

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-3062-EL-RDR

CASE NO. 12-3266-EL-AAM

STORM DAMAGE RECOVERY REQUEST

**SUPPLEMENTAL TESTIMONY
OF BRYCE W. NICKEL**

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

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I. INTRODUCTION

Q. Please state your name.

A. My name is Bryce W. Nickel.

Q. Did you previously file testimony in this proceeding?

A. Yes, I did.

Q. Are you employed by DP&L?

A. I retired from DP&L on January 1, 2014. Since I have extensive experience working on DP&L's responses to the storms at issue in this case, I have agreed to continue to work on this matter for DP&L as a consultant.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to support several of DP&L's objections to the recommendations issued in the Audit Report submitted on behalf the Staff of the Public Utilities Commission of Ohio ("Staff") on January 3, 2014 in the above captioned case. Specifically, this testimony begins by describing DP&L's line-clearance policies. I then explain why DP&L believes that costs that it incurred pursuant to a contract that it signed with its management employees (called the Storm Team Incentive Compensation Plan) are legitimate and prudently-incurred storm costs that should be recoverable. Likewise, out-of-period labor charges are also reasonable and prudent and should be recoverable. I also address certain perceived "invoice discrepancies" identified by the Staff and explain why they are not discrepancies, and discuss Staff's recommendation of implementing a "per diem" for food allowances.

1 **II. DP&L'S LINE-CLEARANCE POLICIES ARE REASONABLE**

2 **Q. Were DP&L's line clearance policies from 2007 to present reasonable and consistent**
3 **with other utilities?**

4 A. Yes. I have extensive experience with DP&L's line-clearance policies, and am familiar
5 with the line-clearance policies used by other utilities due to my 30 years of industry
6 experience and my review over the years of other line-clearance practices. As DP&L
7 stated in response to OCC Interrogatory 62, from 2007 to 2012 the Company dedicated
8 between \$8.2 and \$10.6 million each year to its PUCO-approved line-clearance program.
9 During this time, DP&L trimmed an average of 78 circuits each year which represents
10 18% of the system being trimmed each year. More importantly, each year DP&L
11 successfully implemented its PUCO-approved plan, passed PUCO Staff audits, and met
12 or exceeded its PUCO-approved reliability standards. DP&L's line-clearance policies at
13 the time were therefore reasonable, as evidenced by the fact that DP&L met every PUCO
14 requirement.

15 **III. STORM TEAM INCENTIVE COMPENSATION POLICY**

16 **Q. On pages 5-6 of the Audit Report, Staff recommends that recovery should not**
17 **include management overtime expense because "management employees are**
18 **typically paid a salary for performing a job and are generally not compensated for**
19 **working a specific number of hours a week." Do you agree with Staff's conclusion?**

20 A. I agree that "generally," management employees are paid a salary and that they are not
21 entitled to be paid overtime for normal duties associated with their job. However, when a
22 storm impacts DP&L's system and customers, then many management employees change
23 their focus from day-to-day operations to work around the clock, rotating 12-hour and 16-

1 hour shifts, until all customers are restored. This is not the occasional overtime
2 associated with a management employee's normal job. DP&L's salary structure was
3 never intended to compensate management employees for extended overtime for multiple
4 days, sometimes even over national holidays. In recognition of the sacrifice management
5 employees make working long hours to restore service, DP&L implemented a Storm
6 Team Incentive Compensation Plan, which obligates certain management employees to
7 perform certain storm-restoration work, and requires DP&L to pay those employees for
8 that work.

9 **Q. How does DP&L compensate its management employees for hours worked during**
10 **storm restoration?**

11 A. Employees receive overtime compensation for all hours worked on the Storm Team
12 outside of the employee's normally scheduled workday. The employee's annual salary is
13 converted to an hourly rate for this purpose and the payout under the compensation plan
14 will be the multiple of the hours worked on the Storm Team outside of the employee's
15 normal scheduled work day times the hourly rate. For example, if an employee worked
16 an additional 12 hours on storm restoration activities and their hourly rate was \$25.00,
17 then the employee would receive \$300.00 under the contract the Company has with the
18 employee.

19 **Q. Did DP&L follow the Company's Storm Team Incentive Compensation Plan for the**
20 **storms it is seeking recovery through this case?**

21 A. Yes. As I described in detail on page 7 of my direct testimony, DP&L utilizes a Storm
22 Team approach for storms. DP&L Storm Teams rotate an on-call week every month and
23 respond to all storm events during their week on call. The Storm Teams are comprised of

1 management employees and each has a critical role in the restoration process. This
2 approach is one factor that contributes to the overall efficiency and success of DP&L's
3 storm restoration process. DP&L has a contractual obligation with its management
4 employees to compensate its employees when they work on a Storm Team.

