, it would not affect the
14 ultimate conclusions that you reach.

15 A. From a quantitative price standpoint, no.

16 Q. Okay. And it's also substantially less,
17 that adjustment, than Mr. Malinak's 119.9
18 million-dollar benefit, correct?

19 A. Individually on its own, yes.

20 Q. Okay. The third adjustment you propose
21 relates to blending percentages under the MRO
22 statute, correct?

23 A. Correct.

24 Q. It's your view that the blending
25 percentages used by Witness Malinak are inconsistent

1 with the MRO statute, right?

2 A. Correct.

3 Q. Okay. You understand that Mr. Malinak
4 proposes an initial 17-month blending period under
5 the MRO statute of 10 percent, right?

6 A. Correct.

7 Q. Yeah. You would agree with me that for
8 the first 12 of those months 10 percent is a
9 statutory figure?

10 A. Correct.

11 Q. And for the next five of those months the
12 figure that he uses is 10 percent, right?

13 A. Correct.

14 Q. And you would agree with me that
15 10 percent is not more than 20 percent, right?

16 A. I would.

17 Q. Your fourth adjustment has to do with
18 incremental switching, right?

19 A. Correct.

20 Q. You understand that Mr. Malinak assumed a
21 switching percentage of 62 percent for the entire
22 term of both the ESP and the MRO?

23 A. I do.

24 Q. And you further understand that
25 Mr. Malinak testified that that treatment was

1 appropriate in his view because he assumes that the
2 switching tracker would be approved under both an ESP
3 and an MRO?

4 A. I understand that's his view.

5 Q. And he expressed a view that, thus, if
6 the switching tracker was approved under both,
7 incremental switching would have no effect on the
8 results, right?

9 A. I understand that's his opinion. I don't
10 agree with it, but I understand that's his opinion.

11 Q. Sir, I am going to hand you a copy of
12 your deposition transcript.

13 A. I have one.

14 Q. Okay.

15 MR. SHARKEY: Your Honors, may I
16 approach?

17 EXAMINER MCKENNEY: Yes, you may.

18 Q. If you would turn, please, to page 53.

19 A. Okay, I'm there.

20 Q. Okay. We were talking there about this
21 very subject and on line 1 I ask you this question:
22 "But I've asked you to assume that the Commission
23 agrees with Mr. Malinak. And under that assumption
24 do you agree with Mr. Malinak's conclusion that there
25 is no need to account for incremental switching in

1 conducting the ESP versus the MRO test? If you
2 haven't studied the question you can tell me 'I don't
3 know' or 'yes' or 'no.'"

4 Answer: "Yes, I would agree."

5 Did I read that accurately?

6 A. You did.

7 Q. Your fifth adjustment has to do with the
8 switching tracker itself, doesn't it?

9 A. Yes, it does.

10 Q. It's true, isn't it, that you've not done
11 any analysis to determine whether DP&L could maintain
12 its financial integrity without a switching tracker?

13 A. That's correct.

14 Q. And it's also true that you haven't done
15 any analysis to determine whether DP&L could provide
16 reliable service under an MRO without a switching
17 tracker, right?

18 A. When you define "reliable service," are
19 you using the same definition that you did in the
20 deposition which would be periodic and prolonged
21 outages due to distribution?

22 Q. For this purpose you haven't done any
23 studies of whether DP&L could provide reliable
24 service under any circumstances no matter how you
25 define reliable, service, correct?

1 A. Right.

2 Q. Then your sixth adjustment has to do with
3 DP&L's alternative energy rider in the Yankee Solar
4 Facility, correct?

5 A. Correct.

6 Q. Were you here when Jeff Malinak was on
7 the stand?

8 A. Yes, I was.

9 Q. Okay. Did you hear him testify that he
10 included an adjustment for that facility in the
11 written text of his testimony but not his chart and
12 that he agreed that the adjustment should be made?

13 A. I did.

14 Q. So as to at least adjustment 6, you and
15 Mr. Malinak appear to be in agreement.

16 A. We are in agreement that he included it
17 in his testimony, however, he does not include it in
18 his 119 million favorable impact.

19 Q. As you understood Mr. Malinak's position,
20 he agreed that the \$3.3 million that you subtracted
21 out should be removed from the 119.9 million, he just
22 didn't include that number on his chart because he
23 wanted his chart to look clean, I think was his
24 testimony.

25 A. That's fine. I agree with that.

1 Q. Okay. Let me ask you some questions
2 about nonquantifiable benefits and costs. I'll start
3 with nonquantifiable benefits. You understand that
4 DP&L Witness Malinak offers an opinion that a faster
5 transition to market rates in DP&L's ESP as compared
6 to the MRO constitutes a nonquantifiable benefit?

7 THE WITNESS: Could you read back the
8 question for me, please?

9 (Record read.)

10 A. I do understand that he presents that
11 position. I don't necessarily agree with that
12 position, but I understand it.

13 Q. You understand that in the Commission's
14 decision in the AEP ESP matter the Commission
15 concluded that an MRO for AEP would be \$386 million
16 more favorable for customers solely with respect to
17 the price test, right?

18 A. I do.

19 Q. And you further understand that the
20 Commission concluded in AEP's case that there were
21 nonquantifiable benefits associated with AEP's ESP
22 proposal, right?

23 A. I understand that.

24 Q. And you further understand that the
25 Commission concluded there that those nonquantifiable

1 benefits exceeded the \$386 million figure, right?

2 A. I understand that's how they concluded
3 it. I don't agree with that conclusion, but I
4 understand that's how they concluded it.

5 Q. You would agree with me, wouldn't you,
6 that DP&L's ESP would have nonquantifiable benefits
7 as compared to an MRO?

8 A. Well, the three nonquantifiable benefits
9 that Mr. Malinak has put forth in his testimony,
10 first is a faster transition to market and with
11 respect to that item I guess it depends on what
12 you're comparing to as faster transition to market.
13 If you're comparing to an MRO, the position that I
14 put forth is this is a -- this would be a second time
15 MRO for DP&L and therefore the blending provisions
16 wouldn't apply and, therefore, it wouldn't be faster
17 than that.

18 And then, secondly, if you're comparing
19 to other EDUs in Ohio, it's beyond the time period of
20 getting to full market than any of the other EDUs.

21 Q. Sir, would you take a look again at your
22 deposition, page 67.

23 A. I'm there.

24 Q. Line 6, I asked you the question: "Okay.
25 But in that instance if you were comparing an ESP to

1 that MRO, do you agree that DP&L's ESP application
2 would have nonquantifiable benefits?"

3 Answer: "Yes, I agree that would create
4 a nonquantifiable benefit."

5 Did I read that accurately?

6 A. You did.

7 EXAMINER PRICE: Let me ask you a
8 question about your position that this is -- that a
9 subsequent MRO filing by Dayton would be a second
10 filing. Is it your position, then, hypothetically
11 the General Assembly envisioned, when they passed
12 this, that the utility would come in on day one, file
13 an MRO, come in on day two, withdraw the MRO, come in
14 on day three, file a new MRO, and avoid blending
15 percentages entirely. It was just the mere filing
16 and withdrawal that would get them out of that
17 statutory requirement. That's your position?

18 THE WITNESS: No, that would not be my
19 position. I don't think that -- that would be a
20 loophole type of process to me.

21 EXAMINER PRICE: How would that be
22 different from where Dayton's at; they filed an MRO
23 and they withdrew it?

24 THE WITNESS: Well, they filed a MRO,
25 Witness Herrington said it wasn't a scam type MRO, as

1 I would characterize what you just described maybe,
2 in his deposition, and 4928:142 particularly says for
3 a first time applicant. That's how I'm interpreting,
4 that this would be a second time applicant.

5 EXAMINER PRICE: Fair enough. Thank you.

6 Q. (By Mr. Sharkey) Regarding your first
7 filed argument that Attorney Examiner Price was
8 asking you about, are you aware of any language in
9 the statute that says that the first filed MRO, as
10 long as the MRO was filed in good faith and wasn't a
11 sham, shall have the following blending percentages?

12 A. I'm using my interpretation of
13 4928.142(D) first sentence that says "The first
14 application filed under this section by an electric
15 distribution utility as of July 31st, in whole or
16 in part," and then it goes on to say "should follow
17 these blending percentages."

18 Q. Did you have in front of you a copy of
19 Ohio Revised Code 4928.142(D)?

20 A. I do.

21 Q. And you were reading it as you were
22 preparing your answer to my prior question, weren't
23 you?

24 A. Yes.

25 Q. And you can't point to me -- to any

1 specific language in that statute that suggests that
2 it applies differently regarding whether or not the
3 Commission concludes that the first filed MRO was a
4 legitimate filing or not, can you?

5 A. No.

6 Q. It's a creation that you've come up with
7 yourself?

8 A. I think in any filing the Commission
9 would have discretion as to the appropriateness of
10 the filing.

11 Q. Not my question. My question is: Was
12 that a standard that you came up with yourself?

13 A. It's my layman's review of the statute
14 and the terms that are there.

15 Q. Let me ask you a question about
16 nonquantifiable costs of an MRO, particularly the MRO
17 that you propose. As an initial matter you
18 understand that DP&L has requested the SSR and the ST
19 in its ESP case, right?

20 A. Could you repeat the question?

21 Q. Sure. You understand that DP&L's ESP
22 application includes a request for a service
23 stability rider and a switching tracker, right?

24 A. Correct.

25 Q. And you understand that DP&L has

1 requested those items to allow it to preserve its
2 financial integrity. Right?

3 A. I understand that's their position.

4 Q. Okay. And do you understand that DP&L
5 has already made decisions to implement certain cost
6 cuts to allow it to attempt to maintain its financial
7 integrity?

8 A. I understand that from my participation
9 in this hearing that there have been some budget
10 cuts, I don't know to what extent they've moved
11 forward with implementing.

12 Q. You were here when Mr. Jackson testified
13 regarding certain decisions as to the 2013 budget and
14 O&M cuts?

15 A. I was.

16 Q. Okay. You also heard Mr. Jackson testify
17 that making those O&M cuts creates risks to the
18 reliability of DP&L's system, right? I'm not asking
19 that you agree they create risk, I just asking you
20 heard Mr. Jackson testifying to that.

21 A. Generally I recall that.

22 Q. Okay. Turn then, if you would, to page 5
23 of your testimony.

24 MR. SHARKEY: Your Honor, I'd like to go
25 back on the confidential version of the transcript.

1258

1 EXAMINER MCKENNEY: At this time we'll
2 move back to the confidential portion of the
3 transcript. If you have not signed a protective
4 agreement, please step out of the room.

5 (Confidential version excerpted.)
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1264

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Open record.)

1 EXAMINER MCKENNEY: Mr. McNamee?

2 MR. MCNAMEE: No questions.

3 EXAMINER MCKENNEY: Redirect?

4 MR. ALEXANDER: Your Honor, could I
5 request a five-minute recess, please?

6 EXAMINER MCKENNEY: At this time we'll
7 take a five-minute recess. Let's go off the record.

8 (Recess taken.)

9 EXAMINER MCKENNEY: Go back on the record
10 at this time.

11 Redirect, Mr. Alexander?

12 MR. ALEXANDER: Thank you, your Honor.

13 - - -

14 REDIRECT EXAMINATION

15 By Mr. Alexander:

16 Q. Mr. Ruch, do you recall some questions
17 from Mr. Sharkey about your adjustment 4, the
18 shopping levels adjustment?

19 A. I do.

20 Q. And do you recall a question from
21 Mr. Sharkey about an assumption to assume the
22 switching tracker on the MRO side of the test, what
23 effect that would have on your adjustment 4?

24 A. I do. And during my deposition that --
25 those questions came up. I said I hadn't looked at

1 it that way. I have since looked at it further and
2 my conclusion upon looking at it further is a
3 switching tracker would have no impact on adjustment
4 No. 4, the \$64 million. It would stay in effect
5 irregardless of the switching tracker.

6 MR. SHARKEY: Your Honor, I'm going to
7 object and move to strike. He was obligated to
8 include anything he might have wanted to include in
9 his prefiled testimony. We haven't had a chance to
10 review his work or depose him on this subject.

11 EXAMINER MCKENNEY: Mr. Alexander.

12 MR. ALEXANDER: Your Honor, Mr. Sharkey
13 asked Mr. Ruch to assume that the switching tracker
14 would be included on the MRO side of the test which
15 is something Mr. Ruch rejects. In his deposition at
16 page 59, line 25, Mr. Ruch says I haven't considered
17 this. There was a five-page discussion of this in
18 his deposition where the counsel and Mr. Ruch went
19 back and forth discussing this in great deal.

20 As Mr. Ruch just testified he looked into
21 it in more detail after his deposition because he did
22 not agree with the initial assumption that the
23 switching tracker should be included on the MRO side
24 of the test.

25 MR. SHARKEY: Your Honors, in fact, I've

1 got page 53 of his deposition, line 7, where I pose
2 the question and I, in fact, suggested to him then,
3 page 53, line 7 after I posed the question, and you
4 can't see this because you weren't present, but there
5 was a pause, a lengthy pause, and I added in the
6 sentence starting at line 7 "If you haven't studied
7 the question, you can tell me 'I don't know' or 'yes'
8 or 'no.'" And he said that he agreed with my
9 suggestion of Mr. Malinak's position that adjustment
10 would not be necessary if the switching tracker was
11 present.

12 MR. ALEXANDER: If you look at page 55,
13 line 12, the miscommunication that had taken place is
14 discussed where Mr. Ruch says that he thought he was
15 referring only to the switching tracker. Then
16 there's another five pages of discussion on this,
17 eventually reaching page 59, line 25, where Mr. Ruch
18 says he hasn't done the analysis.

19 EXAMINER MCKENNEY: The objection is
20 overruled.

21 Mr. Alexander, you may continue. Well,
22 the witness may answer the question.

23 EXAMINER PRICE: Can I have the question
24 back?

25 (Discussion off the record.)

1 Q. (By Mr. Alexander) Mr. Ruch, do you
2 recall questions from Mr. Sharkey regarding potential
3 harm to customers?

4 A. I do.

5 Q. When you were testifying regarding harm
6 to customers, what were you -- how did you define
7 "harm to customers" in those answers?

8 A. I define harm to customers specifically
9 with the assumption, which I haven't studied, I don't
10 have any basis to agree or disagree with, that there
11 would be prolonged outages as a result of the
12 shortfall.

13 Q. And that was the definition in front of
14 Mr. Sharkey?

15 A. Uh-huh.

16 Q. You also testified regarding
17 nonquantifiable costs to DP&L's customers. Who were
18 you referring to in those responses?

19 A. Again, the same thing. With the
20 assumption that there were outages that occurred,
21 would that result in a cost? Yes.

22 Q. Do you agree with that assumption?

23 A. Could you repeat the question?

24 Q. Sure. Do you agree with the assumption
25 that there will be periodic and prolonged outages if

1 Dayton Power & Light -- let me strike that question.

2 MR. ALEXANDER: No further questions.

3 Thank you.

4 EXAMINER MCKENNEY: Recross?

5 Mr. Petricoff?

6 MR. PETRICOFF: No questions, your Honor.

7 EXAMINER MCKENNEY: Ms. Bojko?

8 MS. BOJKO: No questions, your Honor.

9 EXAMINER MCKENNEY: OCC.

10 MS. YOST: No questions, your Honor.

11 EXAMINER MCKENNEY: Mr. Williams?

12 MR. WILLIAMS: No questions, your Honor.

13 EXAMINER MCKENNEY: Mr. Darr?

14 MR. DARR: No questions.

15 EXAMINER MCKENNEY: Mr. Yurick?

16 MR. YURICK: No questions.

17 EXAMINER MCKENNEY: Major?

18 MAJOR THOMPSON: No questions, sir.

19 EXAMINER MCKENNEY: Mr. Boehm?

20 MR. BOEHM: No questions, sir.

21 EXAMINER MCKENNEY: Mr. Sharkey?

22 MR. SHARKEY: No questions.

23 EXAMINER MCKENNEY: Staff?

24 MR. MCNAMEE: No questions. It's

25 unanimous.

1 EXAMINER MCKENNEY: Mr. Ruch, you are
2 excused.

3 Mr. Alexander.

4 MR. ALEXANDER: Your Honor, I move for
5 the admission of FES Exhibits 13 and 13A.

6 EXAMINER MCKENNEY: They will be so
7 admitted.

8 (EXHIBITS ADMITTED INTO EVIDENCE.)

9 EXAMINER MCKENNEY: Now let's go off the
10 record.

11 (Discussion off the record.)

12 EXAMINER PRICE: Let's go back on the
13 record.

14 Would the company like to call its next
15 witness?

16 MR. SHARKEY: Yes. Thank you, your
17 Honor. The Dayton Power & Light Company calls Dona
18 Seger-Lawson.

19 (Witness sworn.)

20 EXAMINER PRICE: Thank you.

21 Please state your name and business
22 address for the record.

23 THE WITNESS: My name is Dona
24 Seger-Lawson, business address is 1065 Woodman Drive,
25 Dayton, Ohio, 45432.

1 EXAMINER PRICE: Please proceed,
2 Mr. Sharkey.

3 - - -

4 DONA R. SEGER-LAWSON
5 being first duly sworn, as prescribed by law, was
6 examined and testified as follows:

7 DIRECT EXAMINATION

8 By Mr. Sharkey:

9 Q. Ms. Seger-Lawson, do you have before you
10 a copy of your second revised direct testimony?

11 A. I do.

12 Q. Do you have any changes or corrections to
13 it?

14 A. I do.

15 Q. What are they, please?

16 A. On page No. 9, line 7, the date
17 March 1st, 2012 should have been December 1st,
18 2012.

19 On page 10, line 13, the witness name
20 should have been Aldyn Hoekstra instead of Teresa
21 Marrinan.

22 On page 16, line 3, the date
23 April 14th, 2010, should have been April 19th,
24 2011.

25 On page 3 -- I'm sorry, page 20, line 3,

1 the date September 1st, 2012, should have been
2 December 1st, 2012.

3 MS. BOJKO: I'm sorry, can repeat that?

4 THE WITNESS: Page 20, line 3, the date
5 should be December 1st, 2012.

6 MS. BOJKO: Thank you.

7 A. And then I have a change on Emily Rabb's
8 testimony.

9 Q. We'll come to that in a moment.

10 A. All right.

11 Q. With those changes and corrections are
12 the answers to the questions posed in your second
13 revised direct testimony true and correct?

14 A. Yes.

15 Q. Do you also have before you a copy of the
16 direct testimony of Emily Rabb?

17 A. I do.

18 Q. And do you now sponsor the testimony of
19 Ms. Rabb?

20 A. I do.

21 Q. Do you have any changes or corrections to
22 the testimony of Ms. Rabb?

23 A. I have just one change. On page 13, line
24 19, it says "December 1st, 2012," it should say
25 "Upon approval of the competitive retail

1 enhancements."

2 Q. With those changes and excluding
3 Ms. Rabb's description of her qualifications,
4 education and such, if you were asked the same
5 questions that are in this testimony, would you give
6 the same answers?

7 A. Yes.

8 MR. SHARKEY: Your Honor, DP&L will
9 designate Ms. Seger-Lawson's prefiled direct
10 testimony as Exhibit 9, Ms. Rabb's as Exhibit 10, and
11 move for their admission and I would tender her for
12 cross.

13 (EXHIBITS MARKED FOR IDENTIFICATION.)

14 EXAMINER PRICE: We will defer ruling on
15 the admission of exhibits until the conclusion of
16 cross-examination.

17 Ms. Yost.

18 MS. YOST: Thank you, your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Ms. Yost:

22 Q. Hello, Ms. Seger-Lawson.

23 A. Hi.

24 Q. I would like to have you turn to the very
25 bottom of page 11 of your testimony. Are you there?

1 A. Yes.

2 Q. Just briefly, line 21, there's a question
3 posed, it says "Has the company eliminated any
4 rates," and turn to the top of page 12 is the answer,
5 you indicate: "Yes, the company is proposing to
6 eliminate its rate stabilization charge, RSC,
7 effective January 1, 2013."

8 That charge is still currently in place,
9 correct?

10 A. Yes, that charge is currently in place
11 per Commission order that we continue our current
12 rates until such time there's an order in this case.

13 Q. And how is the amount of the, I want to
14 call it the RSC. When I say "RSC," you understand I
15 mean rate stabilization charge?

16 A. Yes.

17 Q. How is the amount of the RSC allocated
18 among DP&L's customers?

19 A. The RSC was not allocated among
20 customers. It was developed based on 11 percent of
21 the then-existing generation rate.

22 Q. And the RSC does not contain a customer
23 charge, correct?

24 A. It does not.

25 Q. What is your understanding of the purpose

1 of the RSC?

2 A. The RSC was a POLR charge that was
3 developed based on the 2005 case.

4 Q. And when would the company propose to
5 eliminate the RSC charge in this proceeding?

6 A. I think the company would follow the
7 Commission's orders and since they ordered us to
8 maintain our current rates until such time as there's
9 an order in this case, we would modify our rate at
10 that time.

11 Q. And you were involved in the MRO
12 application that was filed in 2012, correct?

13 A. Yes.

14 Q. And in the company's MRO application it
15 requested a nonbypassable charge, correct?

16 A. Yes.

17 Q. And do you know that charge to be known
18 as the ESSC?

19 A. Yes.

20 Q. And what does that stand for?

21 A. Don't recall off the top of my head.

22 Q. And the ESSC was a request in the amount
23 of \$73 million annually, correct?

24 A. That's correct.

25 Q. And the company requested that the

1 nonbypassable charge be allocated the same way that
2 the current nonbypassable charge RSC is allocated,
3 correct?

4 A. That's correct.

5 Q. And the MRO application did not request a
6 customer charge in regard to the ESSC, correct?

7 A. That's correct.

8 Q. I'm going to switch back now to talk
9 about the RSC charge that's currently in place.
10 Residential customers currently pay approximately
11 41 percent of the RSC charge, correct?

