

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
Dayton Power and Light Company for)	Case No. 12-3062-EL-RDR
Authority to Recover Certain Storm-)	
Related Service Restoration Costs)	
)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	Case No. 12-3266-EL-AAM
Approval of Certain Accounting)	
Authority)	

(PUBLIC VERSION)

**DIRECT TESTIMONY
OF
ANTHONY J. YANKEL**

On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

January 31, 2014

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1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.***

4 ***A1.*** I am Anthony J. Yankel. I am President of Yankel and Associates, Inc. My
5 address is 29814 Lake Road, Bay Village, Ohio, 44140.

6

7 ***Q2. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL***
8 ***BACKGROUND AND PROFESSIONAL EXPERIENCE?***

9 ***A2.*** I received a Bachelor of Science Degree in Electrical Engineering from Carnegie
10 Institute of Technology in 1969 and a Master of Science Degree in Chemical
11 Engineering from the University of Idaho in 1972. From 1969 through 1972, I
12 was employed by the Air Correction Division of Universal Oil Products as a
13 product design engineer. My chief responsibilities were in the areas of design,
14 start-up, and repair of new and existing product lines for coal-fired power plants.
15 From 1973 through 1977, I was employed by the Bureau of Air Quality for the
16 Idaho Department of Health & Welfare, Division of Environment. As Chief
17 Engineer of the Bureau, my responsibilities covered a wide range of investigative
18 functions. From 1978 through June 1979, I was employed as the Director of the
19 Idaho Electrical Consumers Office. In that capacity, I was responsible for all
20 organizational and technical aspects of advocating a variety of positions before
21 various governmental bodies that represented the interests of the consumers in the
22 State of Idaho. From July 1979 through October 1980, I was a partner in the firm
23 of Yankel, Eddy, and Associates. Since that time, I have been in business for

1 myself. I am a registered Professional Engineer in Ohio. I have presented
2 testimony before the Federal Energy Regulatory Commission, as well as the State
3 Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah, and
4 West Virginia. Cases in which I have testified before the Public Utilities
5 Commission of Ohio (“PUCO”) and other jurisdictions are listed in Attachment
6 AJY-1.

7
8 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

9 ***A3.*** I am testifying on behalf of the Office of the Ohio Consumers’ Counsel (“OCC”).
10

11 ***Q4. WHAT IS DP&L REQUESTING IN THIS PROCEEDING?***

12 ***A4.*** The Dayton Power and Light Company (“the Utility,” or “DP&L”) is requesting
13 authority to collect from customers storm-related Operation and Maintenance
14 (“O&M”) expenses for all major-event storms in 2011 and 2012, as well as
15 certain 2008 storm O&M expenses.¹ DP&L is also seeking collection of related
16 capital revenue requirements for Hurricane Ike in 2008 and other storms in 2008
17 as well as the major storms that took place in 2011 and 2012.² Furthermore,
18 DP&L requests that the PUCO grant accounting authority to defer the 2011 major
19 storm O&M costs with carrying costs equal to the Utility’s cost of debt.³ Finally,

¹ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service restoration Costs*, Case No. 12-3062-EL-RDR et al., Application (“Application”) at 2, (December 21, 2012).

² *Id.*

³ *Id.*

1 DP&L is seeking to implement a Storm Cost Recovery Rider (“Storm Rider”) that
2 would permit DP&L to recover all costs associated with major storms going
3 forward and requesting accounting authority to defer O&M costs until they are
4 collected through this rider. ⁴

5
6 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

7 ***A5.*** The purpose of my testimony is fourfold:

8 First, I explain why customers should not pay for any of the 2008
9 and 2011 storm costs that DP&L seeks in its Application. The
10 PUCO already rejected DP&L’s request to defer O&M costs for
11 restoration efforts regarding the smaller 2008 storms (outside of
12 Hurricane Ike). With regard to 2011 storm costs, DP&L failed to
13 timely seek deferral of those expenses and should not be permitted
14 to defer those costs or collect those costs from customers. Finally,
15 as more fully explained in the testimony of OCC witness Dr.
16 Duann, customers should not pay for any storm costs DP&L
17 incurred in 2008 and 2011 because of the very high return on
18 equity that DP&L earned in those years.