5 **Q. How does DP&L's Storm Team Incentive Compensation Plan improve the**
6 **efficiency of storm restoration and ultimately benefit customers?**

7 A. DP&L's management employees are experts on the distribution system and supplement
8 non-exempt employees who perform these jobs on a day-to-day basis. For example,
9 during major storms, engineers shift their focus to analyzing and prioritizing outages to
10 be dispatched, which is a job normally performed by a non-exempt employee. The
11 engineer also provides technical support to field personnel. This storm team position
12 allows DP&L to get orders to field crews quickly, resulting in little or no down-time
13 between dispatched calls. Another storm team position is a scout. DP&L utilizes
14 management employees as scouts to analyze outages in the field to determine what work
15 needs to be performed prior to dispatching a lineman. This allows DP&L to dispatch the
16 correct crew size, material and equipment in order to complete the job. This process
17 allows DP&L to analyze calls with one or two employees rather than a four or five person
18 line crew, reducing the cost of storm recovery. As another example, a scout is able to
19 determine if a report of a wire down is a cable or phone wire, and no lineman is needed.
20 All of the storm team positions lead to quicker restoration times and ultimately save
21 customers money. Additionally, the Storm Team Incentive Compensation Plan is an
22 agreement through which DP&L pays management their hourly rate, not time-and-a-half
23 or double time.

1 **Q. Do you agree with the Staff recommendation that \$831,361 associated with**
2 **management labor should be removed from DP&L's storm recovery request?**

3 A. No, I do not. The \$831,361 is for all management labor, including hours covered under
4 the Storm Team Incentive Compensation Plan. As described above, DP&L should be
5 permitted to recover management labor expenses covered under the Storm Team
6 Incentive Plan.

7 **Q. What is the dollar amount associated with management employee hours worked**
8 **under the Storm Team Incentive Compensation Plan?**

9 A. Based on an analysis performed of payroll input data, DP&L calculated that the amounts
10 paid to management employees under the Storm Team Incentive Plan as \$494,124 for all
11 storms. This is a prudently-incurred storm cost and should be eligible for recovery.

12 **IV. OUT-OF-PERIOD LABOR CHARGES**

13 **Q. Do you agree with Staff's recommendation that Out-Of-Period Labor Charges**
14 **should not be recoverable?**

15 A. No, I do not. Staff points out that some labor that was charged to storm projects was
16 done months after the storms occurred and should be charged to regular O&M; Staff
17 suggests an adjustment of \$84,926. DP&L's goal is to restore service to its customers as
18 safely and efficiently as possible. In order to accomplish that goal, it is sometimes
19 necessary to temporarily repair and restore service to a customer and return at a later date
20 and make permanent repairs. These repair expenses would not be incurred but-for the
21 storm damage that occurred.

22 **Q. Can you explain why permanent repairs may take some time to complete?**

1 A. Yes. When DP&L employees are working on storm restoration, their normal day-to-day
2 work is not being completed. For example, maintenance or construction projects are put
3 on hold until restoration efforts are complete. Once restoration is complete, these
4 projects still need to be completed in addition to normal outage-call activity. Therefore,
5 temporary repairs that are noted and referred to the impacted service center for permanent
6 repairs. Permanent repairs are performed when resources are available, until all have
7 been addressed. These repairs are a priority but they take time due to the significant
8 damage major storms cause to DP&L's facilities.

9 **Q. What are the consequences if DP&L is not fully reimbursed for labor charges**
10 **associated with making repairs to its system after major storms?**

11 A. The Company has made prudent decisions in order to restore service to as many
12 customers as safely and efficiently as possible, which includes making temporary repairs
13 and returning at a later date to make permanent repairs. If the Company knows that it
14 will not be reimbursed for returning at a later date to make the permanent repair, then it
15 will take the time to make the permanent repair at the time of the storm, and future
16 service restoration times will take longer.

17 **Q. Should the Commission make Staff's out-of-period labor adjustments?**

18 A. No. The work that DP&L performed was necessary and prudent, and should be a
19 recoverable cost associated with storm restoration.

20 **V. SPECIFIC DEDUCTIONS**

21 **Q. In the Audit Report, Staff recommended adjustments for specific invoice charges.**
22 **Do you agree with these adjustments?**

1 A. DP&L does not agree with certain adjustments proposed by Staff, which I discuss below.

2 Asplundh – Staff recommends an adjustment of \$16,602 based on the fact that the rates
3 charged on the invoice do not match the contract. The invoice in question is from an off-
4 system Asplundh line clearance crew that was released under a mutual assistance request.
5 DP&L followed Asplundh’s Storm Emergency Procedures that apply to labor and
6 expenses when crews operate outside of their home area. Asplundh Storm Procedures
7 states that “Billing is at the Requesting Storm Utility or the Responding Utility rate and
8 conditions, whichever is higher.” In this case, the Responding Utility had a higher rate
9 than DP&L, which is why the invoice did not match the DP&L on-system contract rates.