12 A. That sounds about right.

13 Q. And the company has not had any problems
14 collecting the \$73 million revenue from its
15 customers, correct?

16 A. Not sure what you mean by "problems"
17 recovering it.

18 Q. Ms. Seger-Lawson, to your left-hand side
19 there should be some exhibits there. If you could
20 locate what has previously been admitted into
21 evidence as OCC No. 13.

22 A. Yes, I see it.

23 MS. YOST: Charlie, do you have a copy?

24 MR. FARUKI: Probably.

25 MS. YOST: Your Honors, do you have your

1 copy? I have extras.

2 Q. Ms. Seger-Lawson, were you able to locate
3 OCC Exhibit 13?

4 A. Yes.

5 Q. And have you seen this exhibit before?

6 A. Yes.

7 Q. And, in fact, you're indicated as the
8 witness responsible for the answer, correct?

9 A. Yes, that's correct.

10 Q. And we just discussed that the company
11 was permitted to collect \$73 million from its
12 customers on a nonbypassable basis annually, correct?

13 A. Well, as this chart shows, the RSC was
14 originally designed to collect \$76 million but it's
15 diminished over time based on sales.

16 Q. So in -- so just to clarify, was the RSC
17 charge established as 11 percent on the generation
18 rate and that number was never specifically -- and
19 the total amount was never specifically indicated?
20 Is that correct?

21 A. The RSC was designed to be 11 percent of
22 the then-existing generation rate and when it went
23 into effect, based on billing determinants at that
24 time, the total value we knew was about \$76 million.

25 Q. Thank you.

1 I want to talk about now the company's
2 proposal to have a service stability rider known as
3 the SSR. That rider now includes a customer charge,
4 correct?

5 A. Yes, the company has proposed a customer
6 charge aspect of the SSR.

7 Q. And Mr. Parke designed the rates for the
8 SSR, correct?

9 A. Yes.

10 Q. And you are Mr. Parke's supervisor,
11 correct?

12 A. Yes.

13 Q. And you reviewed his proposal?

14 A. Yes.

15 Q. And you are not aware of any other
16 nonbypassable charge authorized in an ESP for any
17 Ohio EDU that has a customer charge, correct?

18 A. That is correct.

19 Q. Why was a customer charge included in the
20 SSR?

21 A. I think that's covered by Mr. Parke's
22 testimony.

23 Q. Do you have an opinion of why you --
24 well, you agreed that a customer charge should be
25 included in the SSR, correct?

1 A. Yes.

2 Q. Why did you agree that a customer charge
3 should be included in the SSR?

4 A. As Mr. Parke testified, the company
5 proposed a customer charge in order to minimize the
6 impacts across all customer classes. Of the entire
7 ESP, I should have said.

8 Q. Wouldn't you agree if the rates were
9 designed to minimize the impact of -- on all customer
10 class -- all customer -- all customers would have
11 received the same amount of increase on their monthly
12 bills?

13 A. No, I would not. The ESP effects
14 different classes differently based on whether you're
15 a shopper or nonshopper, and the customers that are
16 nonshopping receive the benefit from the competitive
17 bid and, therefore, when we looked at the rate
18 design, we looked at the total bill impact and
19 developed a customer charge based on those results.

20 Q. And you did not do a revenue distribution
21 allocation for the SSR, correct?

22 A. No, we did not.

23 Q. But you talked about you did a total bill
24 impact for all customer classes, correct?

25 A. Yes.

1 Q. In making your recommendation that the
2 SSR include a customer charge, would you agree that
3 the main focus was trying to make sure that the total
4 bill impact was not significant for a given group of
5 customers?

6 A. Yes, that was the intent.

7 Q. And at the time that you recommended the
8 inclusion of a customer charge, you did not recall
9 thinking that the total bill impact for low use
10 residential customers was significant, correct?

11 A. No, I did not.

12 Q. And at your deposition you did not know
13 whether you had an opinion about what percentage of
14 an increase in the total bill would be significant,
15 correct?

16 A. That's correct.

17 Q. And adding that customer charge to the
18 SSR increased the total bill for low use residential
19 customers, correct?

20 A. Yes, it does.

21 EXAMINER PRICE: Could I ask what you
22 mean by "low use"?

23 THE WITNESS: It's her term, not mine.

24 EXAMINER PRICE: Well, but you answered
25 it.

1 THE WITNESS: I guess I would say, I
2 don't know, anyone less than 750, 750 kilowatt-hours
3 is usually what we're looking at for a typical bill.

4 MR. BOEHM: Excuse me. Could I ask you
5 to keep your voice up a little bit, Dona.

6 THE WITNESS: Yeah.

7 EXAMINER PRICE: If 750 is typical, I
8 assume you mean that's kind of the median residential
9 customer bill.

10 THE WITNESS: Actually, our average usage
11 is closer to 8 or 900 kilowatt-hours.

12 EXAMINER PRICE: So 750 would be below
13 average but not -- that's not the 25th percentile
14 or usage or 20th percentile, it's just something
15 below average.

16 THE WITNESS: Right.

17 MS. YOST: Your Honor, at this time I
18 would like to mark as OCC Exhibit 15 the redlined
19 second revised direct testimony of Dona R.
20 Seger-Lawson, please.

21 EXAMINER PRICE: It will be so marked.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 MS. YOST: Your Honor, may I approach the
24 Bench and the witness?

25 EXAMINER PRICE: You may.

1 Q. (By Ms. Yost) Please let me know when
2 you're ready to proceed.

3 A. Okay.

4 Q. Do you recognize OCC Exhibit 15 to be the
5 redlined version of your second revised direct
6 testimony that has been filed in this proceeding?

7 MR. McNAMEE: I didn't get one. Are
8 there more around here somewhere?

9 MR. ALEXANDER: Here.

10 MR. McNAMEE: Thank you.

11 A. Yes, I do.

12 Q. Thank you.

13 And could you please turn to page 7, and
14 the strike through on page 7 indicates the testimony
15 that was in your original draft that was filed with
16 the Commission, correct?

17 A. This redlined document shows the changes
18 from my October 5th testimony compared to my
19 December 12th testimony.

20 Q. I'm sorry, what was the date of your
21 original testimony you indicated?

22 A. October 5th testimony.

23 Q. Thank you.

24 So on page 7 starting with line 5 your
25 original testimony indicated that, actually I'll

1 start at the top of line 4, "...DP&L's estimate is
2 that proposed rates will result in a per-bill
3 increase for a typical residential customer that uses
4 750 kilowatt-hours of electricity a month by 97
5 cents, or 87 percent from current rates for the first
6 period." Correct?

7 A. No. It says 97 cents or .87 percent.

8 Q. Sorry, I left out the point. Yes, thank
9 you.

10 And this increase of .87 percent or 97
11 cents per month was the increase that your analysis
12 had determined that a typical residential customer
13 that uses -- that used 750 kilowatt-hours of
14 electricity would see on their bills each month,
15 correct?

16 A. I don't understand the question.

17 Q. Your original testimony indicated that
18 the increase of .87 percent, or 97 cents, per month
19 was the increase that your analysis had determined
20 that a typical residential customer that used 750
21 kilowatt-hours of electricity would see on their
22 monthly bills, correct?

23 A. From what? I still don't understand the
24 question.

25 Q. Well, your testimony indicates that this

1 would be the result of the per-bill increase.

2 A. That was from the October 5 filing, yes.

3 Q. Right. From current bills is what you're
4 indicating there, correct?

5 A. In this testimony it was from the
6 then-current rates which were, I think, I can't
7 remember if it was the October 1st date that we
8 used.

9 The 97 cents was a change from the
10 then-current rates to the proposed filing that was
11 made on October 5th.

12 Q. And the current increase you have now in
13 your second revised testimony indicates that that
14 increase that the customers would see would be \$2.81,
15 or 2.61 percent of an increase, correct?

16 A. Yes. And that's the change from the
17 then-December rates to the proposed rates that are in
18 the case. There was a fuel change, a fuel rate that
19 actually went down from the October date to the
20 December date.

21 Q. It's also a result of the increase of the
22 SSR, correct?

23 A. It's a result of all of the changes that
24 we made in the filing.

25 Q. And one of those changes was that the SSR

1 request had increased, correct?

2 A. Yes.

3 Q. And it was with your testimony in your
4 October filing that you determined that a customer
5 charge should be included in the SSR, correct?

6 A. Yes, I believe the customer charge aspect
7 of the SSR was included in the October 5th filing.

8 Q. And what we see now from your original
9 testimony is that a typical residential customer that
10 uses 750 kilowatt-hours of electricity, that increase
11 has tripled, correct?

12 A. Not quite, but yeah.

13 Q. Maybe my math is wrong, but if you take
14 .87 percent, times it by three --

15 A. I guess I was looking at the 97 cents.
16 97 times three wouldn't be 281, it would be something
17 slightly higher than that.

18 Q. But we can agree that three times .87
19 equals 2.61, correct?

20 A. I haven't done that math, but --

21 EXAMINER PRICE: Let's move on to the --

22 THE WITNESS: Okay.

23 EXAMINER PRICE: -- next point here.

24 Q. And with your second revised testimony
25 you did not go back and do any analysis whether the

1 customer charge should be removed, correct?

2 A. I'm sorry, what was that question?

3 MS. YOST: Would you read that back,
4 please?

5 EXAMINER PRICE: Please.

6 (Record read.)

7 A. That's correct.

8 EXAMINER PRICE: Ms. Seger-Lawson, so the
9 record is clear, when we're talking about the
10 previous increase versus the increase, how much of
11 the delta are we talking about is attributable to the
12 fuel adjustment decrease that occurred last quarter
13 between October 1st and December?

14 THE WITNESS: I don't know that off the
15 top of my head, I'd have to go back to look at it.

16 EXAMINER PRICE: Thank you.

17 THE WITNESS: There may have been one
18 other rate that decreased too, between that time
19 period.

20 EXAMINER PRICE: Okay. Thank you.

21 Q. (By Ms. Yost) And back to page 7 of your
22 second revised testimony.

23 A. You're looking at the redlined?

24 Q. No. I'm sorry, your second revised
25 non-redlined.

1 A. Okay.

2 Q. Page 7. Starting with line 1, the very
3 end of line 1 states "Although the amount of the
4 increase or decrease will ultimately depend upon the
5 results of the CBP, using a placeholder for the CBP
6 result DP&L's estimate is that the proposed rates
7 will result in a per-bill increase for a typical
8 residential customer that uses 750 kilowatt-hours of
9 electricity a month by \$2.81 or the 2.61 percent from
10 current rates for the first period."

11 My question to you is: SSO customers,
12 specifically a typical residential customer that you
13 reference here in your testimony on page 7, lines 1
14 through 5, they could see a much larger increase
15 depending upon the results of the CBP, correct?

16 A. They could see a larger increase or a
17 decrease based on the results of the competitive bid.

18 Q. Could you please turn to page 13 of your
19 testimony. On page 13 and it continues on to page 14
20 you indicate that there are six competitive retail
21 enhancements that the company is proposing in its
22 application.

23 A. Yes.

24 Q. And are these six enhancements
25 enhancements that CRES providers have recommended to

1 the company?

2 A. Yes. Through the original filing of our
3 MRO and settlement discussions we had subsequent to
4 that, CRES providers shared ideas with us and
5 suggested there should be certain adjustments to our
6 billing system.

7 Q. And these are six of the ideas that CRES
8 providers indicated the company is willing to
9 implement; is that fair to say?

10 A. Yes.

11 Q. And did OCC ever recommend competitive
12 retail enhancements?

13 A. Not to my knowledge.

14 Q. Did IEU ever recommend any competitive
15 retail enhancements?

16 A. Not to my knowledge.

17 Q. And did OEG ever recommend any
18 competitive retail enhancements?

19 A. Not to my knowledge.

20 Q. You would agree with me that the
21 competitive retail enhancement that the company is
22 proposing benefit the CRES providers, correct?

23 A. I would say that the majority of them
24 benefit the CRES providers. There are a few that are
25 direct benefits to customers.

1 Q. On page 15 of your testimony, question 1,
2 excuse me, the question starting on line 1 indicates
3 "Does the company or its shareholders benefit from
4 these competitive retail enhancements?" And your
5 answer is "No," correct?

6 A. That's correct.

7 Q. Would you agree that the CRES providers
8 are the main beneficiary of these enhancements?

9 A. CRES providers and some are beneficial to
10 customers, yes. Directly beneficial to customers.

11 Q. I'm sorry, would you agree that the CRES
12 providers are the main beneficiary of these
13 enhancements?

14 A. I'd have to go through each one to see,
15 you know, which ones would apply to customers and
16 which ones would apply to CRES providers and look at
17 the cost of each. So I'm not sure when you say "main
18 beneficiary," I'm not sure how to define that.

19 MS. YOST: Your Honor, may I approach?

20 EXAMINER PRICE: You may.

21 Q. Do you have a copy of your deposition?

22 A. No, I don't.

23 Q. Could you please turn to page 42,
24 starting on line 7, Question: "Would you agree that
25 the CRES providers are the main beneficiary of these

1 enhancements?"

2 Answer: "Yes, probably."

3 Did I read that correctly?

4 MR. SHARKEY: Your Honor, I'd ask that
5 the whole answer be read.

6 EXAMINER PRICE: Ms. Yost, please read
7 the whole answer.

8 Q. "But I guess I said 'customers' because
9 item No. 1 talks about eliminating the minimum stay
10 and return to firm provisions in our tariff, and I
11 think customers would benefit from that.

12 "Also, in item No. 3, implementing an
13 auto-cancel feature so that we would cancel the
14 supplier charges when we cancel our customer bill, I
15 think that would help customers be less confused."

16 Did I read that correctly?

17 A. Yes.

18 Q. And in 2012 the company implemented some
19 competitive retail enhancements, correct?

20 A. Yes, in 2012 the company implemented
21 bill-ready billing.

22 Q. And why did the company do that?

23 A. It was part of the stipulation in the
24 merger case.

25 MS. YOST: Your Honors, just a few

1 minutes, I think I may be wrapping up here with my
2 questions.

3 EXAMINER PRICE: Take your time.

4 Q. On page 10 of your testimony, lines 8
5 through 11, indicates that the company plans to phase
6 out the maximum charge provisions in the current
7 generation tariffs.

8 A. Yes, I see that.

9 Q. Do you know how much that charge was
10 for -- in 2012?

11 A. I do not.

12 Q. Do you know what customer classes pay for
13 that subsidy?

14 A. That charge was developed originally, and
15 maybe even prior to this, but as far as my knowledge,
16 in the 1991 rate case and so it would be in the base
17 distribution and generation rates that we have in
18 today and any new riders that we've implemented since
19 2000, there's a max charge provision in those and so
20 I'm not sure, I'm not sure how to answer your
21 question as far as what the level of the max charge
22 is.

23 MS. YOST: I'm sorry, could you read back
24 my question, I thought I asked --

25 EXAMINER PRICE: Please.

1 (Record read.)

2 A. I'm sorry, I didn't answer that, did I?

3 So it would be difficult to tell which
4 customers pay for that. So originally in the 1991
5 rate case that max charge provision would have been
6 spread to the other tariff classes for base
7 generation rates and distribution rates, but then the
8 new -- in the new riders any difference that's not
9 paid for by max charge customers gets picked up
10 through the other tariff classes based on the true-up
11 aspect of those riders.

12 So I don't -- I can't say exactly how
13 it's being recovered from customers.

14 MS. YOST: Thank you. I have no further
15 questions.

16 EXAMINER PRICE: Thank you.

17 Before we take Mr. Boehm's questions I
18 have a question I've been asking every Dayton witness
19 and nobody will answer it. But before I forget, you
20 are in charge of federal and state regulatory
21 operations; is that correct?

22 THE WITNESS: Yes.

23 EXAMINER PRICE: So are you familiar with
24 Dayton's FERC filings?

25 THE WITNESS: Some of them. I've been

1 more focused on PUCO work in the last several years.

2 EXAMINER PRICE: The wholesale rates that
3 you charge your affiliate DPLER, are they subject to
4 a FERC-approved wholesale tariff?

5 THE WITNESS: I know that we have a
6 wholesale market-based rate authority from FERC. I
7 don't know if that affiliate transaction is covered
8 by that or if it would require a separate filing. I
9 don't know that.

10 EXAMINER PRICE: You don't know. Thank
11 you.

12 Mr. Boehm?

13 MR. BOEHM: Yes, and to correct the
14 record, Mr. Alexander was right, he graciously
15 acceded to my working my way into the order of cross.
16 I didn't want to imply anything else.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Boehm:

20 Q. And if I call you "Dona," I hope you'll
21 forgive me.

22 A. That's fine.

23 Q. It's simpler than --

24 A. Yes. It's a mouthful.

25 Q. -- Ms. Seger-Lawson, okay.

1 Dona, will you agree with me that for
2 many, many years now not only the commercial and the
3 industrial class have been entitled to shop, but the
4 residential class has been entitled to shop on DP&L's
5 system as well; haven't they?

6 A. Yes, they have.

7 Q. Okay. And like the industrial class, and
8 the commercial class to a lesser extent, if the
9 residential class customers had been shopping, they
10 would have been saving a considerable amount of money
11 particularly over the last, say, five or six years;
12 is that correct?

13 A. It's hard for me to know that. It
14 depends on what prices they're offered through the
15 competitive market.

16 Q. Okay. If you would assume that the
17 prices they have been offering are not much
18 different, particularly if they're aggregated, than
19 the prices being offered to commercial customers, you
20 would agree there would have been a substantial
21 savings, would you not?

22 A. I'm not sure how to answer that. I don't
23 know -- I don't know what the price would be that
24 they would receive.

25 Q. Let's try it this way, then. If you were

1 to put the DP&L residential load out for bid, would
2 you expect the bids to come in above or below the
3 costs of serving those customers or the rates for
4 serving those customers that DP&L now has?

5 A. In today's market I would expect that
6 price to be lower.

7 Q. To be lower.

8 And notwithstanding this fact that the
9 residential customers could have achieved these
10 savings, most of them haven't been shopping; isn't
11 that right?

12 A. That's correct.

13 Q. And I think Mr. Hoekstra, and it doesn't
14 really matter to me which of the two estimates he
15 uses, has estimated the residential shopping rate,
16 and I'm referring to page 6 here of his testimony, or
17 the residential switching as of August 30th, 2012,
18 as 24 percent. 24.7 percent, I think that was the
19 kind of actual plus projected, and the nonresidential
20 switching rate at 84 percent. Do you see where I am
21 on page 6?

22 A. I don't have his testimony, but --

23 Q. Okay.

24 A. I have another set of switching
25 statistics from September that were --

1 Q. Okay.

2 A. -- filed with the Commission.

3 Q. We can use those probably. What are
4 those?

5 A. Residential switching as of
6 September 30th of 2012 was 24 percent.

7 Q. Yeah.

8 A. Commercial was at 75 percent. Industrial
9 was at 94 percent.

10 Q. 94 percent, okay. That's fine, we'll use
11 those.

12 A. Okay.

13 Q. So not withstanding the fact that the
14 residential customers could have achieved some
15 shopping -- savings particularly in the last few
16 years, and I just want to keep that general, they
17 haven't been shopping; is that correct?

18 MR. SHARKEY: Let me just object, your
19 Honor. There's no factual basis to demonstrate that
20 the savings could have been had over the last few
21 years. I believe Ms. Seger-Lawson said she didn't
22 know whether or not if current market conditions
23 were, say, the same the last two years.

24 EXAMINER PRICE: We'll sustain the
25 objection.

1 Q. Let's try it another way, Dona. Would
2 you agree that there has been a dynamic in this case
3 in discussions among the parties that for the most
4 part the company's preference in the blending rate is
5 that they would like to have the blend between the
6 competitive bid rate and the company's otherwise
7 tariffed rate to be blended more slowly over more
8 years, whereas the preference of the OCC and the
9 staff has been to want to blend it more quickly over
10 a shorter period?

11 MR. SHARKEY: Your Honor, I'd object. I
12 believe he's referenced settlement negotiations that
13 may have happened. I don't object to
14 Ms. Seger-Lawson answering the question excluding
15 settlement negotiations, but I think that's what
16 Mr. Boehm was talking about.

17 EXAMINER PRICE: I didn't realize there
18 were settlement negotiations before you said that. I
19 thought that was clear from the record so far.

20 MR. BOEHM: I wasn't necessarily
21 referencing settlement negotiations but discussions.

22 EXAMINER PRICE: Ms. Seger-Lawson will
23 only refer to her knowledge based on knowledge of
24 nonsettlement discussions.

25 Q. (By Mr. Boehm) Do you have any knowledge

1 of that, Dona?

2 THE WITNESS: Could I have that question.

3 (Record read.)

4 A. I would say that the company's financial
5 integrity issue would cause the company to want to
6 blend more slowly, and the OCC and the staff's
7 position is to blend quicker.

8 Q. And that's exactly to another point that
9 I'm getting at. Would you agree that, all things
10 equal, all other things being equal, if the company
11 were required to blend the rates more quickly and
12 over a shorter period of time, and I understand the
13 testimony of the staff is that they would like three
14 years, I think the company's position is, what, four,
15 in four and a half?

16 A. That's correct.

17 Q. Okay. That if, in fact, the blend were
18 to be done more quickly and over a shorter period of
19 time, the company would take the position that they
20 would need a greater SSR to keep themselves
21 financially sound. That would be your position;
22 wouldn't it?

23 A. That's correct.

24 Q. Okay. And the reason for that would be
25 that the switching, which would in the future be

1 mostly in the residential class -- isn't that true?

2 A. The future switching?

3 Q. Yeah, would be in the residential class.
4 That switching would result in the company getting
5 less revenue from the residential customers.

6 A. That's correct.

7 Q. And that's because it's the company's
8 expectation that the competitive bid numbers that are
9 going to come in are less than the company's current
10 rates; am I right?

11 A. That's correct.

12 Q. Okay. Now, if, in fact, all customers
13 had already switched last year, a year before, as
14 they were entitled to do, right, they would all be
15 essentially receiving the benefits of the market
16 rate; would they not?

17 A. If all customers had switched, they would
18 be in the market, yes.

19 Q. And isn't it true that in a sense what's
20 happening now with the blending period is that the
21 residential customers, having failed to go to the
22 market, the Commission is moving the market to the
23 residential customers?

24 MR. SHARKEY: Object. It's a proposal
25 made by DP&L and he's asking for a characterization

1 of what decisions the Commission has made or why.

2 EXAMINER PRICE: It was such an eloquent
3 statement.

4 MR. BOEHM: It is.

5 EXAMINER PRICE: We'll overrule the
6 objection.

7 MR. SHARKEY: I hope it's not overruled
8 on the grounds that the question was eloquent.

9 EXAMINER PRICE: You can answer if you
10 know.

11 THE WITNESS: I may need the question
12 again.

13 MR. SHARKEY: You just wanted to hear it
14 again, didn't you?

15 (Record read.)

16 A. I think that the Commission's position in
17 our case and other cases is to go faster to market.

18 Q. (By Mr. Boehm) Is there any benefit at
19 all to the 94 or 96 percent of the industrial
20 customers who have already switched, is there any
21 benefit to them at all in having a shorter blending
22 period?

23 A. A shorter blending period? No. Those
24 that have switched already are at market.

25 Q. As a matter of fact, Dona, if in fact the

1 company is successful in convincing the Commission
2 that a shorter blending period for them means that
3 they should recover more in their SSR costs, to the
4 extent those are passed along in a nonbypassable
5 charge to everyone, then the shorter blending period
6 will cost industrial customers more than a longer
7 blending period; isn't that true?

8 MR. SHARKEY: Can I hear that question
9 again, your Honor. I think I wanted to object to it,
10 but --

11 MR. BOEHM: It was pretty eloquent.

12 EXAMINER PRICE: Let's have it back
13 again.

14 (Record read.)

15 MR. SHARKEY: No objection.

16 A. I think you're making the assumption that
17 the SSR is simply related to blending period and I
18 don't --

19 Q. I'm sorry, could you --

20 A. Yeah.

21 Q. You're sort of soft-spoken.

22 A. I think that you're assuming that the SSR
23 is only related to switching and I think that's a bad
24 assumption. I think that the SSR is a financial
25 integrity charge that the company needs for all the

1 reasons that are listed in Dr. Chambers' testimony.

2 Q. But I thought you agreed with me, Dona,
3 that, with respect to the switching, the more
4 switching and the faster the switching, the more
5 money that the company would need in its SSR to keep
6 it whole.

7 A. That's true.

8 Q. Okay. So to that degree, essentially,
9 the switching, the speed of the switching, and the
10 rate of the switching, to the extent that it's
11 shorter and faster, benefits the residential
12 customers far more than the industrial customers;
13 isn't that true?

14 A. I think that is true.

15 Q. And, as a matter of fact, those
16 residential customers just by switching are going to,
17 for the most part, going to get a rate decrease,
18 aren't they? A net rate decrease?

19 A. Just -- I'm not sure I understood the
20 question.

21 Q. The residential customers who have not
22 switched thus far, when they switch, is it not the
23 expectation of the company that those residential
24 customers, leaving aside the SSR, will by virtue of
25 that get a rate decrease?

1 A. When they switch --

2 Q. Yeah.

3 A. -- did you say? Customers that have not
4 switched and are going to switch in the future?

5 Q. Yeah.

6 A. Would they get a decrease?

7 Q. Yeah.

8 A. I think based on market prices today
9 that's true.

10 Q. And to the extent that their rates are,
11 that they haven't wholly switched yet but their rates
12 are a proportion of the market rate and the current
13 rate, their rates will go down; isn't that true?

14 A. The blending aspect of our plan decreases
15 the rate over time.

16 Q. Okay.

17 A. Yes.

18 Q. Have there been marketing efforts in
19 DP&L's service territory, to your knowledge, to
20 recruit residential customers?

21 A. Yes, a lot of them.

22 Q. By other providers, other CRESs?

23 A. By many CRESs, yes.

24 Q. By DP&L ER?

25 A. Yes.

1 Q. Does anybody have an idea why the
2 residentials are not switching?

3 A. I don't have an opinion on that.

4 Q. Okay. I think your -- let me ask you,
5 Dona, if, in fact, the Commission should find in this
6 case -- this is only partially related to what I've
7 been asking you about -- that the costs for the SSR
8 should be allocated as the industrials have urged
9 pursuant to a cost-of-service study and on a demand
10 basis, would your office, would DP&L be able to
11 conduct such a cost-of-service in a relatively short
12 order?

13 MR. SHARKEY: Object, your Honor, I
14 believe that's compound. He's suggested there was a
15 cost-of-service study and a demand basis.

16 MR. BOEHM: What I've proposed, your
17 Honor, is if the Commission orders that there will be
18 a cost-of-service study and the cost-of-service study
19 should be done on a demand basis, then would DP&L be
20 able to in short order achieve that result.

21 EXAMINER PRICE: Overruled.

22 You can answer if you know.

23 A. I think, as Nathan Parke testified
24 yesterday, the costs that are made up of the -- the
25 SSR is made up of cannot readily be developed into a

1 cost-of-service study. A cost-of-service study, in
2 my mind, is a traditional base distribution or base
3 generation rate case and the SSR is the financial
4 integrity charge that covers costs, financial and
5 business risks, the economic environment, DP&L's
6 infrastructure, the regulatory environment that we're
7 in, and the competitive environment and I don't know
8 how to do a cost-of-service based on that.

9 Q. And I understand that that's the
10 company's position, but if the Commission should find
11 that these are, in fact, wholly related to capacity
12 costs and, therefore, that it's appropriate that they
13 should be assigned on a demand basis, you could do
14 that, couldn't you?

15 A. I could do a rate design based on a
16 demand basis, yes.

17 Q. Yeah.

18 MR. BOEHM: Just a moment, your Honor.

19 Q. Oh, and you would agree, Dona, that the
20 existing RSC, when that RSC was developed, it wasn't
21 developed pursuant to any class cost-of-service
22 study; am I correct?

23 A. It was not.

24 Q. And, therefore, to the extent that the
25 SSR is a blending of demand and energy costs on top

1 of the existing RSC, that also would not be a rate
2 that's based upon a class cost-of-service study.

3 A. The SSR rate design was not based on a
4 class cost-of-service study.

5 Q. Okay. Now, I did notice from the
6 testimony of Witness Emily Rabb that -- and you're
7 adopting that testimony, are you not?

8 A. Yes.

9 Q. I did notice that with respect to the CB
10 or -- or, I'm sorry, with respect to the competitive
11 bid rates, that the Commission did propose to -- or
12 that the company did propose to assign those based on
13 a cost-of-service study. Am I correct? I'm
14 referring to page 5 of Ms. Rabb's testimony and
15 lines, I guess roughly 12 through 20.

16 A. On page 5, lines 12 through 20 --

17 Q. It's addressing principally the street
18 lighting and private outdoor lighting but I'm looking
19 at line 15, at the very end of the sentence it says,
20 and running over to 17, "This adjustment properly
21 assigns those capacity costs to only the tariff
22 classes that cause the capacity costs to be
23 incurred." Right?

24 A. Yes. That's correct.

25 Q. Somebody did a cost-of-service study

1 there and you're assigning capacity costs, right?

2 A. I personally wouldn't call it a
3 cost-of-service study, but we assigned the costs
4 based on how the costs were incurred.

5 Q. And capacity costs are demand related,
6 are they not?

7 A. Yes, they are.

8 MR. BOEHM: I think I have no further
9 questions, your Honor.

10 Thank you, Ms. Lawson.

11 EXAMINER PRICE: Before we go to
12 Mr. Pritchard I have two questions, one to follow up
13 on Ms. Yost.

14 Just to be clear for the record, what is
15 the residential customer charge the company's
16 proposing in the SSR?

17 THE WITNESS: I don't know if I have that
18 in front of me. And that's because I don't sponsor
19 it, Nathan sponsored it.

20 EXAMINER PRICE: I missed my chance.

21 THE WITNESS: Sorry.

22 EXAMINER PRICE: That's okay, I can find
23 it.

24 THE WITNESS: I don't think I have the
25 tariff in front of me.

1 EXAMINER PRICE: I can find it. Thank
2 you.

3 And the 94 percent industrial switching
4 that you mentioned in response to Mr. Boehm, is that
5 load?

6 THE WITNESS: That was based on sales.

7 EXAMINER PRICE: Okay. The remaining
8 6 percent, are those your reasonable arrangement
9 customers or are there a mix of reasonable
10 arrangement and some other customers? If you know.

11 THE WITNESS: I don't know.

12 EXAMINER PRICE: Okay. Thank you.

13 Mr. Pritchard? Oop, Mr. Alexander.

14 MR. ALEXANDER: I'm sorry, your Honor,
15 the chart may be a little stale at this point.

16 - - -

17 CROSS-EXAMINATION

18 By Mr. Alexander:

19 Q. Ms. Seger-Lawson, good afternoon.

20 A. Hi.

21 Q. I see you have some documents with you
22 today. What do you have with you up on the stand?

23 A. I have a copy of my second revised direct
24 testimony. A copy of the direct testimony of Emily
25 Rabb. I have a copy of the redlined version of my

1 second revised testimony. I have a copy of the rate
2 blending plan.

3 I have a copy of the December 12th
4 application. A copy of 4928.143. I have a copy of
5 the Commission's opinion and order in case
6 10-505-EL-FOR, DP&L's long-term forecast report. A
7 copy of the proposed nonbypassable AER tariff. A
8 copy of DP&L's November 7th, 2012, memo that
9 addresses the Yankee cost.

10 A copy, partial copy, of the opinion and
11 order in Case No. 11-346, which is the AEP case. A
12 copy of a data request relating to the cost of the
13 competitive retail service enhancements. A copy of
14 all the tariffs that I sponsor.

15 I have a copy of the company's or, I'm
16 sorry, the Commission's opinion and order in Case
17 No. 08-1094-EL-SSO and a copy of the stipulation in
18 that case.

19 I have a copy of the Ohio Administrative
20 Code 4901:1-35-03. I also have other copies of the
21 Ohio Administrative Code. I have a copy of
22 Schedule 10 from our filing and the workpapers and
23 schedules that I sponsor.

24 More copies of tariffs and schedules for
25 the CB rate. Schedule 6 that I sponsor, and a copy

1310

1 of the proposed reconciliation rider tariff. Maybe I
2 have two copies of this, Ohio Revised Code 4928.142.
3 Oh, that's 142.

4 I have Schedule B-6 from Case No. 08-1094
5 which is our cost of debt. I have workpaper 12-2
6 from this case. Switching statistics from the
7 Commission's website. Another schedule that I
8 sponsor.

9 Q. What was -- I'm sorry, what was the name
10 of that last schedule?

11 A. Another schedule that I sponsor, it's the
12 gross revenue conversion factor.

13 Ohio Revised Code 4928.20. That's it.

14 EXAMINER PRICE: You must have a much
15 more organized house than I have.

16 Q. Is that everything?

17 A. Actually, I do have other stuff in here.
18 I have certain sections of Bill Chambers' testimony,
19 I have a data request relating to level of PIPP
20 customer bills, and a copy of the state policy, and a
21 copy of Section 4928.17.

22 Q. Anything else?

23 A. No, that's it. Cough drops.

24 Q. You're responsible for Dayton Power &
25 Light's state regulatory activities over the last

1 several years?

2 A. Yes.

3 Q. And your testimony references, at page
4 16, line 3, a 2010 LTFR case, and it's Case
5 No. 10-505. Can we agree to refer to that as the
6 2010 LTFR case?

7 A. Okay.

8 Q. And DP&L's 2010 LTFR case included a
9 discussion of the Yankee Solar Facility; is that
10 correct?

11 A. Yes, the 2010 LTFR is the case where the
12 company sought the Commission's designation of the
13 need for the Yankee Solar Facility.

14 Q. And construction of the Yankee Solar
15 Facility began in December of 2009, correct?

16 A. I actually don't know when it began.

17 Q. Did you review the 2010 LTFR case cited
18 in your testimony, specifically DP&L's application
19 filed in that case?

20 A. Yes, I did.

21 MR. ALEXANDER: Your Honor, I'd like to
22 have an exhibit marked for identification.

23 For the parties, there are copies
24 available if anybody needs them but I doubt we'll be
25 on this exhibit very long.

1 EXAMINER PRICE: How do you want this
2 marked?

3 MR. ALEXANDER: Fourteen.

4 EXAMINER PRICE: FES Exhibit 14, so
5 marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. Ms. Seger-Lawson, I've handed you what's
8 been marked as FES Exhibit 14 for identification
9 purposes. Have you seen this document before?

10 A. Yes, I have.

11 Q. And what is this document?

12 A. This is a copy of the company's 2010
13 long-term forecast report as submitted on
14 April 15th, 2010.

15 Q. Could you please turn your attention to,
16 unfortunately there are no page numbers at the bottom
17 of this document, so it's the section discussing Ohio
18 Administrative Code 4901:5-5-06, page 4.

19 MR. ALEXANDER: And if I may approach the
20 witness, I'd be happy to show her this copy. Your
21 Honor, would that be acceptable?

22 EXAMINER PRICE: Sure. Yes.

23 Page 4 of 5-5-06?

24 THE WITNESS: I think I have it.

25 MR. ALEXANDER: That's correct, your

1 Honor.

2 THE WITNESS: I have it.

3 Q. (By Mr. Alexander) Refer to the first
4 full paragraph on this page, the sentence beginning
5 with "As announced." I'm just directing your
6 attention to that, I'm not going to have a question
7 about that sentence yet. Have you had a chance to
8 review that?

9 A. Yes.

10 Q. Ms. Seger-Lawson, did you review this
11 document on or about the time it was filed in 2010?

12 A. I worked with the person who developed
13 this document.

14 Q. And does reviewing this document refresh
15 your recollection as to whether or not construction
16 of the Yankee Solar Facility began in December of
17 2009?

18 A. Yes, that sounds right.

19 Q. And the Yankee Solar Facility was
20 operational in March of 2010; is that correct?

21 A. That's correct.

22 Q. And Dayton Power & Light filed its 2010
23 LTFR application on April 15th, 2010, correct?

24 A. I believe so, yes.

25 Q. Dayton Power & Light ultimately entered

1 into a stipulation in the 2010 LTFR proceeding; is
2 that correct?

3 A. That's correct.

4 Q. And the stipulation in the 2010 LTFR
5 proceeding was accepted by the Commission on
6 April 19th, 2011?

7 A. Yes.

8 Q. And Dayton Power & Light's request for
9 recovery for the Yankee facility is based on that
10 stipulation?

11 A. DP&L's request for cost recovery of the
12 Yankee facility is in this case, in this ESP case
13 we're in right now.

14 Q. And that request is based on the
15 stipulation reached in the 2010 LTFR case, correct?

16 A. Yes, that's correct.

17 Q. And it's Dayton Power & Light's position
18 that the finding of need in the 2010 LTFR case
19 satisfies the need determination in Ohio Revised Code
20 4928.143(B) (2) (c).

21 A. Yes, that's correct.

22 Q. And the capital cost for the Yankee
23 facility as of December 31st, 2011, was \$3.3
24 million, correct?

25 A. Approximately 3.3, yes.

1 Q. And you don't know whether there have
2 been any additional capital expenditures at the
3 Yankee facility since December 31st, 2011.

4 A. I don't know that.

5 Q. And Dayton Power & Light has not provided
6 a revenue requirement for the Yankee facility in this
7 proceeding, correct?

8 A. That's correct. We have asked for a
9 waiver of that so that we can file it within six
10 months of this case being over.

11 Q. So Dayton Power & Light proposes to
12 submit the revenue requirement within six months of
13 the decision in this case?

14 A. Yes.

15 Q. And that revenue requirement will
16 determine the amount of the costs which would be
17 imposed on Dayton Power & Light customers for the
18 Yankee 1 facility.

19 A. I believe the statute says that the
20 company could establish a nonbypassable charge for
21 the life of the generation facility, and we would
22 develop a revenue requirement for the life of the
23 facility.

24 Q. And the revenue requirement will
25 determine the amount of the charge, correct?

1 A. That's correct.

2 Q. And Dayton Power & Light anticipates that
3 the filing anticipated six months from now will also
4 include information regarding how the entire rider
5 AERN will be charged.

6 A. Yes, that's correct.

7 Q. And the filing which Dayton Power & Light
8 anticipates making six months from now will not
9 include any information other than revenue
10 requirement data, correct?

11 A. It would provide all the cost support for
12 the revenue requirement so that parties could do a
13 prudence review of all the costs that we have
14 incurred.

15 Q. The filing which DP&L anticipates making
16 six months from now will not include any information
17 on the state of Ohio's solar market, correct?

18 A. I don't believe so. The Commission has
19 already found the need in our long-term forecast
20 report, and as I read the section of
21 4928.142(B)(2)(c), there's no additional requirement
22 to determine if it's still needed later after it's
23 been built.

24 Q. Ms. Seger-Lawson, my question was the
25 filing which DP&L anticipates making six months from

1 now will not include any information regarding the
2 state of Ohio's solar market, correct?

3 A. I think I already answered that. I said
4 that's correct, because there's no additional
5 requirement to determine later if there's still a
6 need for the facility. The need was found in the
7 2011 long-term forecast report because at that time
8 when the facility was built there were insufficient
9 RECs in the market.

10 EXAMINER PRICE: I think he's looking for
11 a "yes" or "no" answer if you can --

12 MR. ALEXANDER: I think I got it that
13 time, your Honor. I'll just move on.

14 EXAMINER PRICE: Okay.

15 Q. Dayton Power & Light's position is that
16 if the Commission approves a placeholder rider as
17 requested in the application, the only issue left for
18 determination is the amount of cost recovery to be
19 included into rider AERN; is that correct?

20 A. Prudency review, yes, and calculation of
21 the cost in the application of the rates.

22 Q. And Dayton Power & Light anticipates that
23 the Commission will weigh the costs and benefits of
24 the Yankee 1 solar facility when deciding whether or
25 not to approve this placeholder rider.

1 A. I think that they'll probably weigh the
2 costs and benefits when we file the cost support.

3 Q. So it's DP&L's position that the costs
4 and benefits of the Yankee 1 solar facility will be
5 made in the proceeding anticipated six months from
6 now?

7 A. Yeah, that's when we're filing our costs.

8 Q. If DP&L -- strike that.

9 DP&L is only planning to submit cost and
10 revenue requirement data in the proceeding six months
11 from now; is that correct?

12 A. I think I've already answered that. Yes.

13 Q. And Dayton Power & Light is not
14 anticipating providing any information on the state
15 of Ohio's solar market in the proceeding six months
16 from now; is that correct?

17 MR. SHARKEY: I'm going to object, your
18 Honor. Asked and answered. He's asking about a case
19 repeatedly that's yet to be filed. It's both asked
20 and answered and irrelevant.

21 EXAMINER PRICE: We'll grant you the
22 asked and answered. Sustained.

23 MR. ALEXANDER: I was confused, I was
24 trying to make sure I heard the previous answers
25 correctly, Mr. Sharkey, so I will withdraw the last

1 question. I thought it was asked and answered as
2 well.

3 Q. If the only information which will be
4 provided is the revenue requirement and cost
5 information, how does DP&L expect the Commission to
6 weigh the costs and the benefits of the Yankee 1
7 facility in the proceeding anticipated six months
8 from now?

9 A. The company's proposal is that we're
10 seeking a placeholder tariff in the nonbypassable AER
11 in this case because we felt like we've met all of
12 these requirements that are in the Ohio Revised Code,
13 there's a requirement that the generation is placed
14 in service after January 1st, 2009, which Yankee
15 has been; sourced through a competitive bid, which it
16 was; obviously newly used and useful; the Commission
17 has found a need in the long-term forecast report per
18 the rules.

19 So we're asking the Commission to find
20 that Yankee does meet this definition of
21 143(B) (2) (c).

22 Q. So really it's DP&L's position that the
23 only issue in the proceeding six months from now is
24 the prudence of the costs incurred.

25 A. Yes.

1 Q. And DP&L is reserving the right to seek
2 cost recovery for additional facilities other than
3 Yankee 1 in rider AERN; is that correct?

4 A. We've left open the opportunity if the
5 company were to file -- were to build an additional
6 generation facility that meets all the requirements
7 of that section.

8 Q. And DP&L has not presented any evidence
9 in this ESP proceeding regarding the current
10 availability of solar RECs in Ohio, correct?

11 A. There isn't a requirement to provide any
12 information about solar RECs in Ohio today. That
13 requirement has already been met by the 2010 LTFR.
14 The Commission found a need for the facility because
15 in 2009 when that facility was built, there was a
16 need for solar RECs in Ohio. That need was
17 determined back then. There's nothing in the Ohio
18 Revised Code that says an additional request for a
19 need is there.

20 MR. ALEXANDER: Your Honor, I move to
21 strike the Ohio answer. My question was limited to
22 just what was provided in this proceeding.

23 EXAMINER PRICE: Can I have the question
24 and answer back again, please?

25 (Record read.)

1 EXAMINER PRICE: We're going to deny the
2 motion to strike. It was somewhat of a broad answer
3 and she was trying to explain why they had not
4 provided it.

5 But I will ask the witness to be careful
6 that you're listening carefully to counsel's
7 questions and answering the question and only the
8 question that he asks.

9 THE WITNESS: Okay.

10 Q. (By Mr. Alexander) And, Ms. Seger-Lawson,
11 I understand your position, I'm just trying to
12 understand what was presented in this proceeding for
13 the next series of questions.

14 So has DP&L presented any evidence in
15 this ESP proceeding regarding the current
16 availability of solar RECs in Ohio?

17 A. We have not.

18 Q. Has DP&L presented any forecast in this
19 proceeding regarding the future availability of solar
20 RECs in Ohio?

21 A. We have not.

22 Q. Has DP&L presented any evidence in this
23 ESP proceeding regarding DP&L's need for in-state
24 solar RECs?

25 A. We have not because the need has already

1 been found for the Yankee facility.

2 Q. Has DP&L presented any forecast in this
3 proceeding regarding DP&L's future need for -- let me
4 withdraw that question.