10 Nesco – Staff points out that two invoices were for work done the week of 11/14/08 and
11 made an adjustment of \$1,280. Hurricane Ike caused unprecedented damage to DP&L’s
12 distribution system. DP&L completed physical inspections of 171 distribution circuits
13 after Hurricane Ike to identify any wind related repairs that still needed to be made. The
14 invoices in question are from a contractor that was utilized to inspect a portion of the 171
15 circuits. Inspecting 171 circuits and noting damage takes a significant amount of time;
16 therefore these storm expenses are reasonable.

17 Twenty First Century Communications – Staff suggests that an adjustment of \$12,716
18 should be made for invoices from June and August 2011, because these monthly charges
19 would have been incurred absent any storm. Twenty First Century Communications
20 provides overflow Interactive Voice Response outage reporting and web reporting via PC
21 or mobile device. DP&L does incur a monthly fee from Twenty First Century
22 Communications and this fee was charged to the Customer Solutions Center’s normal
23 O&M operating budget and was not charged to the storm project. Because the \$12,716 in

1 monthly fees was never included in DP&L's request for storm cost recovery, it would not
2 be appropriate to adjust DP&L's storm expenses by that amount.

3 IJUS, LLC – Staff recommended an adjustment of \$4,301 for an IJUS invoice for work
4 completed in September 2012. The invoice in question is for work that IJUS performed
5 that cannot be completed until after storm repairs are complete. DP&L inspects each
6 pole that is replaced during a storm to verify that any attacher to DP&L's poles has
7 removed their facilities from the old pole. This inspection is necessary due to the storm
8 damage, and the expense would not otherwise be incurred. Upon inspection, if no
9 additional work is needed, then the inspection is charged to O&M. If a third party still
10 has facilities that need to be transferred to the new pole then the inspection is charged to a
11 capital account. In order to identify the poles that were replaced after a storm, outage
12 calls are reviewed to determine the location of the pole replacement and then this data is
13 forwarded to the contractor for inspection. This work is completed in addition to the
14 contractor's day-to-day activities and the timeframe in question is reasonable since the
15 storm occurred in June/July and the inspection took place in September. The
16 Commission should find that this invoice was a prudently incurred storm restoration
17 expense.

18 Other 2008 Storms – Staff recommended an adjustment of \$3,574,934 for the cost of
19 non-major storms during 2008. However, applying the current major event criteria
20 retroactively, \$2,289,756 of that cost was for three storms that each met the IEEE 2.5
21 Beta major event methodology. These storm expenses were included in the Staff's
22 detailed review during the audit period. The Commission should find therefore find that
23 \$2,289,756 consists of prudently incurred major storm restoration expense.

1 **Q.** Do you agree with Staff's other specific adjustments described on pages 4-7 of
2 Staff's Audit Report?

3 **A.** Yes, the adjustments not specifically addressed here or in Company Witness Seger-
4 Lawson's testimony are reasonable.

5 **VI. PER DIEM RECOMMENDATION**

6 **Q.** Do you agree with Staff's recommendation #5 on page 8 of the Audit Report which
7 recommends placing a "per diem" (such as \$50 a day) for food allowances?

8 **A.** No, I do not. A traditional per diem established for a business traveler should not apply
9 during major storm restoration, as employees are facing a completely different set of
10 conditions. I believe the Company should be able to continue its current practice of
11 reimbursing employees and contractors for prudently incurred meals on a case-by-case
12 basis for two reasons. First, during restoration of a major storm event, employees and
13 contractors are working long hours and performing strenuous activities, often times in
14 extreme temperatures. Proper hydration and nutrition -- well in excess of what an
15 ordinary business traveler would need -- is essential to ensuring workers' health and
16 safety. Second, restaurants may be unavailable or inconveniently located in rural areas.
17 Employees are not necessarily able to drive down a road and choose where to eat. The
18 cost of acquiring food and drinks during a storm restoration therefore may be reasonably
19 higher than in a normal situation.

20 **VII. CONCLUSION**

21 **Q.** Can you please summarize your supplemental testimony?

1 A. Yes. DP&L's storm costs should not be adjusted for management overtime labor costs,
2 out-of-period labor costs and the specific invoices I have addressed above in DP&L's
3 storm recovery expenses. All of these costs were prudently incurred and appropriate to
4 be included in DP&L's storm damage recovery rider.

5 **Q. Does this conclude your supplemental testimony?**

6 A. Yes, it does.

7 799437.1

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Supplemental Testimony of Bryce W. Nickel
has been served via electronic mail upon the following counsel of record, this 17th day of
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