5 DP&L has not presented any evidence in
6 this ESP proceeding regarding the revenue requirement
7 for Yankee 1, correct?

8 A. The company provided in this case the
9 supplement to the ESP application that was filed on
10 November 8th, 2012, with the capital costs
11 associated with the Yankee facility.

12 Q. My question related to the revenue
13 requirement of the Yankee facility. Has DP&L
14 presented any evidence in this proceeding regarding
15 the revenue requirement for the Yankee facility?

16 A. We have not calculated a revenue
17 requirement but we have provided some aspect of the
18 costs.

19 Q. DP&L has not presented any evidence in
20 this proceeding of the O&M costs for Yankee 1,
21 correct?

22 A. That's correct.

23 Q. DP&L has not presented any evidence in
24 this proceeding regarding any projects other than
25 Yankee 1 it may seek to include in rider AERN.

1 A. I'm sorry, I didn't hear the question.

2 EXAMINER PRICE: Can we have the question
3 back again, please.

4 (Record read.)

5 A. That's correct.

6 Q. And DP&L has not presented any evidence
7 in this proceeding regarding the lead times for
8 construction or implementation of planned electricity
9 resource options.

10 A. That's correct.

11 Q. And DP&L has not presented any evidence
12 in this proceeding regarding the cost-effectiveness
13 of Yankee 1 as compared to alternatives such as
14 purchasing solar RECs from the market, correct?

15 A. That's correct.

16 Q. DP&L has not presented any evidence in
17 this proceeding regarding cost effectiveness of other
18 projects which may be included in rider AERN,
19 correct?

20 A. That's correct.

21 Q. And DP&L has not presented any evidence
22 in this proceeding regarding a detailed description
23 of the impact upon rates of the proposed surcharge;
24 is that correct?

25 A. That's correct, because we've also asked

1 for a waiver of all the Ohio Administrative Code that
2 you're walking through right now.

3 Q. DP&L is the entity that built Yankee 1;
4 is that correct?

5 A. That's correct.

6 Q. And Yankee 1 did not result from an RFP
7 for the construction of a new solar facility; is that
8 correct?

9 A. The Yankee 1 was developed through
10 competitive bidding processes, yes.

11 Q. I understand the construction of Yankee 1
12 was competitively bid; is that correct?

13 A. Yes.

14 Q. But Yankee 1 did not result from an RFP
15 for the construction of a new solar facility; is that
16 correct?

17 A. I'm not sure if there was a single RFP or
18 how the -- how the competitive bidding was done.

19 Q. Let me try and clarify this. I
20 apologize. There was some loose language, I'll try
21 and clarify it.

22 When we reference "competitive bidding,"
23 you're testifying about the construction of the
24 facility itself, correct?

25 A. Yes.

1 Q. And when I reference an RFP, I am
2 referencing an RFP for in-state Ohio solar RECs and
3 the provision of those in-state Ohio solar RECs?

4 A. We've issued many RFPs for in-state Ohio
5 solar RECs, yes.

6 Q. And my question is was the construction
7 of Yankee 1 related to an RFP for in-state Ohio solar
8 RECs?

9 A. No.

10 Q. And has DP&L submitted the competitive
11 bid records for Yankee 1 in this ESP proceeding?

12 A. No, we have not. I had assumed that that
13 would be through the prudency review.

14 Q. And I believe you may have mentioned this
15 in passing. You are sponsoring a request for waiver
16 of Ohio Administrative Code 4901:1-35-03(C)(9)(b); is
17 that correct?

18 A. 4901:1-35-03(C)(9)(b). I'm not sure if
19 that's what you said or not but I had to read it.

20 Q. Well, let's agree that it's on page 4,
21 line 15 of your testimony.

22 A. Yes.

23 Q. And can we agree to define that as "the
24 rule," to speed this along?

25 A. Okay.

1 Q. The rule requires that any application
2 for a rider like the AERN include certain specified
3 information; is that correct?

4 A. The rule requires any electric utility
5 that is seeking a nonbypassable charge under Ohio
6 Revised Code (B) (2) (b) or (c) meet certain
7 requirements.

8 Q. And DP&L is seeking a waiver of the rule
9 to obtain additional time to develop a revenue
10 requirement for the charge?

11 A. A revenue requirement and to extend the
12 prudence review, yes.

13 Q. And less customers are taking generation
14 service from Dayton Power & Light today than were
15 taking generation service in 2010, correct?

16 A. Yes, fewer customers are on SSO today.

17 Q. And did you review the PUCO docket
18 regarding solar resources currently available in Ohio
19 before submitting your testimony?

20 A. I did not.

21 Q. As switching increases, DP&L's solar REC
22 obligation decreases; is that correct?

23 A. As DP&L's SSO load decreases, its solar
24 REC obligations decreases, but because there's a
25 three-year rolling average, it decreases slower than

1 the pace of switching.

2 Q. Could you please turn your attention to
3 page 6, line 13 of your testimony. Where you
4 reference, quote, "fixed," end quote, rates, are you
5 referring to base generation rates?

6 A. I'm sorry, page 6, what line?

7 Q. Line 13.

8 A. Yes, I'm referencing DP&L's base
9 generation rates.

10 Q. So assuming the Commission approves
11 DP&L's proposal, only the base generation rate would
12 be fixed and phased out through the blending
13 schedule?

14 A. The rates that would be phased out
15 through the blending schedule are covered in page 8
16 of my testimony. So that would be the base
17 generation rates, the fuel rider, the RPM rider, and
18 the TCR-B.

19 Q. Ms. Seger-Lawson, do you have your
20 deposition in front of you?

21 A. Yes.

22 Q. Could you please turn your attention to
23 page 97, line 21.

24 MR. ALEXANDER: Has the Bench been
25 previously provided with copies?

1 EXAMINER PRICE: We have.

2 Q. Please let me know if I read this
3 correctly. Question: "Your testimony at line 13
4 references 'rates' plural. Is it only the base
5 generation rate or are there other rates which are
6 fixed as well?"

7 Answer: "It is just the base generation
8 rate because the company's proposal is that the
9 environmental investment rider, which is also fixed,
10 be included in the base generation rate. So assuming
11 the Commission approves our plan as filed, it would
12 just be the base generation rate that would be fixed
13 and phased out through the blending schedule."

14 Do you see that?

15 A. I think you're taking that out of
16 context.

17 MR. SHARKEY: Object, your Honor. I
18 believe that her answer to his last question was
19 entirely consistent. She had to his immediately
20 prior question, said the reference to rates on the
21 page we were looking at was the base generation
22 rates.

23 He asked her yet another question as to
24 which rates were, I don't know the exact terms of his
25 language, but his subsequent question was not the

1 same as this question here.

2 EXAMINER PRICE: Let me have his original
3 question back before it was read into the record.

4 MR. ALEXANDER: Your Honor, I've got it
5 here if it would be helpful.

6 (Record read.)

7 EXAMINER PRICE: Your objection's
8 overruled, but the record is what the record is and
9 the Commission will decide whether or not this was
10 impeaching the witness or not when we review the
11 record.

12 MR. SHARKEY: Thank you, your Honor.

13 THE WITNESS: I think, I'm confused. I'm
14 sorry.

15 Q. (By Mr. Alexander) The question which was
16 pending is did I read that correctly.

17 A. Your question in the deposition is which
18 rates were fixed. Your question just now is which
19 rates are being phased out.

20 Q. If I did misspeak there, it was not
21 intentional and I apologize. The question was meant
22 to be which rates are intended to be fixed.

23 A. Okay.

24 Q. And with that clarification, which rates
25 are intended to be fixed, what would your answer be?

1 A. DP&L's base generation rates with the EIR
2 included, because that's what the company's proposal
3 is.

4 Q. Okay. And when you say the words "phased
5 out through the blending schedule," what do you
6 understand those words to mean?

7 A. As a competitive bid is blended in,
8 DP&L's standard service offer rates would be phased
9 out.

10 Q. And you had testified regarding some
11 additional riders, rider -- an environmental rider I
12 believe, there were several listed in your previous
13 answer as far as you referenced page 8. Would those
14 riders also be phased out over time?

15 A. Yes, they would be.

16 Q. And would those riders also be considered
17 to be the fixed riders that you are referring to on
18 page 6, line 13?

19 A. Page 6, line 13, it says "Some of the
20 rates that make up DP&L's most recent SSO price are
21 fixed and do not change." That's referencing the
22 base generation rate with the EIR included. It's not
23 a rider, it's a rate.

24 EXAMINER PRICE: Is that the only rate
25 that's fixed, the base gen plus the EIR?

1 THE WITNESS: Yes.

2 EXAMINER PRICE: So when you say "some of
3 the rates," you meant, in your head you were thinking
4 the base generation rate plus the EIR are fixed.

5 THE WITNESS: Exactly. Yes.

6 EXAMINER PRICE: Thank you.

7 Q. (By Mr. Alexander) So once a hundred
8 percent CBP is reached, the base generation rate will
9 be eliminated entirely.

10 A. Yes.

11 Q. And the variable rates, such as the fuel
12 rider, are intended to be closed out as of the
13 effective date of the hundred percent competitive
14 bid?

15 A. Yes. All the rates that are on page 8,
16 lines 14 through 18, those are all phased out as part
17 of the blend and they would go away at a hundred
18 percent unless there was a deferral balance in the
19 fuel rider, the RPM rider, or the TCR-B that we still
20 needed to collect.

21 Q. And any remaining amounts in the variable
22 rates under Dayton Power & Light's proposal would be
23 rolled into the reconciliation rider.

24 A. That's correct.

25 Q. And Dayton Power & Light is proposing to

1 completely eliminate all minimum state provisions of
2 its tariffs?

3 A. Yes. That's one of the competitive
4 retail enhancements.

5 Q. And turning our attention to Ms. Rabb's
6 testimony, Dayton Power & Light seeks to include in
7 the reconciliation rider amounts associated with the
8 fuel rider, the RPM rider, the TCRR-B, AER, and the
9 CBT rider; is that correct?

10 A. On page 8, lines 11 through 18 of my
11 testimony, the company is proposing that if any
12 deferral balance of the fuel rider, the RPM rider,
13 TCR-B, AER, or CBT rider exceeds 10 percent of the
14 base amount of those riders, it would be rolled into
15 the reconciliation rider.

16 Q. Please mark that page and also turn your
17 attention to Ms. Rabb's testimony, page 10, line 12.

18 A. Okay.

19 Q. There are, in your testimony, page 8 --
20 what was that citation you just gave?

21 A. It's Emily Rabb's testimony, page 8.

22 Q. Ms. Rabb's testimony, page 8, thank you.

23 A. Lines 11 through 18.

24 Q. So, okay, back to the original question.
25 Thank you for that, page 8 I think was the cite, I

1 had said page 10. Thank you very much.

2 So when you said "in my testimony" in
3 your previous answer, were you referring to
4 Ms. Rabb's testimony?

5 A. Yes. Sorry.

6 Q. Thank you, I was confused there for a
7 moment.

8 And so the question was DP&L seeks to
9 include in the reconciliation rider the fuel rider,
10 the RPM rider, TCRR-B, AER and CBT; is that correct?

11 A. The company's proposal is that if any of
12 those riders have a deferral balance that grows
13 beyond 10 percent of their base cost, then that
14 amount that's over 10 percent would be put into the
15 reconciliation rider.

16 Q. And the amount to be put into the
17 reconciliation rider is just the difference or the
18 amount in excess of 10 percent; is that correct?

19 A. Yes, that's correct.

20 Q. And the amount under the 10 percent
21 cutoff would stay in its original rider; is that
22 correct?

23 A. That's correct.

24 Q. The fuel rider is a kilowatt-hour charge;
25 is that correct?

1 A. Yes.

2 Q. And the RPM rider is a kilowatt-hour
3 charge for residential customers; is that correct?

4 A. For residential customers, yes.

5 Q. And the RPM rider is a demand and energy
6 base charge for noncommercial tariff classes,
7 correct?

8 A. I'm sorry, you said RPM rider?

9 Q. Yes, I did.

10 A. Yes.

11 Q. And the TCRR-B is a demand and energy
12 charge, correct?

13 A. That's correct.

14 Q. And the AER charge is an energy-only
15 charge, correct?

16 A. That's correct.

17 Q. And the reconciliation rider would be
18 billed on a cents-per-kilowatt-hour basis?

19 A. Yes, energy.

20 Q. And Dayton Power & Light has not done an
21 analysis of what the impact would be from switching
22 from riders with a demand energy component to a pure
23 kilowatt-hour charge, correct?

24 A. That's correct. The intention is to
25 continue to recover those costs in those riders. The

1 only reason that we've proposed anything over
2 10 percent would be put into the reconciliation rider
3 is if we're experiencing what we call the death
4 spiral from the rate.

5 Q. Does DP&L charge CRES providers for
6 consolidated billing?

7 A. Yes.

8 Q. No other electric distribution utility in
9 the state charges for consolidated billing; is that
10 correct?

11 A. Not to my understanding. I think that
12 Duke charges for consolidated billing.

13 Q. Are you referring to Duke's bill-ready
14 billing charge?

15 A. I can't remember if it's bill-ready
16 billing or rate-ready billing.

17 Q. Are you aware of whether or not Duke
18 currently has a functioning bill-ready billing
19 system?

20 A. I don't know.

21 Q. And do you know whether or not Duke has
22 any charge for rate-ready consolidated billing?

23 A. I know that they have a billing charge,
24 I'm not sure what it's for.

25 Q. And does Dayton Power & Light charge CRES

1 providers for dual billing?

2 A. Yes, it does.

3 Q. No other electric utility provider in the
4 state charges for dual billing; is that correct?

5 A. I don't know.

6 Q. Does Dayton Power & Light currently have
7 customers who receive their bills electrically rather
8 than through ordinary mail?

9 A. I believe we have some sort of a
10 electronic bill presentment. But I think that a bill
11 is still sent to the house as well.

12 Q. And Dayton Power & Light has an EDI
13 provider who is responsible for preparing customer
14 bills; is that correct?

15 A. No. The EDI provider handles the
16 transactions between the utility and the CRES
17 provider.

18 Q. Does DP&L have a third-party provider who
19 is responsible for preparing customer bills?

20 A. I believe we've outsourced the printing
21 of the bills, if that's what you're asking.

22 Q. That was what I was asking. Thank you.

23 And does this third-party provider charge
24 Dayton Power & Light the same amount -- strike that
25 question.

1 Does the third-party provider also mail
2 the bills?

3 A. I don't know that.

4 Q. And does the third-party provider charge
5 Dayton Power & Light the same amount for
6 electronically billed customers as it does for
7 customers who receive a bill through ordinary mail?

8 A. I think that all customers still receive
9 a bill through ordinary mail. They have an
10 opportunity to look at their bill on line, but I
11 don't believe that that takes the place of the hard
12 copy of the bill.

13 Q. Dayton Power & Light requires customers
14 who shop to install an interval meter if they are
15 above a hundred kW?

16 A. Yes, we do.

17 Q. And Dayton Power & Light does not require
18 SSO customers to install an interval meter if they
19 are between 100 and 200 kW, correct?

20 A. We require any customer over a hundred kW
21 to install an interval meter.

22 Q. SSO customers as well?

23 A. Oh, SSO customers? I'm sorry, no.

24 Q. So when you said "We require all
25 customers who are over a hundred kW to install an

1 interval meter," you're referring only to customers
2 who switched and are shopping with a CRES provider.

3 A. That's right.

4 Q. So SSO customers between 100 and 200 kW
5 are not required to install an interval meter?

6 A. No, that's because they're part of the --
7 there's no need to identify their load separately,
8 they're part of the SSO load that is provided by DP&L
9 and so we have all of the load measured together on
10 an hourly basis. There's no need to separate them
11 out.

12 Q. Does any other electric distribution
13 utility require customers who are between 100 and
14 200 kW demand to install an interval meter?

15 A. I'm sorry, I didn't quite hear the
16 question.

17 Q. Does any other electric distribution
18 utility require customers who are between 100 and
19 200 kW demand to install an interval meter?

20 A. I don't know.

21 MR. ALEXANDER: Thank you very much,
22 Ms. Seger-Lawson.

23 THE WITNESS: Thank you.

24 EXAMINER PRICE: I think we're going to
25 take a lunch before we take Mr. Pritchard's questions

1 but I just have a couple questions while they're
2 fresh my head about Yankee.

3 THE WITNESS: Okay.

4 EXAMINER PRICE: Yankee was completed
5 when, 2010?

6 THE WITNESS: March of 2010.

7 EXAMINER PRICE: March of 2010.

8 And the company presently uses the output
9 of Yankee, the solar, to meet its renewable
10 requirement; is that right?

11 THE WITNESS: It does, and those solar
12 RECs go into our AER rider at zero cost.

13 EXAMINER PRICE: Okay. So currently
14 you're not recovering anything from --

15 THE WITNESS: Currently we're not
16 recovering anything.

17 MR. ALEXANDER: Your Honor, I could not
18 hear when you asked about the date.

19 Ms. Seger-Lawson, did you say 2011 or --

20 THE WITNESS: '10.

21 MR. ALEXANDER: -- 2010?

22 THE WITNESS: '10. 2007 they have.

23 EXAMINER PRICE: Dayton is asking to --
24 for a placeholder rider here and then will come in
25 with a revenue requirement for Yankee. At that

1340

1 point, assuming the Commission approves the rider,
2 will Dayton continue to use all of the SRECs to meet
3 Dayton Power & Light's SSO solar energy requirement?

4 THE WITNESS: Yes, I believe so.

5 EXAMINER PRICE: Dayton has no plans to
6 provide any CRES providers a pro rata share based
7 upon their share of the load of those solar energy --
8 of those renewable resources, solar renewable
9 resources.

10 THE WITNESS: No, we don't have any plans
11 to do that.

12 MR. PETRICOFF: Your Honor, could I have
13 that answer read back. I couldn't hear.

14 EXAMINER PRICE: Please.

15 (Record read.)

16 MR. PETRICOFF: Thank you.

17 EXAMINER PRICE: So shopping customers
18 who will be paying a nonbypassable rider will receive
19 no benefit from paying that nonbypassable rider; is
20 that correct?

21 THE WITNESS: I think that they would get
22 the benefit of renewable energy just in general in
23 Ohio.

24 EXAMINER PRICE: Okay. Thank you.

25 At this time we'll go off the record and

1 we will return from lunch at 2:30.

2 (Lunch recess taken.)

3 - - -

4 Friday Afternoon Session,
5 March 22, 2013.

6 - - -

7 EXAMINER PRICE: Let's go on the record.
8 Mr. Pritchard, waiting patiently.

9 - - -

10 CROSS-EXAMINATION

11 By Mr. Pritchard:

12 Q. Good afternoon, Ms. Seger-Lawson.

13 A. Good afternoon.

14 Q. Earlier this morning there were several
15 questions regarding the reconciliation rider. Do you
16 remember those generally?

17 A. Generally, yeah.

18 Q. And at page 8 of Ms. Rabb's testimony is
19 where the proposal that if certain riders exceed
20 10 percent of the base recovery rate, that DP&L
21 proposes to move the amount in excess of 10 percent
22 into the reconciliation rider, correct?

23 A. Yes, that's correct.

24 Q. Earlier I believe you referred to the
25 base recovery rate as also the base cost. Is the

1 10 percent number going to be compared on a revenue
2 basis?

3 A. No. The 10 percent would be compared to
4 the base cost of that rider. For example, if TCR-B,
5 I'm going to make something up, was 1 cent, if the
6 deferral balance would generate -- if recovery of the
7 deferral balance would generating one-tenth of 1 cent
8 then the amount over one-tenth would go into the
9 reconciliation rate.

10 Q. I believe that I followed what you said.
11 Just to go through the steps and be -- so I fully
12 understand, if you're going to look at the rate and
13 then determine what revenue -- if the rate would
14 exceed 10 percent, the underrecovery rate would cause
15 the rider to go up by 10 percent, you would move a
16 certain amount of dollars from the rider, for
17 instance the RPM rider, you would move a certain
18 amount of dollars from the RPM rider to the
19 reconciliation rider, correct?

20 A. That's correct. The deferral balance
21 of -- the dollars from the deferral balance would go
22 into the reconciliation rider.

23 Q. And, again, to determine the dollars,
24 we're not looking at just the base dollar amount of
25 the rate. For instance, if the forecasted cost of

1 the RPM rider was \$10 million and the underrecovery
2 balance was \$2 million, would you simply just move
3 \$1 million over or would you have to look at the
4 individual rates themselves?

5 A. We would just move the \$1 million over.
6 Your example was better than mine. Yeah. Yeah.

7 Q. So, again, we're comparing the revenue
8 dollars, correct?

9 A. The dollars that we're seeking to
10 recover.

11 Q. Thank you.

12 MR. PRITCHARD: Your Honor, can I mark an
13 exhibit.

14 EXAMINER PRICE: You may.

15 MR. PRITCHARD: I believe IEU-Ohio is up
16 to 22.

17 EXAMINER PRICE: The exhibit will be so
18 marked.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 MR. PRITCHARD: May I approach, your
21 Honor?

22 EXAMINER PRICE: You may.

23 Q. (By Mr. Pritchard) Ms. Seger-Lawson, I've
24 handed you what has been marked IEU-Ohio Exhibit 22.
25 A second ago we said that we could -- you said that

1 you could compare the dollar amount -- the base
2 dollar amount of the rider with the base, or with the
3 dollar amount of the underrecovery balance to
4 determine what amount would go or be moved into the
5 reconciliation rider.

6 Subject to check, would you agree with me
7 that this is a schedule from DP&L's February TCRR and
8 RPM true-up application?

9 A. Yes, it appears to be that.

10 Q. And would column D, line 38, represent
11 the base revenue amount of the TCRR rider?

12 A. Yes; column D, line 38, would be the base
13 amount of the TCRR rider.

14 Q. And Column E, line 38, would be the
15 underrecovery balance, correct?

16 A. Yes, that's correct. The deferral
17 balance.

18 Q. And so if my math is correct, to the
19 extent -- or, strike that.

20 For the record, would you identify what
21 the base amount of the rider in column D for the TCRR
22 rider is?

23 A. Yes. The base amount in column D, line
24 28, is \$21,640,037.

25 Q. And, for the record, would you identify

1 the underrecovery balance in column D, line 38.

2 A. You mean column E, line 38?

3 Q. Yes.

4 A. Yes. It's 8,437,046 -- I think that's 6,
5 or a 5. I believe it's a 5.

6 Q. And so if my math is correct, to the
7 extent that the \$8.4 million exceeds 10 percent of
8 the \$21 million, so roughly my math would you -- you
9 would take 8.4 million minus 2.1 million and so you'd
10 be moving roughly \$6.2 million or \$6.3 million from
11 the TCRR to the reconciliation rider?

12 A. Yes, that's how it would work.

13 Q. And for the purposes of the
14 reconciliation rider is this current underrecovery
15 balance, would that be eligible to be moved into the
16 reconciliation rider?

17 A. Perhaps. And the reason I say "perhaps,"
18 the company also has a proposal in this case to split
19 the TCRR into a bypassable and nonbypassable charge.
20 To the extent the Commission would approve that, part
21 of this deferral balance would go with the TCRR
22 nonbypassable charge and so we would have to make
23 that measurement again to look at the TCR-B remaining
24 costs.

25 Q. But to the extent that the TCRR-B costs,

1 the current TCRR-B underrecovery balance would exceed
2 the current TCRR-B base rate by 10 percent, the
3 current dollars in these two amounts, once you
4 segregated out the TCRR-B and the TCRR-N part of this
5 balance would be eligible to move from the bypassable
6 rider to the nonbypassable RR?

7 A. It may be. I would have to first take
8 the deferral balance, the 8.4, and split it into
9 TCR-B and TCR-N and make that same calculation for
10 the TCR-B portion that's remaining.

11 Q. Thank you.

12 And would you -- could I look at
13 column D, line 53, and get the current base rate for
14 the RPM rider?

15 A. Column D, line 53.

16 Q. Correct.

17 A. Base amount is 4,078,445.

18 Q. And Column E, line 53, does that column
19 represent the underrecovery balance?

20 A. Yes. Column E, the unrecovered or the
21 deferral balance is 1,073,712.

22 Q. Thank you. So, again, if my math is
23 correct, you would take 1,073,000 minus roughly
24 4 million and there would be roughly \$600,000
25 eligible to be moved from the RPM rider to the

1 reconciliation rider?

2 A. I think you said -- I think you said
3 1 million minus 4 million. I think what you meant
4 was 400,000.

5 Q. Yes.

6 A. Yes. 600,000 then would be moved to the
7 RR.

8 EXAMINER PRICE: Let me ask a follow-up
9 question. On the question of if the Commission
10 decides to split the TCRR, can you just identify for
11 the Bench, it doesn't have to be exact, which types
12 of charges would be part of the nonbypassable? For
13 example, 23, network integration transmission service
14 charge, would that be part of the nonbypassable?

15 THE WITNESS: Yes. That's one of them.
16 The majority of the charges would be nonbypassable.
17 There's actually schedules in our filing that
18 identify all the items that would be in the
19 nonbypassable charge.

20 EXAMINER PRICE: Thank you.

21 Q. (By Mr. Pritchard) And moving on from
22 this schedule to a different one. In questioning
23 earlier you identified customers switching statistics
24 as of September.

25 A. Yes.

1 Q. And I'm not sure if those statistics have
2 the overall switching rates or if they were just
3 broken down by customer class. Do you have the
4 overall switching rates?

5 A. As of September, based on sales, it was
6 at 60 percent. 60.44.

7 Q. And seeing that a majority of customers
8 have switched as of September, did DP&L include any
9 bill impacts in its filing for switching customers?

10 A. No, we did not. And the reason is it's
11 very difficult to do a typical bill for a switched
12 customer because we don't have access to what those
13 customers are paying their CRES provider. So we
14 would have to make a lot of assumptions in order to
15 determine what the customer's total bill is and what
16 the total bill impact would be.

17 Q. And for the bill impacts that were
18 provided for SSO customers, did DP&L include the
19 impact of the switching tracker?

20 A. No, we did not. And that's because the
21 level of the switching tracker is unknown until such
22 time as we can measure an increase in switching over
23 the 62 percent that was included in the filing.

24 Q. Does DP&L include as part of its
25 application and testimony forecasted switching

1 statistics?

2 A. We did, but we didn't want to base any
3 forecasted rates based on those forecasts, because it
4 is a forecast, and we knew that there would be
5 controversy over what switching levels, projected
6 switching levels would be, and didn't want to propose
7 rates that were based on forecasted switching.

8 Q. Is the forecasted switching the only
9 number that DP&L would need to know to estimate the
10 impact that the switching tracker would have on bill
11 impacts?

12 A. Wait a second.

13 We would need to know what the switching
14 levels would be. We also would need to know what the
15 distribution sales would be and we would also need to
16 know what the competitive bid rate would be in order
17 to calculate that.

18 Q. Thank you.

19 And moving from -- or, moving to page 5
20 and 6 of your testimony, you're sponsoring a waiver
21 of the Commission's rule that requires TCRRs to be
22 fully bypassable, correct?

23 A. Yes. We're seeking a waiver of the rules
24 that require the TCRR to be bypassable because we've
25 proposed a nonbypassable TCRR like other utilities

1 have in Ohio.

2 Q. And you believe that good cause exists
3 because the PUCO has granted similar treatment for
4 what you just referred to as the other utilities?

5 A. Yes.

6 Q. Are you aware of what case or what cases
7 the Commission granted that treatment for other
8 utilities?

9 A. I don't believe I have that in front of
10 me.

11 MR. PRITCHARD: Your Honor, can I mark
12 another exhibit?

13 EXAMINER PRICE: You may.

14 MR. PRITCHARD: This would be IEU-Ohio
15 Exhibit 23.

16 EXAMINER PRICE: It will be so marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Ms. Seger-Lawson, I've handed you what
19 has been marked as IEU-Ohio Exhibit 23, an opinion
20 and order from the FirstEnergy ESP case. Would you
21 turn to page 11, paragraph 15. And would you review
22 paragraph 15 and let me know when you're done
23 reviewing that paragraph.

24 A. Okay. Okay. I've reviewed it.

25 Q. And this paragraph represents that

1 FirstEnergy will split a transmission rider to
2 recover nonmarket based charges such as NITS through
3 the rider NMB, correct?

4 A. That's what it says.

5 Q. And is it your understanding that this is
6 one of the instances where the Commission granted
7 similar treatment to what you have requested for
8 another utility?

9 A. Yes. I believe that FirstEnergy and Duke
10 both have nonbypassable TCRRs.

11 Q. And will you turn to page 6 of the order.
12 And at the bottom of page 6 it starts the section
13 "Summary of the Stipulation." If we keep flipping
14 the pages till we get back to page 11, we are --
15 page 11 was what we just referenced was part of the
16 PUCO Commission's summary of the stipulation in that
17 case, correct?

18 A. It appears so, yes.

19 Q. And will you flip to page 58 of the
20 order. And here the Commission indicates that the
21 stipulation as modified was approved, correct?

22 A. That's what it says.

23 Q. Thank you.

24 MR. PRITCHARD: Your Honor, I'd like to
25 mark another exhibit as IEU Exhibit 24.

1 EXAMINER PRICE: So marked.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 Q. I've handed you what has been marked as
4 IEU-Ohio Exhibit 24. Would you turn to page 45 and
5 review the second full paragraph on that page,
6 specifically the first couple sentences.

7 A. Okay.

8 Q. And let me know if I am reading this
9 correctly. The first sentence of the second full
10 paragraph says "This Stipulation is submitted for
11 purposes of this proceeding only, and is not deemed
12 binding in any other proceeding, and except as
13 otherwise provided herein, nor is it to be offered or
14 relied upon in any other proceeding, except as
15 necessary to enforce the terms of this Stipulation."

16 Did I read that correctly?

17 A. I believe so, yes.

18 Q. And do you still have the opinion and
19 order marked as IEU-Ohio Exhibit 24?

20 A. I thought it was 23.

21 Q. Sorry. And the caption on both of these
22 cases is the same, correct? They're both in
23 12-1230-EL-SSO.

24 A. Yes, that's correct.

25 Q. And when you flip to the very last page

1 of the stipulation, IEU-Ohio Exhibit 24, the
2 electronic time-stamped page, this indicates that
3 this document was filed on April 13th, 2012,
4 correct?

5 A. Yes, at 5:13 p.m.

6 Q. And I believe a second ago you indicated
7 that the Commission had granted similar treatment to
8 Duke's -- or, similar treatment to DP&L's TCRR
9 request in Duke's case; is that correct?

10 A. That's my understand, yes.

11 Q. Do you know what case the Commission
12 granted that treatment through?

13 A. No, I don't.

14 MR. PRITCHARD: Your Honor, can I mark
15 another exhibit as IEU-Ohio Exhibit 25.

16 EXAMINER PRICE: You may.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Would you turn to page 4 of this opinion
19 and order.

20 A. Okay.

21 Q. Under Roman numeral III, Summary of the
22 Stipulation, the first sentence indicates that a
23 stipulation was filed in this case on April 26th,
24 2011, correct?

25 A. Yes.

1 Q. And if we turn to page 7, paragraph 8,
2 would you review paragraph 8 and let me know when
3 you're finished reviewing paragraph 8.

4 A. I've reviewed it.

5 Q. This paragraph states that Duke will
6 implement a nonbypassable rider to collect NITS
7 charges paid for by Duke; is that correct?

8 A. That's what it says.

9 Q. And if we started on page 4 where it says
10 Summary of the Stipulation and continue turning
11 pages, this paragraph on page 7 is part of the
12 Commission's summary of that stipulation, correct?

13 A. That's correct.

14 MR. PRITCHARD: Your Honor, I'd like to
15 mark another exhibit as IEU-Ohio Exhibit 26.

16 EXAMINER PRICE: It is so marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Ms. Seger-Lawson, would you compare the
19 case caption on IEU-Ohio Exhibit 25 and IEU
20 Exhibit 26.

21 A. Yes; it's the same case.

22 Q. And the date stamp on IEU-Ohio 26
23 indicates that it was filed April 26th, 2011?

24 A. Yes.

25 Q. Will you turn to page 2 of this

1 stipulation.

2 A. Okay.

3 Q. Would you review the first two full
4 paragraphs in the middle of this page.

5 A. Okay.

6 Q. And the first full paragraph starts off,
7 let me know if I'm reading this correctly, "This
8 stipulation is a reasonable compromise that balances
9 diverse and competing interests and does not
10 necessarily reflect the position that any one or more
11 Parties" -- sorry, "any one or more of the Parties
12 would have taken had these issues been fully
13 litigated. This Stipulation represents an agreement
14 by all Parties to a package of provisions rather than
15 an agreement to each of the individual provisions
16 included within the Stipulation. The Signatory
17 Parties' agreement to the Stipulation, in its
18 entirety, shall not be interpreted in a future
19 proceeding before this Commission as their agreement
20 to only an isolated provision of this Stipulation.

21 "Except for purposes of enforcement of
22 the terms of this Stipulation, neither this
23 Stipulation, the information and data contained
24 therein or attached, nor the Commission's entries and
25 orders on the Stipulation shall be cited as precedent

1 in any future proceedings for or against any Party."

2 Did I read that correctly?

3 A. Yes, you did. Just because other people
4 agreed to it in a stipulation doesn't mean the
5 company can't propose it in this case.

6 EXAMINER PRICE: Ms. Seger-Lawson, if you
7 could turn to the signature page, perhaps you can
8 show me where Dayton signed the stipulation. Page
9 13.

10 THE WITNESS: We did not. It was signed
11 by Duke Energy Ohio, OCC, OEG -- I'm sorry, and the
12 PUCO.

13 EXAMINER PRICE: Staff.

14 THE WITNESS: PUCO staff, yes, I'm sorry.

15 Q. One more question on the TCRR for you.
16 Are you aware of any portion of DP&L's application or
17 testimony that proposes any method for backing out
18 the transmission charges from shopping customers'
19 CRES contracts to ensure that customers do not get
20 billed twice for transmission service?

21 A. No, but the company proposed this in its
22 original MRO filing which was in March of 2012 and if
23 the parties were drafting contracts for a CRES
24 service anytime thereafter, they should have known
25 that this is the proposal the company would be coming

1 forward with. It shouldn't be a surprise to anybody
2 because they've known at least since March of 2012
3 that the company was going to propose a nonbypassable
4 TCRR.

5 Q. Is it possible that customers and CRES
6 providers could have entered into contracts before
7 you filed your MRO application?

8 A. Yes. And I would encourage those
9 customers to go back to their CRES provider and work
10 out something as obviously provisions have changed
11 since that contract was filed.

12 Q. Moving on to a new subject,
13 Ms. Seger-Lawson. A couple questions about POLR for
14 you. Is any part of the service stability rider
15 related to POLR service?

16 A. No, it's not.

17 Q. As part of DP&L's application and
18 testimony DP&L has not submitted any analysis or
19 study regarding DP&L's costs and risks associated
20 with POLR service, correct?

21 A. The SSR is not a POLR charge.

22 Q. But you have not proposed in any part of
23 your application or testimony any analysis or study
24 regarding DP&L's costs and risks of POLR service,
25 correct?

1 A. No, we have not.

2 Q. Does DP&L specifically account for its
3 POLR costs?

4 A. No, we do not.

5 Q. Was the last time DP&L conducted any
6 analysis of its costs or risks in Case
7 No. 05-276-EL-AIR?

8 A. I believe that the rate stabilization
9 charge was established in the 05-276-EL-AIR case as a
10 POLR charge and there was testimony in support of
11 that in that case.

12 Q. To your knowledge, has DP&L done any
13 analysis of the costs or risks associated with POLR
14 service since that case?

15 A. I'm not remembering if we did anything in
16 the last -- in the '08 case, if there was anything in
17 there about POLR charge. I don't recall.

18 MR. PRITCHARD: Your Honor, may I
19 approach the witness?

20 EXAMINER PRICE: You may.

21 Q. I'm handing you a response to OCC
22 interrogatory --

23 EXAMINER PRICE: Do you want to show
24 counsel first.

25 Q. Could you take a minute and review that

1 interrogatory response.

2 A. I'm sorry, what was the question?

3 Q. Since the 05-276 case, has DP&L performed
4 any subsequent analysis of the costs and risks of
5 providing POLR service?

6 A. As this data request states, which is
7 data request OCC 21st set, question 360, that the
8 company has not performed subsequent analysis in the
9 magnitude of costs and risks of providing POLR
10 service since the '05 case.

11 Q. So this refreshes your recollection;
12 that's your testimony now that you have not done
13 that?

14 A. I believe that's true.

15 Q. DP&L is not seeking a POLR charge in this
16 proceeding, correct?

17 A. That's correct.

18 Q. Moving on to a new subject. DP&L has
19 prepared an analysis regarding the projected results
20 of filing a distribution rate case, correct?

21 MR. PRITCHARD: Actually, your Honor, can
22 we move to the confidential portion of the
23 transcript. I believe some of my questions might --

24 EXAMINER PRICE: We will now go to the
25 confidential portion of the transcript. Anybody who

1360

1 is in attendance who does not presently have a
2 protective agreement with the company should excuse
3 themselves.

4 (Confidential portion excerpted.)
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Open record.)

(Off the record.)

EXAMINER PRICE: Let's go back on the
record and we are on the public portion of the
transcript.

- - -

CROSS-EXAMINATION

By Mr. Petricoff:

Q. Good afternoon, Ms. Seger-Lawson.

A. Good afternoon.

Q. All these questions I'm going to ask you
are public and this is rated PG, open to everyone.

I looked at your testimony and I note
that you joined the regulatory operations division of
Dayton Power & Light in 1992.

1 A. That's correct.

2 Q. And, basically, you have been with the
3 regulatory operations division or section ever since
4 then?

5 A. That's correct.

6 Q. And then subsequently you became the
7 director of the --

8 A. Right.

9 Q. -- regulatory section.

10 Now, in 1992 when you came, in looking at
11 the record, that appears to be the last base rate
12 case that Dayton has filed; is that correct?

13 A. The last base rate case was filed in 1991
14 and it resulted in a three-year phase-in, so the
15 rates were implemented in '92, '93, and '94.

16 Q. And at that time, '92, '93, '94, Dayton
17 was at that point a franchise electric supplier
18 offering bundled service to its customers?

19 A. It was an electric utility in the 1990s
20 that was fully bundled, yes. There wasn't
21 competition then.

22 Q. So there was no shopping and the rates
23 that were established by the Commission covered
24 generation, transmission, as well as distribution.

25 A. That's correct.

1 Q. And that part of the rate that was
2 established in that 1991 case that was phased in,
3 that included compensation to the company for
4 metering, bill preparation, printing bills,
5 accounting for receipts, and collection efforts.

6 A. Yes, presumably it was a bundled case so
7 it would have included all the costs of the company
8 at that time.

9 Q. And, if you recall, the costs of metering
10 and billing, both bill preparation and postage to
11 send the bill out, and accounting for the billing
12 coming back, for residential customers would those
13 have been in the customer charge?

14 A. Yes, they would. I believe they would
15 have been, yes. At least some of them. I know that
16 there's a schedule in that case, sad that I know
17 that, but there's a schedule in that case where we
18 justified the customer charge and that amount was
19 higher than what the customer charge ended up being
20 in that case.

21 Q. Okay.

22 MR. PETRICOFF: Your Honor, may I have
23 this marked as RESA Exhibit No. 1. And may I
24 approach the witness?

25 EXAMINER PRICE: It will be so marked,

1 and you may approach the witness.

2 (EXHIBIT MARKED FOR IDENTIFICATION.)

3 EXAMINER PRICE: Preinternet days.

4 MR. PETRICOFF: Yes.

5 THE WITNESS: Did you get it on
6 microfiche?

7 MR. PETRICOFF: But it was okay, I loaded
8 the toner into the mimeo machine and printed it out.
9 It was just fine.

10 Q. (By Mr. Petricoff) You had mentioned
11 before that you recall there was a sheet that showed
12 items and since this is a bygone era, it may be worth
13 just a question or two so that people can understand
14 what we're looking at.

15 We are looking at the Staff Report from
16 that rate case, and when it says on page, the second
17 page on here, it has account numbers, those are from
18 the Uniform System of Accounts?

19 A. Yes, that's what I would --

20 Q. And in doing a traditional cost of
21 service rate case in that era you would have specific
22 costs that would be in these account numbers.

23 A. Yes. There are specific costs that were
24 justified in the '91 rate case. Many of those costs
25 have changed significantly since 1991.

1 Q. Right. And it's your recollection, now
2 that we're looking at this, that basically the cost
3 of the metering, bill determination, bill
4 preparation, postage, collection, for residential
5 customers those would have been picked up in the
6 customer charge, although, as you pointed out, the
7 stipulation that finally established the case was a
8 different number than this. This was the staff
9 recommendation.

10 A. Yes. Those costs would have been
11 included in the customer charge but, as I said, those
12 costs also changed since then. For example, postage
13 has changed significantly since 1991. The cost of
14 bill print has changed.

15 The company has made a number of
16 additional enhancements to its billing system that
17 all cost money. Number one being the whole change to
18 customer choice, that was a major change to our
19 billing system.

20 Q. We'll come to those --

21 A. Okay.

22 Q. -- in a minute. But I want to -- we're
23 going to take this chronologically so I'm just going
24 to build this up from the bottom.

25 So, basically, in the last base rate case

1 all the costs for billing went in the rates at the
2 time that they, or I guess within the parameters of
3 the test year and those are being -- in fact, those
4 rates are still being collected now in the base rates
5 that are paid by all customers now.

6 A. I think your original question was are
7 all of our costs being covered by the customer
8 charge, and I guess I would say no.

9 Q. Oh.

10 A. Because the customer charge, as I said
11 earlier, is lower than the amount that is on this
12 sheet.

13 Q. Right. At this point I'm -- in that case
14 let me ask the other question.

15 Basically, the costs from that rate case
16 that covered DP&L's meter, billing, postage, and
17 accounting for -- and collections for the revenues
18 coming back were established and put into the base
19 rate.

20 A. Yes, except, as I said, those costs have
21 all changed significantly.

22 Q. Right.

23 A. We implemented a new billing system I
24 think in 1995. We implemented customer choice in
25 2001.

1 EXAMINER PRICE: Ms. Seger-Lawson, he's
2 going to get to that. I think you're being overly
3 responsive at this point.

4 THE WITNESS: Okay.

5 EXAMINER PRICE: Just try to focus on his
6 questions. I'm sure that he's got a big buildup
7 and --

8 MR. PETRICOFF: We'll look at all them, I
9 will assure you.

10 EXAMINER PRICE: Anything that he misses
11 Mr. Sharkey will pick up on redirect.

12 MR. SHARKEY: I hope.

13 Q. (By Mr. Petricoff) So, basically, going
14 back, because we're going to sort of follow these
15 costs all the way through from '92 to today,
16 customers are -- shopping customers as well as
17 nonshopping customers are paying these base rates
18 which included what was determined to be the costs
19 for metering and billing at the last rate case.
20 Correct?

21 A. Yes, except for, as I said before, the
22 charge is not --

23 Q. And the company for any time from 1991 to
24 the present, if they thought that the revenues were
25 insufficient, could have filed a new rate case and

1 established new rates.

2 A. I disagree with that. Every case that
3 we've had since this time the company and the staff
4 and the other parties to those stipulations all
5 agreed that we would have frozen distribution rates.
6 So the first time we could change our distribution
7 rates would be 2013.

8 Q. Okay. But those agreements to postpone
9 it were all voluntarily entered into by the company?

10 A. They were results of stipulations.

11 Q. All right. And the company, if they
12 thought that it was not in its best interest, would
13 not have entered into these agreements.

14 A. I'm sure there were a lot of issues and a
15 lot of consideration going into whether or not to
16 sign a stipulation.

17 Q. But the company did decide to sign the
18 stipulations.

19 A. Probably not solely based on the fact
20 that there was a distribution rate case in there,
21 but, yes, the company did decide to sign the
22 stipulations.

23 Q. Okay. In following through, then, in
24 looking at the development of the billing and
25 metering expense, the next thing I saw in going

1 through the record that would have followed would
2 have been your -- would have been your -- well,
3 actually, I'll do that.

4 In 1999, this is when you were with the
5 regulatory operations division, that's when Senate
6 Bill 3 was passed, correct?

7 A. Yes, in 1999 Senate Bill 3 was passed.

8 Q. And Senate Bill 3 is the one that now
9 establishes the right for customers to shop.

10 A. Yes, that's correct.

11 Q. And in order for customers to shop, then
12 there have to have been significant changes that were
13 made to the data and billing and, for that matter,
14 interface in terms of scheduling power by Dayton
15 Power & Light to accommodate power now coming from
16 the competitive electric retail suppliers, correct?

17 A. Yes. And prior to that in 1995 we
18 implemented a new billing system, we went from an old
19 legacy system to the newer system in 1995 and I think
20 that was several years of layering in new customers
21 and then we implemented customer choice in 2001, yes.

22 Q. But 1995 was, those improvements to your
23 billing system were still in the era where you were
24 only offering bundled service, correct?

25 A. Yes. But we didn't have a distribution

1 rate case to recover any incremental costs from that
2 new billing system.

3 Q. And wouldn't there be savings that came
4 from the new billing system as well? I mean,
5 wouldn't there be labor reductions when you introduce
6 computerization?

7 A. It's hard to tell what the costs and
8 benefits of that would be.

9 Q. Okay. Now let's go -- so the Senate Bill
10 comes through, and in order to save time maybe we
11 will pick up where Mr. Pritchard left off, there was
12 a transition case, 99-1687-EL-ETP, in which
13 transition costs were presented to the Commission in
14 a stipulation to help Dayton meet the financial
15 requirements of going into the, if you will, the
16 shopping era. Is that correct?

17 A. Yes.

18 Q. And were part of the 600 and I think it
19 was 82 million dollars in transition costs, were some
20 of those moneys available for Dayton to improve the
21 interfacing and computer systems and other
22 adjustments that would be necessary in order to
23 accommodate shopping?

24 A. I don't recall.

25 Q. Okay. Now moving forward from that, the

1 next item that I saw in going through the records,
2 there were a series of complaints and a ATA case
3 having to do specifically with billing that was
4 filed, the complaint was by Dominion Retail and Green
5 Mountain. Do you recall those cases?

6 A. I do.

7 Q. And the ATA case. And was there a
8 settlement in those proceedings? Well, first of all,
9 were those proceedings consolidated? Do you recall?

10 A. Yes, those proceedings were consolidated
11 and there was a stipulation settling those cases.

12 Q. Okay.

13 A. And that's what established the 20 cents
14 per bill charge that I'm sure you're getting to.

15 EXAMINER PRICE: The settlement was
16 extremely well supported by staff.

17 THE WITNESS: It was supported.

18 Q. I do have a copy of that, we'll refer to
19 that as The Brilliant Decision.

20 EXAMINER PRICE: I didn't write the
21 decision.

22 MR. PETRICOFF: Oh, you didn't write the
23 decision?

24 EXAMINER PRICE: No.

25 THE WITNESS: He testified in support of

1 the stipulation.

2 EXAMINER PRICE: I testified on the stip.

3 MR. PETRICOFF: Oh, you testified, okay.
4 Well now you know why it was a brilliant decision, we
5 had good material to work with.

6 I would like to have, your Honor, marked
7 RESA Exhibit No. 2 a copy of that stipulation and
8 recommendation in the 03-2405-EL-CSS consolidated
9 case.

10 EXAMINER PRICE: It will be so marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 MR. PETRICOFF: And may I approach the
13 witness?

14 EXAMINER PRICE: You may.

15 Q. (By Mr. Petricoff) Take a minute or two
16 and look at the stipulation and then we're going to
17 work our way through.

18 A. Okay.

19 Q. Maybe a few preliminary questions before
20 we work our way through the stipulation. And that
21 is, after Senate Bill 3 went through and we started
22 into the shopping area there were certain services
23 that remained exclusively franchised by the state to
24 Dayton Power & Light for its service territory; is
25 that correct?

1 A. I'm not sure what you mean by
2 "franchised."

3 Q. Well, let me ask specifically. At that
4 point, after Senate Bill 3, Dayton was still the only
5 entity that would do the metering, a CRES couldn't go
6 out and do the metering.

7 A. Right.

8 Q. Is that correct?

9 A. I believe that's still the case today.

10 Q. Right. And, similarly, a CRES couldn't
11 do the actual distribution to the customer; that
12 would have to be done by Dayton Power & Light.

13 A. Provide distribution service?

14 Q. That's correct.

15 A. Yes, that's correct.

16 Q. So those remained monopoly services with
17 the company. The competitive retail electric
18 supplier, though, could provide generation and that
19 was considered a competitive service?

20 A. I believe in the very beginning
21 generation was competitive, transmission and
22 distribution was still provided by the utility.

23 Q. Right.

24 A. And then at some point, I can't remember
25 when it was, 2003 or '4, when the transmission became

1 also part of the service, that was supplied by CRES
2 providers.

3 Q. Okay. But CRES providers never did
4 metering and CRES providers never had the authority
5 to do consolidated billing for the utility company.

6 A. That's correct.

7 Q. And along that line, if a customer signs
8 up with a CRES supplier and the customer doesn't pay
9 their CRES supplier a bill, for this example assume
10 it's dual billing, there would be a bill from the
11 utility for wires service and then a bill from the
12 CRES for the generation, now generation/transmission
13 fees, could the CRES turn the customer off? Could
14 they shut their service off if they weren't paid?

15 A. No. The CRES -- under the Commission's
16 rules the CRES provider cannot shut off service to
17 customers for nonpayment.

18 Q. All right. And Dayton, of course, if it
19 follows the Commission's rules, can shut a customer
20 off for nonpayment if the customer doesn't take
21 advantage of the opportunities to pay the bill or pay
22 a revised bill.

23 A. That's correct. But the CRES provider
24 can drop the customer and the utility can not.

25 Q. Or cannot until they have gone through

1 the steps for disconnection.

2 A. Right.

3 Q. Now, Dayton offers consolidated billing
4 where the customer can get one bill that would have
5 the CRES charges and the utility charges so they
6 could basically repeat in a single invoice bundled
7 service.

8 A. Yes, DP&L provides rate-ready and
9 bill-ready service.

10 Q. Okay. What happens if the customer
11 doesn't pay the CRES portion of the consolidated
12 bill?

13 A. I would have to review the payment
14 posting priorities that are in place, but I believe
15 if the customer pays part of their bill, there's a
16 series of steps that we'd go to to find out what
17 portion of the bill is being paid first.

18 Q. We'll come back to that later, but you
19 earlier had given me the answer that if the CRES
20 isn't paid, while the CRES cannot shut off the
21 customer, the CRES can drop the customer?

22 A. That's correct.

23 Q. If that happens, if you have a
24 consolidated bill and the CRES drops the customer,
25 how long do the CRES charges stay on the consolidated

1 bill?

2 A. I don't know off the top of my head.

3 Q. But it's a limited period of time that
4 Dayton will collect the past-due CRES bill and show
5 it on the invoice?

6 A. I believe so, because if that customer
7 then picks up another CRES, we can only have one CRES
8 on the bill at one time.

9 Q. So at that point the, either the new CRES
10 would be on or, if they reverted to standard service,
11 because they had been dropped, there would only be a
12 period of time in which the past-due CRES bills would
13 remain on a consolidated invoice.

14 A. That's correct.

15 Q. Now we're ready to take a look at that.
16 Now that we've established consolidated billing and
17 dual billing, let's take a look and see what these
18 rates are. If you would, let's turn to Roman numeral
19 II, Billing Fees, on page 3 of the stipulation. And
20 A is the 20-cent fee and it says "for rate-ready
21 consolidated billing."

22 A. Yes.

23 Q. And is the Commission's approval of this
24 stipulation the basis for which DP&L charges the
25 20-cent per month consolidated billing fee today?

1 A. Yes.

2 Q. And what's covered by the 20 cents? How
3 do the 20 cents get developed?

4 A. Although this was a while ago, ten years
5 ago, the 20 cents was developed based on the
6 company's costs at that time. I believe there was a
7 schedule that was in the case that laid out what the
8 costs are, but essentially this 20 cents per bill is
9 the cost of postage and bill print and administration
10 of actually developing the consolidated bill.

11 Q. But wouldn't the customer already be
12 paying, as part of their -- we'll take that
13 residential customer we talked about earlier. That
14 residential customer, wouldn't they be already
15 paying, as part of their customer fee, some amount of
16 money for -- or an amount at the last determination
17 by the Commission that covered the cost of metering,
18 billing, printing, postage, and collection?

19 A. Yes, because, as I said, postage has
20 changed significantly in the last 20 years since
21 1991. I'm sure that postage has gone up probably 20
22 cents since then. I'm just guessing. But costs have
23 changed since 1991 when the customers' rates were
24 developed.

25 Q. And that schedule would have been put

1 together in the 2004 era, and I assume that the costs
2 for electronic data interchange has also changed in
3 the past ten years.

4 A. Probably.

5 Q. And unlike postage, hasn't EDI gone down
6 per transaction during that period?

7 A. I think that our current EDI charges are
8 11 cents instead of 12 cents.

9 Q. And are those EDI charges, well, let's
10 talk about those EDI charges. Does Dayton do its own
11 electronic data interchange or do you outsource it?

12 A. We have a vendor, as I understand it, I'm
13 not a billing expert, but as I understand it we have
14 a vendor that takes all the transactions that we send
15 to it and also sends those on to CRES providers and
16 receives transactions from the CRES provider and
17 sends them to us.

18 Q. Is Dayton alone in not having their own
19 internal EDI among the Ohio EDUs?

20 A. I don't have any idea.

21 Q. Don't know, okay.

22 And is that contract that you have for
23 the EDI service, is that something that is publicly
24 bid?

25 A. I don't know.

1 Q. Okay. And then now let's move to
2 paragraph B. Paragraph B is a \$5,000 setup fee that
3 a CRES would pay in order to be able to do
4 consolidated billing; is that a fair summary of
5 paragraph Roman numeral II.B?

6 A. Yes. There's a \$5,000 fee for the
7 initial setup of a CRES provider's charges.

8 Q. And that's a setup for rate-ready,
9 correct?

10 A. Yes, that's correct.

11 Q. And at the time that you initially set it
12 up, you could have as many rates as you wished for
13 the 5,000?

14 A. What a deal. Yes.

15 Q. But if you come up with some additional
16 ones, if your business grows or products change, then
17 you have to pay to add the new rate-ready rates.

18 A. Yes. The thousand dollar change is if
19 there's a change in structure, not just a change in
20 the number.

21 Q. Right. If you had a variable rate, for
22 example, you wouldn't have to come in and change
23 that.

24 A. Right.

25 Q. Okay. And those charges are in effect

1 today?

2 A. Yes, they are.

3 Q. And last time I checked I thought I
4 counted 28 CRESs that were signed up to provide
5 service in DP&L.

6 A. I believe it's 29 now, yes.

7 Q. Twenty-nine now, okay. And I assume that
8 all of them paid the, at least the \$5,000 fee.

9 A. Not necessarily, no. There would be some
10 CRES providers who do their own dual bills and so
11 they wouldn't pay this fee. Only if they're using
12 rate-ready billing.

13 Q. So they'd only pay the fee if they were
14 doing rate-ready.

15 A. Yes. And it's a one-time fee.

16 Q. Now, if you would look at subsection C,
17 and subsection C is what sets up the 12-cent per bill
18 charge if you were doing dual billing.

19 A. Yes.

20 Q. And in the case of dual billing,
21 basically, the CRES is sending their own bill and
22 this is basically just to interface with DP&L to get
23 meter information?

24 A. Yes. Because DP&L incurs a cost for the
25 CRES provider doing a dual bill, and this is to cover

1 the EDI cost of doing that.

2 Q. And I think you were asked this earlier
3 by Mr. Pritchard; as far as you know there are no
4 other utilities that are charging for EDI?

5 A. I don't know.

6 Q. Then, if you will, let's go to part D.
7 Earlier you had told me that, you know, that Dayton
8 had made -- had made agreements that it would not
9 have a base rate case for some period of time. And
10 in the stipulation I think there's an agreement that
11 you won't have another base rate case till 2009.

12 A. I'm sorry, where are you looking?

13 Q. Yeah. Let's see, I was on --

14 EXAMINER PRICE: Page 4, section D.

15 A. Oh, yes.

16 Q. I'm sorry, I said C, I misspoke. It's D.

17 A. D.

18 Q. Paragraph D. And, once again, that
19 limitation has now expired so you could file a rate
20 case at this point?

21 A. That limitation expired and then there
22 was a 2008-1094-EL-SSO case that froze our
23 distribution rates through 2012.

24 Q. And since 2012 has come and gone you are
25 now available --

1 A. Yes.

2 Q. -- to file another rate base case if you
3 wish.

4 A. Yes.

5 Q. And since this is the PG section we won't
6 ask you if you're going to.

7 Okay. Let's see. Now, if you will, I
8 want you to turn to Roman numeral III and this is
9 where we talk, there is some discussion about how to
10 do an additional upgrade to the billing system and
11 how that's going to be arranged. And I think in the
12 interest of time maybe I'll just ask you, do you
13 recall the arrangements that are called for here on
14 how to set up the process for determining the correct
15 amount to be spent on the billing computer upgrades
16 and how they were going to be charged?

17 A. Yes, I remember there was a prudence
18 review and staff was very involved in that.

19 Q. All right. And the Commission basically
20 went out and got a consultant to review your upgrade
21 plans to determine whether they were prudent or not?

22 A. That's what I remember, yes.

23 Q. And I believe that the -- in here it
24 says, "in here" being in Roman numeral III, there's a
25 date certain of December the 15th, which would only

1 have been a couple months later is when that report
2 was supposed to be completed. Was the third-party
3 prudence review reviewed, more or less, on schedule?

4 A. I don't recall it not being, so it must
5 have been.

6 Q. Okay.

7 MR. PETRICOFF: Your Honor, if you will,
8 we would ask that you take administrative notice
9 that, in fact, the third-party report was filed in
10 December of -- and it's on the record.

11 EXAMINER PRICE: Any objections? If not,
12 we will take administrative notice.

13 (No response.)

14 MR. PETRICOFF: Okay.

15 Q. Now, the next thing I see as we're going
16 through the billing history here is that basically
17 Dayton then filed in docket 05-792 a case to collect
18 the amount that was spent on the billing computer
19 upgrades. Do you recall that?

20 A. Yes, I do.

21 Q. Okay. And do you recall the -- first of
22 all, do you recall the amount of money that was
23 authorized for the upgrades?

24 A. I do not. These were the -- this was the
25 computer programming associated with Electric Choice,

1 implementing Electric Choice.

2 MR. PETRICOFF: Your Honor, may I
3 approach the witness? I have a copy of the opinion
4 and order in 05-792 that I would like to show her.

5 EXAMINER PRICE: That opinion and order
6 was brilliantly written, but yes, you may approach.

7 MR. PETRICOFF: Oh, yes, it was.

8 Q. If you would, Ms. Seger-Lawson, if you --
9 probably the easiest thing is just to turn to the
10 order page at the back, I think you'll find it on
11 page 15, if you would take a look at paragraphs 5,
12 6 -- well, basically 5 to 10, but particularly
13 paragraph 6, and tell me when you're ready.

14 A. Okay.

15 Q. Now that you have looked at this probably
16 for the first time in a decade, is it true that the
17 Commission basically authorized \$16 million for the
18 billing computer upgrades?

19 A. This says \$16 million minus the amounts
20 paid by CRES providers.

21 Q. Right. And that's a part I want to get
22 to. The amount that was paid by CRES providers, that
23 amount of money was the -- was what the company
24 collected for the consolidated billing fees?

25 A. I don't recall.

1 Q. Okay. And do you recall on the
2 \$16 million, was the company allowed to amortize it
3 over a period of time on the collection, and did they
4 get carrying costs?

5 A. I'm sorry, what was the question?

6 Q. If you recall, was DP&L given a period of
7 time in which it would amortize off this \$16 million,
8 and were they awarded carrying costs?

9 A. I thought that we recovered that amount
10 over a five-year period. I thought the order would
11 have said that but I don't see that in here, but it
12 was five years and, yes, carrying costs.

13 Q. Okay, that's fine.

14 MR. PETRICOFF: Your Honor, at this point
15 I would like to have marked RESA Exhibit No. 3, and
16 may I approach the witness?

17 EXAMINER PRICE: You may.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 MR. SHARKEY: Howard, didn't we get
20 RESA 3?

21 MR. PETRICOFF: I didn't mark that as an
22 exhibit since it was just a Commission opinion, but I
23 would be glad to do so.

24 EXAMINER PRICE: It's not necessary.

25 MR. SHARKEY: No, not necessary, I just

1 assumed it was RESA 3.

2 MR. PETRICOFF: No, because I thought
3 that would just refresh her memory and, actually, it
4 did and I think the record is now complete.

5 Q. (By Mr. Petricoff) Okay, I've handed you
6 what has been marked as RESA Exhibit No. 3 and ask
7 you if you have seen this before or if you are
8 familiar with this tariff page.

9 A. I'm generally familiar with it, yes.

10 Q. I'm sorry, you are familiar with it?

11 A. Generally, yes.

12 Q. Okay. And, basically, this is the tariff
13 that the company filed in order to collect the
14 billing cost recovery rider which was the \$16 million
15 we've just discussed.

16 A. Yes, the \$16 million was the cost of
17 reprogramming the billing system for Electric Choice.

18 Q. Right.

19 A. It's not the same as the 20 cents per
20 bill. The 20 cents per bill is an ongoing cost, we
21 incur additional costs for every time that we issue a
22 bill and the 20 cents per bill is for that amount.
23 The \$16 million was for programming.

24 Q. Right. This was for the capital cost
25 improvements from the consultant's report.

1 A. Yes.

2 Q. All right. And you didn't recall whether
3 or not the \$14,000 that's referred to in the opinion
4 was basically the consolidated billing fees that had
5 been collected thus far.

6 A. Yeah, I don't remember.

7 Q. Yeah. But it's possible that that's what
8 that -- that the consolidated billing fees were
9 included.

10 MR. SHARKEY: I'm going to object, your
11 Honor, it's just speculation at this point. She said
12 she doesn't know what it is.

13 EXAMINER PRICE: Do you have a copy of
14 the opinion and order still?

15 THE WITNESS: Yes.

16 EXAMINER PRICE: Why don't you turn to
17 page 8, and there's a small (c). Why don't you read
18 those three paragraphs and see if that helps your
19 recollection any.

20 THE WITNESS: It looks like the order
21 required us to net any amount that we had received
22 from CRES providers against the capital costs.

23 EXAMINER PRICE: That would be the
24 consolidated fees.

25 THE WITNESS: Yes. I would still say

1 those are different numbers. Those are apples and
2 oranges in my opinion. The \$16 million was capital
3 costs and the costs per bill is ongoing O&M
4 basically.

5 Q. (By Mr. Petricoff) But now that you've
6 read this you would agree with me that the Commission
7 did order you to take the money from the consolidated
8 billing and apply it to the capital costs for the
9 billing system improvements.

10 A. Yes. Not that this was a poorly written
11 order --

12 EXAMINER PRICE: This was Ms. Kingery's
13 so I wasn't on there, so can you criticized it all
14 you want.

15 THE WITNESS: I'm just joking.

16 EXAMINER PRICE: She's in the next room,
17 though.

18 A. I would say those are apples and oranges.
19 I mean the \$16 million was the capital costs
20 associated with reprogramming our system, and the per
21 bill fee is an ongoing O&M cost.

22 Q. Right. But you don't disagree with me
23 that the Commission took the moneys from one end and
24 ordered you to apply it to the improvements in the
25 billing system?

1 EXAMINER PRICE: No, she just disagrees
2 with the Commission decision.

3 MR. PETRICOFF: I'm sorry?

4 EXAMINER PRICE: No, she just disagrees
5 with the Commission decision.

6 MR. PETRICOFF: That's fine.

7 Q. Let's move on. Actually, before we leave
8 that, we might as well close out this so that this is
9 part of the story.

10 The billing cost recovery rider now has
11 been, the \$16 million has been completely paid off,
12 correct?

13 A. Yes.

14 Q. And that would have been in mid-2011?

15 A. I recall that we recovered it sooner than
16 the five-year period but I don't recall when it was
17 complete. But we filed to withdraw the tariff at
18 some point.

19 Q. Right. Okay. Now let's take a look
20 at -- so this is a copy of the charges for the
21 \$16 million and I'm presenting it here because I want
22 to make sure that I understand and have in the record
23 order of magnitude what the last billing cost
24 recovery rider cost -- or, what the assessment was to
25 customers.

1 Am I correct that basically if I was a
2 750 kWh customer during the period of the billing
3 cost recovery rider, I would basically have paid a
4 mil a kilowatt-hour for this improvement, for the
5 billing system improvement?

6 A. Yes, that's correct.

7 Q. All right. Now, to sort of foreshadow
8 what's coming, you have made a recommendation in your
9 testimony that we have another set of billing system
10 improvements where the cost was estimated to be about
11 \$2 million; is that correct?

12 A. The six -- implementing the six
13 competitive retail enhancements that I have listed on
14 page 13 and 14 of my testimony, the company's
15 estimate of making those capital improvements is
16 \$2.5 million.

17 Q. And order of magnitude, that would be --
18 2-1/2 million would be roughly about 15 percent of
19 16 million, so in terms of order of magnitude, if
20 16 million was a mil a kilowatt-hour, are we looking
21 at something like two-tenths of a mil if your six
22 proposals are collected in the same fashion as the
23 billing cost recovery rider, the old one?

24 A. I can't say that. This 1 mil per
25 kilowatt-hour that you showed me was based on only

1 the capital costs. The company is proposing to do a
2 revenue requirement calculation for these six
3 enhancements and we would need to know what the total
4 cost would be and timing of implementation and we
5 would -- I can't tell you what the charge would be at
6 this time.

7 Q. But isn't your overall estimate now from
8 your testimony that the cost of the six enhancements
9 would be 2 to 2-1/2 million? Actually it was
10 2 million and then if I remember correctly you were
11 willing to put a cap on it at 2-1/2 million.

12 A. I don't believe the company had proposed
13 a cap to the charge. The company said, in my
14 testimony, DP&L anticipates that these enhancements
15 will require DP&L to incur approximately \$2.5 million
16 in capital improvement and so, again, the next
17 section on page 14 of my testimony, it says that the
18 company seeks the authority to recover the revenue
19 requirement on the implementation of these projects.

20 So not just the capital cost, but
21 whatever the taxes and O&M and everything is
22 associated with these capital improvements.

23 EXAMINER PRICE: It would also include a
24 return on your investment.

25 THE WITNESS: Return on the investment as

1 well.

2 Q. Right. Okay. Well, in that case do you
3 have an estimate of what the -- at this point of what
4 the total costs would be if the six enhancements were
5 authorized?

6 A. No, I don't, because we would need to
7 implement them, we'd need to know what the actual
8 costs are. This is the estimated cost. So I don't
9 know at this time.

10 Q. Okay.

11 EXAMINER PRICE: And you've never
12 prepared a bill impact on this just based on the
13 estimate and some assumed amortization period?

14 THE WITNESS: No, I would assume the
15 Commission would want to go through a prudence review
16 of our costs and so all of that would have to happen
17 before we could implement the charge.

18 EXAMINER PRICE: Probably a safe
19 assumption.

20 Q. Fair enough.

21 In order to get, you know, an order of
22 magnitude feel, though, if we -- well, first of all
23 let me go back and ask the question.

24 Do you recall what the carrying cost was
25 for the billing cost recovery rider?

1 A. I believe it was the total cost of
2 capital at the time.

3 Q. And that would have been about
4 10 percent?

5 A. Yes.

6 Q. Okay. In order of magnitude, is it fair
7 to say that if the total project came in on the six
8 enhancements that you are looking at at, let's say
9 \$8 million, half of what this project was, that the
10 relative impact then would be five-tenths of a mil?

11 A. I don't know that I could make that
12 comparison.

13 Q. Okay. Fair enough.

14 MR. PETRICOFF: Your Honor, at this time
15 I'd like to have an exhibit marked as RESA Exhibit 4.

16 EXAMINER PRICE: It will be so marked.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MR. PETRICOFF: And may I approach again?

19 EXAMINER PRICE: You may.

20 Q. (By Mr. Petricoff) Ms. Seger-Lawson, have
21 you seen this chart before?

22 A. Yes, I have.

23 Q. This was a data response that was
24 prepared by you or under your supervision?

25 A. Was it a data response?

1 Q. I believe so.

2 MR. SHARKEY: Your Honor --

3 MR. FARUKI: Hold on a second.

4 THE WITNESS: Maybe you can tell me what
5 data response it was.

6 MR. SHARKEY: Your Honor, could I consult
7 with my witness, please? I believe it may have been
8 prepared in settlement negotiations.

9 EXAMINER PRICE: Let's go off the record.

10 (Discussion off the record.)

11 EXAMINER PRICE: Let's go back on the
12 record.

13 MR. SHARKEY: Sorry for the interruption,
14 your Honor.

15 Q. (By Mr. Petricoff) Just a couple of
16 questions. I want to get on the record some feel
17 for, because we've talked about that we have dual
18 billing and a dual billing charge, we have a
19 consolidated -- I'm sorry, a rate-ready consolidated
20 billing charge and I want to get some feel for how
21 much this is in use and what the relative revenue
22 flows are.

23 Is it fair to say that for calendar year
24 2012 that there were basically a million rate-ready
25 consolidated bills that were sent out by Dayton and

1 invoiced for that amount sent to the CRESSs?

2 A. This shows that there were about a
3 million bills for rate-ready that were sent out.
4 This shows the company's cost at 35 cents per bill.
5 And so that's not the amount we collected, but that's
6 the amount that we -- cost that we incurred.

7 Q. Actually, and I will probably not put
8 this into evidence, I'm really much more concerned
9 about getting into the record a feel for the
10 consolidated rate-ready billing, but basically in
11 2012 there was 1.1 rate-ready consolidated bills and
12 that there were 21,000 bill-ready bills, and that
13 there were roughly -- there were 98,643 dual bills.
14 To the best of your knowledge are those accurate?

15 A. I agree with everything except for the
16 last one. It's 98,683.

17 Q. I'm sorry, 680?

18 A. I just think you read the number wrong.

19 Q. Oh, entirely possible. 98,000 --

20 A. 683.

21 Q. -- 683.

22 And so, basically, the revenue that you
23 would have expected at that point would have been for
24 the rate-ready billing you would have collected 20
25 cents a bill.

1 A. Yes.

2 Q. And for the dual billing you would have
3 collected 12 cents a bill.

4 A. Yes.

5 Q. Now let's look at the bill-ready billing,
6 and I don't think we had this discussion yet on the
7 record so we need to do that, and that is how does --
8 can you distinguish for me the difference between
9 rate-ready billing and bill-ready billing?

10 A. Yes. Rate-ready billing is where the
11 CRES provider provides their rates and DP&L programs
12 them into their system and then when the customer's
13 meter is read, DP&L issues a bill that has the
14 company's charges on it as well as the CRES
15 provider's based on the rate that we're provided.

16 And bill-ready billing is where the CRES
17 provider calculates their own charges and sends it to
18 DP&L via EDI transaction and that number is placed on
19 the bill and the bill is sent out by the company.

20 Q. Okay. And as far as -- well, let's see.
21 And the bill-ready billing is something that's
22 relatively new, isn't it?

23 A. Yes.

24 Q. In fact, the bill-ready billing didn't
25 become available until, what, June of 2012?

1 A. May of 2012.

2 Q. Okay. May of 2012.

3 So although there are only 21,000 bills
4 that were sent out, it was also only available for
5 part of the year.

6 A. That's correct.

7 Q. And at this point is there -- if you use
8 the bill-ready billing is there a charge? Do you pay
9 the same 20 cents as you do in the rate-ready
10 billing?

11 A. Yes. So even though this shows that the
12 company's cost is 35 cents per bill, the company is
13 currently charging only 20 cents per bill.

14 Q. And along that line neither of -- none of
15 the cost data that we have now existed either in this
16 record or the costs existing in the settlement case,
17 the consolidated one -- one moment, please.

18 Anyway, at that point these were just
19 cost numbers that you have -- that you had presented
20 in the data response, these are not numbers that were
21 filed with the Commission at any time either in this
22 proceeding or in the prior cases.

23 A. These are our current costs, so when we
24 were asked the question, we put together this
25 calculation currently, so it reflects our current

1 costs.

2 Q. Okay. At this point I want to move on
3 now and we can look at those enhancements that you
4 had and then talk about some additional ones that the
5 marketers would like to see.

6 A. Okay.

7 MR. PETRICOFF: Your Honor, at this point
8 may I have the following exhibit mark as RESA Exhibit
9 No. 5.

10 EXAMINER PRICE: It will be so marked.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Ms. Seger-Lawson, have you had an
13 opportunity to see this document before?

14 A. Yes. This was provided in settlement
15 discussions.

16 Q. This one was? Okay.

17 MR. PETRICOFF: May I speak with counsel
18 for a second?

19 EXAMINER PRICE: You may.

20 (Discussion off the record.)

21 EXAMINER PRICE: Let's go off the record.

22 (Recess taken.)

23 EXAMINER PRICE: Let's go back on the
24 record.

25 MR. PETRICOFF: Okay. Your Honor, at

1 this time we are not going to use RESA Exhibit 5 so I
2 would like to withdraw that.

3 EXAMINER PRICE: Thank you.

4 Q. (By Mr. Petricoff) Ms. Seger-Lawson, you
5 have made six recommendations -- you've made six
6 recommendations for improvements. Have you had an
7 opportunity to do cost estimates of what those six
8 would be, and if so, can we walk through and put on
9 the record at this point what your cost estimates are
10 for those six documents, those six enhancements?

11 A. Yes. We did a cost estimate, it's dated
12 December 14th of 2012, it was in response to staff
13 data request No. 15. And we have estimates for each
14 of the six items that I propose in my testimony.

15 Q. Let's go through them. The first one was
16 the cost to eliminate the minimum stay and return to
17 firm provisions in generation tariffs. What would it
18 cost to implement that suggestion?

19 A. We've estimated that it would take three
20 weeks to program that change which would be a cost of
21 about \$19,000.

22 Q. And would \$19,000 cover all the costs or
23 would there be additional expenses to make that
24 change?

25 A. These are all capital costs, these are

1 all programming changes to our billing system, so --

2 Q. Let me stop you there because, just so I
3 understand, because when I think of programming
4 changes, I think of that as a labor expense and I
5 wouldn't necessarily consider that to be something
6 that's capitalized. Especially if it's only going to
7 take three weeks to do. Why would that be
8 capitalized?

9 A. From an accounting perspective any
10 modifications to the billing system is considered a
11 capital improvement to that asset.

12 Q. Okay. Even if the cost is less than a
13 year.

14 A. I don't propose to be an accountant,
15 that's just what they tell me.

16 Q. Fair enough. I will take the same
17 exemption. Okay, so that 19,000 is a capital cost.

18 How about the improvement, let's see,
19 improvement of a web-based portal such that the CRES
20 providers can obtain DP&L customer information in a
21 more usable and manageable fashion.

22 Actually, before we get to the dollars
23 there let me ask, is this something that you got -- a
24 request that you got from a competitive retail
25 electric suppliers?

1 A. Yes, it is.

2 Q. And, in fact, as part of the ESP, your
3 first ESP, wasn't there a stipulated provision that
4 the company would meet with the CRES providers
5 periodically to talk about interface items such as
6 billing and data transfer?

7 A. Yes, we hold an annual CRES meeting and
8 at the last one we discussed these items on the phone
9 call.

10 Q. Okay. Thank you.

11 And now for -- what would the cost of a
12 web-based portal be?

13 A. Our estimate was \$1.75 million and it
14 would take approximately 12 to 14 months.

15 Q. And, once again, that would be a capital
16 cost.

17 A. Yes.

18 Q. Would there be any -- and I understand if
19 it's a capital cost, then you're entitled to a return
20 and there would be a tax adjustment that would have
21 to be made in order to determine the company's full
22 revenue requirement.

23 A. Yes. And there may be ongoing
24 maintenance of that web-based portal to make sure it
25 works correctly and, you know, if CRES providers are

1 wanting different information or in a different
2 format or fashion, there could be ongoing costs
3 associated with that.

4 Q. And, once again, you have no estimate of
5 what that would --

6 A. No, I don't.

7 Q. -- what that would be. Okay.

8 Let's go on to No. 3. Could you explain
9 No. 3 for us?

10 A. No. 3 would be implementing programming
11 such that if let's say we had a bad meter read and
12 the company was to cancel its charges on a
13 consolidated bill, we would also cancel the CRES
14 provider portion of the bill-ready. And that would
15 take approximately three to four months and cost
16 about \$80,000.

17 Q. Okay. And then the item No. 4, and this
18 is No. 4 referring to your testimony, remove the
19 enrollment verification. Can you explain that and
20 give a cost estimate?

21 A. Yes. The CRES providers have asked that
22 we remove a -- currently, when a CRES provider sends
23 in an EDI transaction to, we used to call them DASRs,
24 direct access server requests, when they send in a
25 request to pick up a customer and to begin to serve

1 that customer, there was verification that the
2 customer not only -- or, I'm sorry, the CRES provider
3 not only needed the account number but they also
4 needed the first four digits of the name on the
5 account and the CRES providers have asked us to
6 remove that and that would cost, I guess just \$557,
7 and five hours of programming time.

8 Q. Okay.

9 A. So I think it's just turning off a
10 doublecheck, basically.

11 Q. And item No. 5 was to support the
12 response to the historic interval usage data but by
13 getting it by electronic -- by EDI, and what would
14 that cost?

15 A. That would cost a hundred thousand to
16 \$150,000 and take approximately four to six months.

17 Q. And then item six was provide a
18 standardized sync list to CRES providers on a monthly
19 basis to ensure the company has identified the
20 correct accounts that are being served by each CRES
21 provider. What would that cost to do?

22 A. That would cost \$21,000 and take one to
23 one and half months.

24 Q. Okay. And at this point, if we added it
25 all up, that would total 2.02 million in capital

1 costs?

2 A. Yes, 2.02, and then the company suggested
3 there would be some contingency because these are all
4 very rough estimates.

5 Q. Right. I understand. Thank you.

6 You indicated earlier when we were
7 talking going through the, I guess the history of
8 metering and billing that the company did institute
9 an improvement to put in the bill-ready billing. Was
10 that part of the merger agreement in
11 Case 11-3002-EL-MER?

12 A. Yes, it was.

13 Q. And was there a time limit that was
14 required on that?

15 A. Yes. We were required to implement
16 bill-ready billing within some timeframe after the
17 Commission issued the order approving the merger.

18 Q. And was that completed on time?

19 A. Yes.

20 Q. Am I correct in saying that there was no
21 cost for that improvement, that was something that
22 the company did as part of the merger?

23 A. Yes. The Commission ordered that the
24 company would implement it without cost recovery.

25 Q. Right. Now I want to switch to -- we're

1 done with the history of billing, metering and
2 billing, and I want to switch to another subject and
3 that's the auction.

4 Now, under the company's proposal in this
5 first year, 10 percent of the standard service load
6 is going to be put out for bid; is that correct?

7 A. Yes, that's the company's proposal.

8 Q. And I want to go down maybe one level of
9 detail and try to determine what the load is of which
10 10 percent of the load would be out for auction.
11 Would that be all the standard service power that the
12 company provides?

13 A. That would be all customers that are on
14 our SSO tariffs.

15 Q. Now, the -- and do you know offhand what
16 the current volume of that is?

17 A. It was in the filing. It's one of the
18 many schedules I have in my book.

19 Q. I'll give you a minute to look.

20 A. It was included in Workpaper 8, page 6,
21 which is actually sponsored by Nathan Parke. I guess
22 this would be 5,293,868,152 kilowatt-hours.

23 Q. Those are kilowatt-hours?

24 A. Kilowatt-hours.

25 Q. Okay.

1 A. So 5,293,868 megawatt-hours.

2 Q. Okay. Now, I notice that the company
3 has, in looking through the files, the company has
4 two unique arrangements that the Commission has
5 approved; one for Caterpillar in Case No. 10-734, and
6 one for the Wright-Patterson Air Force Base in Case
7 No. 11-1163, and in reading the opinion and order on
8 those unique cases it appears that those two
9 customers are going to be paying the regular standard
10 service rates and then they would get a discount and
11 then, basically, the difference between the discount
12 and the standard service rate would be charged to the
13 remaining customers through the economic development
14 rider; is that a fair summary?

15 A. I wouldn't put it that way. They don't
16 get charged the full tariff rate. They get charged
17 the contract rate and the contract rate is a discount
18 off of tariff. But they're not initially charged the
19 SSO tariff rate.

20 Q. Right. But, in essence, when you add
21 back in the amount -- I'm sorry.

22 The number that you start with -- well,
23 let's go back. Let's strike that.

24 The power is being supplied by The Dayton
25 Power & Light Company with their own generation,

1 correct?

2 A. Yes, they're Commission approved
3 contracts that the company has signed with the
4 customer that sets forth the price and the terms and
5 conditions of service.

6 Q. And the terms and conditions are in the,
7 you know, publicly filed, and I'm looking now at the
8 Wright Patterson one, 11-1163-EL-AEC, it says that
9 Wright-Patterson Air Force Base will take service
10 under the DP&L approved distribution, transmission,
11 and generation rates.

12 And my question for you is that when DP&L
13 goes to the blend, won't the generation rates include
14 the generation that's being blended -- well, I'm
15 sorry. Let me strike that.

16 Won't the generation rates that are going
17 to be made available after the first blend be reduced
18 by the auction, and shouldn't that be the basis
19 against which the discount is charged?

20 MR. SHARKEY: I'll object, your Honor.
21 He's cross-examining her on a contract that, number
22 one, there's no evidence she's negotiated and, two,
23 he hasn't shown it to her. I don't think it's
24 appropriate to be cross-examining her on that
25 document.

1 EXAMINER PRICE: I don't think he's
2 cross-examining her on the contract; I think he's
3 cross-examining her on the sourcing for the power to
4 supply that contract.

5 MR. PETRICOFF: Right. And, your Honor,
6 I'll tell you, at this point I certainly can provide
7 the opinion and order and will do so right now. May
8 I approach?

9 EXAMINER PRICE: You may.

10 Q. If you would, Ms. Seger-Lawson, turn to
11 page 2 under Summary of the Joint Application and
12 look at the third paragraph, I believe it's the third
13 sentence that says "WPAFB will take service under
14 DP&L's approved Distribution, Transmission, and
15 Generation rates, and all additional riders, with a
16 10 percent discount on Wright Patterson's existing
17 load of approximately 69 megawatts and a 25 percent
18 discount on the new load, which is approximately
19 20 megawatts."

20 And my question to you is that when you
21 go to do the auction, will the generation that's
22 associated with these contracts be included, and will
23 the 10 percent blend be applied to the generation
24 rates when you go to apply the rates?

25 MR. SHARKEY: I'm going to object again,

1 your Honor. The contracts they're describing here in
2 a summary fashion I understand are lengthy and more
3 complex so we would need to look at those to
4 determine exactly how they would apply. And there's
5 no evidence that Ms. Seger-Lawson was involved in
6 negotiating the terms of the contract or setting
7 pricing in those contracts.

8 MR. PETRICOFF: Your Honor, I'm just
9 trying to determine what the load is going to be in
10 the auction. And the question is: Are we taking
11 10 percent in the first one against all the power
12 that goes to generation rates, or all the power going
13 to generation rates minus these unique arrangements
14 since they are getting generation rates.

15 EXAMINER PRICE: Mr. Sharkey's objection
16 is overruled. If you look at the third page of the
17 summary of testimony you'll see that she sponsored
18 before the Commission this unique arrangement, so she
19 can answer if she knows.

20 A. I would have to -- if your first question
21 was what would the customer be charged, I would have
22 to look at those contracts to figure out what the
23 terms and conditions of those contracts are so the
24 company is providing terms and -- providing service
25 at the terms and conditions that we agreed to.

1 Q. (By Mr. Petricoff) Okay. But in terms of
2 the -- what's going to be put out for bid, is the
3 load from Wright-Patterson Air Force Base and
4 Caterpillar going to be excluded when you do the
5 calculation of the 10 percent for the first one?

6 A. They will be excluded, and that was
7 contained in the bidding documents that was in book 2
8 of our filing because we do not consider those
9 standard service offer customers. They're unique
10 arrangements where the company has a contract with
11 the customer for a given price, terms, conditions,
12 and term, and that contract the company does not
13 intend to break.

14 Q. One last question. Would a -- general
15 customers who are paying the economic rider all be
16 benefited if, in fact, 10 percent of the unique load
17 was bid out the first time and then the 40 and the
18 60?

19 A. I think what you're asking me is would
20 the customers that are under those contracts be
21 better off and would all customers be better off, and
22 I guess I'm not asking you if your customers would be
23 better off once DP&L's transition to the competitive
24 bid market.

25 Your customers may be better off once

1 DP&L has fully transitioned to take service under the
2 SSO service. I don't think you want -- would like
3 for me to propose that your contract should be
4 broken.

5 MR. PETRICOFF: Your Honor, I move to
6 strike the response. Fortunately, I get to ask the
7 questions and I don't have to answer them,
8 fortunately for everyone in the room, I might add.

9 But I would like to have her answer the
10 question in terms of what the impact would be both
11 for Wright-Patterson and for the other customers.

12 EXAMINER PRICE: We're going to grant the
13 motion to strike, and please try to be more
14 responsive to his question, please.

15 THE WITNESS: Could I have that question
16 read back?

17 (Record read.)

18 A. I don't know the answer to that because I
19 don't know what the competitive bid rate is.

20 Q. Okay.

21 MR. PETRICOFF: Your Honor, may I have a
22 moment? I think the rest of my questions have been
23 asked.

24 EXAMINER PRICE: You may.

25 Q. Ms. Seger-Lawson, I just have few more

1 questions for you about the Yankee unit, and I know
2 you've been asked a lot of questions about that but I
3 think I'm just down to two or three that I didn't
4 hear an answer for and would like to know.

5 The first: The Yankee unit is up and
6 running at this time, correct?

7 A. Yes.

8 Q. All right. And do you know how many
9 megawatt-hours it produced on an annual basis? And
10 that could be can rolling year or the last year or
11 any year that you have data for.

12 A. I recall that it had about a 14 percent
13 power factor and it's a 1.1 megawatt unit, so I could
14 do a calculation but I don't know that I have it in
15 front of me.

16 Q. Actually, I think that's been done. If
17 you -- do you still have, was it IEU Exhibit -- here
18 we go. I'm sorry, FES Exhibit 14, and if you turn
19 back to the, let's see, it was -- once again, we have
20 to do, it's 4901:5-5-06, page 4. And if you look on
21 the second paragraph --

22 A. I'm sorry. I haven't found it.

23 Q. I'm sorry. I'll give you a minute here.

24 A. Okay.

25 Q. We'll just go through this in a couple

1 small steps. If you look down to the 8th line in
2 in the second paragraph it says "We expect this
3 facility to operate at about a 14 percent capacity
4 factor...."

5 Do you see that?

6 And let's see if you and I can agree. A
7 capacity factor is basically a ratio that has the
8 number of hours that you are running as the numerator
9 and the number of hours in the year, which I believe
10 is 8,760, as the denominator.

11 A. Yes, that's right.

12 Q. Okay. And so, basically, that's because
13 a solar unit in Ohio is not going to run at night so,
14 and -- actually, today it would probably run but
15 probably very little in November, we just don't have
16 that many sunny days, that's why it's only
17 14 percent.

18 A. That's correct.

19 Q. And then it says here it will be
20 approximately 1,349 megawatt-hours a year. To the
21 best of your knowledge has it come in more or less as
22 predicted?

23 A. I believe it has, yeah.

24 Q. Okay. And is it accurate to say that in
25 terms of the solar renewable energy credits, which

1 I'll call SRECs from here on out, that you get one
2 SREC for every megawatt-hour?

3 A. Yes.

4 Q. So if the Yankee unit ran for calendar
5 year 2012 and had 1,349 megawatt-hours, it would have
6 gotten 1,349 SRECs. Did DP&L's SREC requirement for
7 2012 exceed 1,349?

8 A. I don't know.

9 Q. Okay. If, in fact, it -- the SREC
10 requirement was less than that, could the SRECs be
11 sold?

12 A. No. The company is using the SRECs from
13 Yankee to meet the AER requirement. I'm sorry, the
14 renewable energy requirement.

15 Q. Right. And so it's basically going to
16 the benefit of standard service customers.

17 A. It's going to the benefit of those that
18 pay the AER, yes.

19 Q. Right. And those who pay the AER rider
20 are those who are taking standard service.

21 A. Yes.

22 Q. No shopping customer has to pay the AER
23 rider.

24 A. Right.

25 Q. And isn't it true that CRES providers

1 have the same solar renewable energy credit
2 requirements as DP&L?

3 A. I'm not sure I would say exact same.
4 It's a three-year rolling average, so to the extent a
5 CRES provider first begins service in DP&L's service
6 territory in 2013, they would only have to pay
7 basically one-third of their load requirement towards
8 the renewable standard.

9 Q. Yeah. Let's drill down on that a little
10 bit. The rule is the same for DP&L and CRES
11 providers that you have a percentage that's
12 established in the statute of how much of your load
13 has to be covered by SRECs, Ohio-sited SRECs.

14 A. The percentage is the same for everybody,
15 however, it's on a three-year rolling average. So to
16 the extent DP&L had more SSO load over the last three
17 years and that SSO load is coming down the company is
18 still continuing to pay the renewable requirements
19 based on those three years. However, a CRES provider
20 who is new to our service territory has a three-year
21 rolling average but they only have to pay one-third
22 of the current one year in renewable requirements.

23 Q. Doesn't the rule say if you only have one
24 year, you adjust to your one year as opposed to
25 taking a third of your one year?

1 A. I would have to go back and look at the
2 rules.

3 Q. Okay. But let's talk more generally than
4 this. Customers can come and go between standard
5 service and CRES providers, correct?

6 A. Yes.

7 Q. But the number of SRECs that's going to
8 be needed for the market is going to be relatively
9 the same because everyone who is supplying one with
10 the caveat that we do -- that your basis is not year
11 specific but three-year average, but basically the
12 market for SRECs is just going to be the market for
13 power times whatever the percentage is in the
14 statute.

15 A. I'm not sure I understood the last
16 question.

17 Q. Okay. The requirement, the need for
18 SRECs is because Senate Bill 221 and the rules of the
19 Commission require that a certain percentage of power
20 used in Ohio, whether it's supplied by a CRES or an
21 EDU, has to have SRECs, correct?

22 A. Yes, that's what the current law says.

23 Q. So the total market -- so the total
24 market for SRECs is based on whatever the use of
25 power is in Ohio, not necessarily who's shopping and

1 who's not shopping.

2 A. That's correct.

3 Q. All right. And my question to you before
4 was that if you come to the situation where because
5 of migration DP&L had more SRECs than it had need for
6 SRECs, couldn't it just sell the SRECs?

7 A. I suppose right now there's no limitation
8 on that, right now.

9 Q. Okay.

10 MR. PETRICOFF: Your Honor, at this time
11 I have no further questions.

12 Thank you very much, Ms. Seger-Lawson.

13 EXAMINER PRICE: I have a follow-up
14 questions on rider AERN. You're familiar with the
15 testimony by Mr. Parke, aren't you?

16 THE WITNESS: Yes.

17 EXAMINER PRICE: And in there he proposes
18 a methodology to implement the 3 percent cost cap
19 provision contained in Ohio law, right?

20 THE WITNESS: Yes.

21 EXAMINER PRICE: And he comes up with a
22 set figure for how much in kilowatt-hours where the
23 cap would be set; is that correct?

24 THE WITNESS: Yes.

25 EXAMINER PRICE: If the company -- if the

1 Commission were to approve the placeholder for rider
2 AERN and the company came in and made their filing
3 for the cost recovery and the Commission granted
4 that, which is, I know, three assumptions in there,
5 would the costs be covered under rider AERN count
6 against the 3 percent cost cap number that Mr. Parke
7 has calculated?

8 THE WITNESS: No, I don't believe it
9 would. The RECs that are generated by Yankee are
10 being provided to customers at zero value so those
11 are at zero value in our AER.

12 EXAMINER PRICE: Okay. Thank you.

13 (Recess taken.)

14 EXAMINER PRICE: Let's go back on the
15 record.

16 Mr. Petricoff.

17 MR. PETRICOFF: Yes, your Honor. At this
18 point we would like to move into the record RESA
19 Exhibits 1, 2, and 3, we are not going to move for 4.

20 EXAMINER PRICE: We're not there yet.

21 Mr. Whitt.

22 MR. PETRICOFF: Oh, I'm sorry.

23 EXAMINER PRICE: Mr. Whitt.

24 - - -

25

CROSS-EXAMINATION

By Mr. Whitt:

Q. Good afternoon, Ms. Seger-Lawson. I'm going to be very brief, but I just wanted to make sure I understand the six enhancements that you discussed with Mr. Petricoff have been proposed by DP&L in an effort to further promote competition; is that correct?

A. Yes.

Q. Would a purchase of a receivables program implemented by DP&L also promote competition?

A. The company considered purchase of receivables, we evaluated it a number of times internally and we have found that it is programming intensive, it's very costly, it provides no benefit to the company, and more importantly we don't believe it provides benefit to customers.

Q. Okay. Well, in terms of the cost of the PRO program, I think we've established through Mr. Petricoff's questioning that DP&L certainly hasn't been shy about asking for and receiving cost recovery to change its billing systems, correct?

A. I wouldn't characterize it that way.

Q. Well, I just did. Is my characterization correct?

1 A. No.

2 Q. Okay. And when you say that a PRO
3 program wouldn't benefit customers, shopping
4 customers or customers who choose a CRES provider
5 remain customers of DP&L for distribution service, do
6 they not?

7 A. Shopping customers remain a DP&L
8 distribution customer, yes.

9 Q. Are there any barriers, in your view,
10 other than cost, understanding the company would like
11 to have cost recovery if they implemented PRO, but
12 are there any technical reasons why DP&L cannot
13 implement a PRO program?

14 A. In order to implement a purchase of
15 receivables program the company would need to know
16 what the rules are and the company would not be
17 willing to implement a computer programming that's
18 very extensive, very time-consuming, very capital
19 intensive without knowing what the rules are.

20 EXAMINER PRICE: What kind of rules? How
21 the Commission --

22 THE WITNESS: Like how the Commission
23 would expect us to -- disconnects, reconnects,
24 payment posting priorities, cost of purchase of
25 receivables, is there a discount to purchase the

1 receivables.

2 EXAMINER PRICE: But you know what the
3 disconnect rules and the partial payment rules
4 currently are.

5 THE WITNESS: Yes, but it's not clear if
6 they would change because the company was purchasing
7 receivables or not.

8 EXAMINER PRICE: Fair enough.

9 Q. (By Mr. Whitt) Are you aware of the
10 Commission's rules on disconnection and payment
11 priority, whether those have changed for any other
12 utility in Ohio that has a purchase of receivables
13 program?

14 A. I believe they have. The payment posting
15 priorities have changed for a utility who has
16 implemented purchase of receivables. I don't know
17 that those would be the same appropriate purchase
18 of -- I'm sorry, payment -- too many Ps in this -- if
19 those would be the same payment posting priorities
20 that are appropriate for DP&L. As I understand it,
21 the purchase of receivables was implemented through a
22 stipulation and I'm not sure if those same rules
23 would apply to DP&L.

24 Q. Now, you say that the purchase of
25 receivables program would not benefit DP&L's

1 customers, correct?

2 A. I don't believe it would.

3 Q. And you testify, don't you, that the
4 other six retail enhancements you discussed with
5 Mr. Petricoff don't benefit DP&L or its shareholders
6 either?

7 A. That's correct.

8 Q. Yet the company is willing to implement
9 those other six enhancements.

10 A. The CRES providers in the MRO case
11 through settlement discussions had requested that we
12 implement certain things and the company has agreed
13 that we would implement these six items.

14 Q. Even though in the company's view they
15 don't benefit its customers.

16 A. They don't benefit DP&L and its
17 shareholders, I didn't say that they don't benefit
18 the customers.

19 EXAMINER PRICE: I know it's late, but
20 Ms. Seger-Lawson, if you can project your voice. I
21 know they're having trouble hearing you in the back.

22 THE WITNESS: Okay.

23 MR. WHITT: That's all I have.

24 EXAMINER PRICE: Thank you.

25 Any intervenors who I've not individually

1 called have questions for this witness?

2 (No response.)

3 EXAMINER PRICE: Mr. Margard?

4 MR. MARGARD: No questions from staff.

5 Thank you.

6 EXAMINER PRICE: Redirect?

7 MR. SHARKEY: Yes, your Honor, I'll be
8 brief.

9 - - -

10 REDIRECT EXAMINATION

11 By Mr. Sharkey:

12 Q. Ms. Seger-Lawson, do you recall when
13 Ms. Yost asked you some questions about low-use
14 customers?

15 A. Yes, I do.

16 Q. Do low-income customers tend to be
17 low-use customers?

18 A. No, they don't. PIPP customers tend to
19 have a higher usage than our average residential
20 customers.

21 Q. Do you know why?

22 A. I don't know why.

23 Q. Turn, if you would, to your second
24 revised testimony, page 7.

25 A. Okay.

1 Q. Do you recall that Ms. Yost asked you
2 some figures -- some questions, rather, about the
3 \$2.81 and 2.61 percent increase to current rates for
4 the first period of DP&L's proposed ESP?

5 A. Yes.

6 Q. What rate impact would DP&L's proposed
7 ESP have on those customers over the full term?

8 A. Overall across all the periods they would
9 receive rate discounts, their total bill would go
10 down.

11 Q. Turn, if you would, to Emily Rabb's
12 testimony that you sponsor.

13 A. I'm sorry, did you give me a page?

14 Q. Page 8.

15 I don't recall whether it was Ms. Yost or
16 Mr. Pritchard or somebody else but I recall in
17 response to one of their questions about the
18 reconciliation rider and the recovery of the fuel
19 rider, the RPM rider, the TCRR-B, the AER, and the
20 CBT, that you mentioned the "death spiral." Do you
21 recall mentioning that?

22 A. Yes.

23 Q. Can you describe what potential adverse
24 effect on SSO customers the death spiral could have?

25 A. The death spiral is what we refer to when

1 there are costs associated with supplying SSO load
2 and the SSO customers migrate off of DP&L's system.
3 So, essentially, as more and more customers leave,
4 it's harder to collect the total costs across the
5 remaining customers. What happens is that the
6 bypassable rate becomes larger as the same cost is
7 trying to be recovered from fewer and fewer
8 customers.

9 Q. Last topic. Do you recall Mr. Pritchard
10 asked you some questions about transition costs?

11 A. Yes.

12 Q. Is the proposed service stability rider
13 designed by the company to recover any specific
14 costs?

15 A. No. The service stability rider is a
16 financial integrity charge.

17 MR. SHARKEY: Thank you,
18 Ms. Seger-Lawson.

19 Your Honors, I have no further questions.

20 EXAMINER PRICE: Thank you.

21 Ms. Yost?

22 MS. YOST: No questions, your Honor.

23 EXAMINER PRICE: Mr. Boehm? Mr. Boehm's
24 gone.

25 Mr. Alexander?

1434

1 MR. ALEXANDER: No questions, your Honor.

2 EXAMINER PRICE: Mr. Pritchard?

3 MR. PRITCHARD: No questions, your Honor.

4 EXAMINER PRICE: Mr. Petricoff?

5 MR. PETRICOFF: No questions, your Honor.

6 EXAMINER PRICE: Any other intervenors?

7 Staff?

8 MR. MARGARD: No, thank you.

9 EXAMINER PRICE: It's me, the odd man
10 out. I actually just have, I had two but I can only
11 think of one.

12 - - -

13 EXAMINATION

14 By Examiner Price:

15 Q. If you can turn to one of the IEU
16 exhibits, the stipulation in 12-1230-EL-SSO, and you
17 can turn to pages -- IEU 24, thank you. It should
18 be, it's the signatory party page, it's unnumbered
19 but it's between 46 and 47, and it's actually a front
20 and back.

21 A. Yes.

22 Q. Is Dayton Power & Light a signatory party
23 to this stip?

24 A. No, we were not.

25 EXAMINER PRICE: Since I can't remember

1 my second question, you're excused. Thank you.

2 Oh, wait. Sit down back down. I'm
3 re-calling you.

4 Q. Mr. Petricoff embarked on a wonderful
5 journey down the last 15 years of many of our lives
6 including he provided a stipulation in
7 03-2405-EL-CSS, do you recall, just briefly, the
8 nature of the complaints that were filed by the
9 marketers against Dayton Power & Light in those
10 cases?

11 A. In general, the complaint was DP&L's
12 billing fees.

13 Q. And these were your consolidated billing
14 fees which were proposed to be charged to marketers.

15 A. Yes.

16 Q. And those came out of the ETP case, did
17 they not?

18 A. They either came out of the ETP case or
19 there was a 00-513-EDI case.

20 Q. One of those two cases.

21 A. One of those two cases.

22 Q. But they were to be a source of revenue
23 to the company beyond the sources of revenue
24 Mr. Petricoff went over, those billing fees were to
25 be a source of revenue to the company to fund billing

1 changes.

2 A. That's correct.

3 Q. And the end result of this case was the
4 parties and the Commission agreed to a stipulation
5 that said instead of doing it that way, we would do
6 it the way that it was resolved and outlined in the
7 stipulation?

8 A. That's correct.

9 Q. Because it was found that the way it was
10 proposed was simply not going to work under the
11 current market conditions.

12 A. That's correct.

13 EXAMINER PRICE: Thank you. Now you're
14 excused.

15 MS. YOST: Your Honor, I didn't move my
16 exhibit into evidence.

17 EXAMINER PRICE: Pardon me?

18 MS. YOST: I didn't move my exhibit into
19 evidence.

20 EXAMINER PRICE: Nobody has yet. We
21 haven't moved anything yet.

22 Let's start with Mr. Sharkey.

23 MR. SHARKEY: Yes, your Honor. Dayton
24 Power & Light Company would move in Exhibits 9
25 and 10.

1437

1 EXAMINER PRICE: Any objection to the
2 admission of Exhibits 9 and 10?

3 (No response.)

4 EXAMINER PRICE: Seeing none, they'll be
5 admitted.

6 (EXHIBITS ADMITTED INTO EVIDENCE.)

7 EXAMINER PRICE: Ms. Yost.

8 MS. YOST: At this time I'd like to move
9 OCC Exhibit No. 15 into evidence. It's the redlined
10 second direct testimony.

11 EXAMINER PRICE: Any objections to the
12 admission of OCC Exhibit 15?

13 MR. SHARKEY: No, your Honor.

14 EXAMINER PRICE: Feel the love in the
15 room. Nobody objects, it will be admitted.

16 (EXHIBIT ADMITTED INTO EVIDENCE.)

17 EXAMINER PRICE: Mr. Alexander?

18 MR. ALEXANDER: Nothing to move, your
19 Honor.

20 EXAMINER PRICE: Okay. Mr. Pritchard?

21 MR. PRITCHARD: Yes, your Honor, IEU-Ohio
22 would move Exhibits 22 to 27.

23 EXAMINER PRICE: Okay. As to Exhibits 23
24 and 25, those are Commission opinion and orders and
25 they speak for themselves and do not need to be

1 admitted.

2 As to Exhibits 24 and 26, those are
3 documents from two Commission cases and we'll take
4 administrative notice of those rather than admit
5 them.

6 Any objection to the admission of 22 and
7 27?

8 MR. SHARKEY: No, your Honor.

9 EXAMINER PRICE: Seeing none, 22 and 27
10 will be admitted.

11 (EXHIBITS ADMITTED INTO EVIDENCE.)

12 EXAMINER PRICE: Mr. Petricoff.

13 MR. PETRICOFF: Yes, your Honor. RESA
14 moves for Exhibits 1, 2, and 3, we will not move 4,
15 and we withdrew 5.

16 EXAMINER PRICE: Okay. Any -- the
17 stipulation in the billing case we'll take
18 administrative notice of --

19 MR. PETRICOFF: That's fine.

20 EXAMINER PRICE: -- consistent with our
21 practice.

22 Any objection to the admission of 1 and
23 3?

24 MR. SHARKEY: No, your Honor.

25 EXAMINER PRICE: They will be admitted.

1 (EXHIBITS ADMITTED INTO EVIDENCE.)

2 EXAMINER PRICE: Anything else before we
3 go off the record?

4 MR. PRITCHARD: Your Honor, just for
5 clarification, you said the two opinion and orders
6 IEU-Ohio moved didn't need to be moved into evidence.

7 EXAMINER PRICE: Yes.

8 MR. PRITCHARD: And the two stipulations
9 you took administrative notice of?

10 EXAMINER PRICE: That's correct.

11 MR. PRITCHARD: Thank you.

12 MS. YOST: Your Honor, OCC and the
13 company have worked out an agreement regarding the
14 direct testimony of James F. Wilson. The company and
15 OCC have agreed that Mr. Wilson's testimony can be
16 admitted into evidence and he does not have to appear
17 as long as his deposition transcript and his errata
18 is moved into evidence. So could I do that at this
19 time, your Honor?

20 MR. FARUKI: No objection. We'll
21 stipulate to that according to what she just recited.

22 EXAMINER PRICE: Any other parties
23 object?

24 (No response.)

25 EXAMINER PRICE: Seeing no objection,

1 let's proceed.

2 MR. FARUKI: Your Honor, lest I forget --
3 sorry, do you have something else?

4 EXAMINER PRICE: I think we want to mark
5 those.

6 MS. YOST: At this time I mark OCC
7 Exhibit 16 as the direct testimony of James F. Wilson
8 and move it into evidence.

9 EXAMINER PRICE: Any objections?

10 (No response.)

11 EXAMINER PRICE: Seeing none, it will be
12 admitted.

13 (EXHIBIT MARKED/ADMITTED INTO EVIDENCE.)

14 MS. YOST: At this time I mark OCC
15 Exhibit 17 as the deposition of Mr. James Wilson on
16 March 11th, 2013, and I believe there is no
17 confidential information in this.

18 Correct?

19 MR. SHARKEY: That's correct.

20 EXAMINER PRICE: Any objections?

21 (No response.)

22 EXAMINER PRICE: Seeing none, it will be
23 admitted.

24 (EXHIBIT MARKED/ADMITTED INTO EVIDENCE.)

25 MS. YOST: And then at this time I'd like

1 to move the errata sheet in regards to Mr. James
2 Wilson's deposition March 11th, 2013 as OCC Exhibit
3 17A.

4 EXAMINER PRICE: Any objection to the
5 admission of OCC Exhibit 17A?

6 (No response.)

7 EXAMINER PRICE: Seeing none, it will be
8 admitted.

9 (EXHIBIT MARKED/ADMITTED INTO EVIDENCE.)

10 MS. YOST: Your Honor, I have one more
11 agreement. The company has indicated they have no
12 cross-examination for Kathy Hagans and at this time
13 I'd like to move the testimony of Kathy Hagans and
14 have it marked as OCC Exhibit 18.

15 EXAMINER PRICE: It is so marked.

16 MR. PETRICOFF: We have objections to
17 Kathy Hagans.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 MS. YOST: You have objections for Kathy?

20 MR. PETRICOFF: Yeah.

21 MS. YOST: We'll have to put her on the
22 list, your Honor.

23 EXAMINER PRICE: Okay.

24 MR. FARUKI: Your Honor, we talked to you
25 about --

1 EXAMINER PRICE: Just to be clear for the
2 record, we will maintain, we've already marked
3 Ms. Hagans' testimony as 18 so we will maintain that
4 through the proceeding.

5 MS. YOST: Thank you, your Honor. I'll
6 have to schedule her in.

7 EXAMINER PRICE: Plenty of time.

8 MS. YOST: Thank you.

9 EXAMINER PRICE: Yes, sir.

10 MR. FARUKI: Your Honor, we designate the
11 direct testimony of Claire Hale as DP&L Exhibit 11
12 and, as you know from previous conversation, there's
13 no one that's asked for cross-examination of her so
14 at this time I move that DP&L Exhibit 11, the Hale
15 testimony, into evidence.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 EXAMINER PRICE: Any objection to the
18 admission of Company Exhibit 11?

19 (No response.)

20 EXAMINER PRICE: Seeing none, it will be
21 admitted.

22 MR. FARUKI: Thank you, your Honor.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER PRICE: Let's go off the record.

25 (Discussion off the record.)

1443

1 EXAMINER PRICE: Let's go back on the
2 record then. Any other issues we need to address?

3 MR. SHARKEY: No, your Honor.

4 EXAMINER PRICE: Seeing none, we will
5 adjourn the hearing until 10 o'clock Monday morning.
6 Thank you all.

7 (Hearing adjourned at 5:35 p.m.)

8 - - -
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Friday, March 22, 2013, and carefully compared with my original stenographic notes.

Maria DiPaolo Jones, Registered
Diplomate Reporter and CRR and
Notary Public in and for the
State of Ohio.

My commission expires June 19, 2016.

(71804-MDJ-PUBLIC)

- - -

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/5/2013 2:02:13 PM

in

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

Summary: Transcript in the matter of The Dayton Power and Light Company hearing held on 03/22/13 - Volume V - Public Version electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Jones, Maria DiPaolo Mrs.