19
20 Second, I identify specific costs that customers should not pay for
21 because they are not just and reasonable from a ratemaking
22 perspective. The costs that customers should not pay include: 1)

⁴ Id.

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Direct Testimony of Anthony J. Yankel
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 12-3062-EL-RDR et al.

1 Capital costs; 2) Mutual assistance; 3) Insurance proceeds; 4)

2 Management labor and union straight-time labor; 5) [REDACTED]

3 [REDACTED]; and 6) Three-year average adjustment.

4
5 Third, I address the allocation of storm-related costs, if any, that
6 the PUCO decides customers should pay. I accept the Utility's
7 proposal to allocate storm costs on the basis of "Distribution
8 Revenue Less Customer Charge Revenue." Additionally, I
9 propose that the rate design for the Residential class allow for
10 collection of the storm costs on a kWh basis.

11
12 Fourth, I recommend that the PUCO reject DP&L's proposal for a
13 Storm Rider on a going forward basis. But if the PUCO does
14 authorize a Storm Rider for future storm costs, then the PUCO
15 should structure the Storm Rider so that DP&L's customers are
16 protected. I recommend specific customer protections that should
17 be required should the PUCO authorize a Storm Rider.

II. GENERAL RECOMMENDATIONS AND COMMENTS

Q6. IS THERE A STANDARD FOR DETERMINING WHETHER A UTILITY SHOULD BE PROHIBITED FROM FULLY COLLECTING ITS REQUESTED STORM RESTORATION OPERATION AND MAINTENANCE COSTS FROM CUSTOMERS?

A6. Yes. Specifically, in accordance with the PUCO's decisions in DP&L's 2008 and 2012 deferral requests, Case Nos. 08-1332-EL-AAM and 12-2281-EL-AAM respectively, the PUCO may deny DP&L's request to collect storm costs from customers if DP&L fails to show that the deferred costs were just and reasonable.⁵ In general, a utility should not be allowed to expense and charge customers for imprudent costs, costs not associated with the provision of utility service (including costs associated with serving other jurisdictions), and costs that should be capitalized as opposed to expensed. There are other factors (including the amount of profit a utility earns) that the PUCO should consider when deciding whether customers should have to pay for storm costs, as explained further in the Testimony of OCC witness Dr. Duann.

⁵ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order at 2 (Jan 14, 2009); *In the Matter of the application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Service Restoration Costs*, Case No. 12-2281-EL-AAM, Finding and Order at 3 (Dec. 19, 2012).

Q7. SHOULD A UTILITY ALWAYS BE PERMITTED TO COLLECT FROM CUSTOMERS ALL OF THE STORM DAMAGE RESTORATION COSTS THAT IT INCURRED?

A7. No. Under ratemaking principles, it is not always just and reasonable for a utility to collect from customers all of the costs that it incurs. The storms at issue in this case were acts of God that caused extensive damage to the Utility's system as well as the private property of DP&L's customers. In addition to suffering property damage directly from the storm, many consumers were also without electricity for extended periods of time that resulted in additional losses for those consumers. For instance, some customers did not have their service restored until five days (or longer)⁶ after the Hurricane Ike windstorm and the June 29th Derecho hit. These extensive outages resulted in untold economic loss to those customers.

In all likelihood, the economic loss that customers suffered significantly exceeded the amount that it cost DP&L to restore service many times over.⁷ It is somewhat presumptuous for DP&L to attempt to fully collect all of the costs it claims it incurred from the same customers who have little or no recourse to recover losses related to electrical service outages for upwards of 14 days.⁸

⁶ See, Direct Testimony of Bryce Nickel at page 3, filed with the Application on December 21, 2012.

⁷ See, e.g., *A Framework and Review of Customer Outage Costs: Integration and Analysis of Electric Utility Outage Cost Surveys*, Ernest Orlando Lawrence Berkeley National Laboratory, Report No. LBNL-54365.

⁸ See, Direct Testimony of Bryce Nickel at page 3, filed with the Application on December 21, 2012.

1 **2008 MAJOR STORMS**

2

3 ***Q8. ARE THERE CIRCUMSTANCES SPECIFIC TO THE PUCO'S DECISION***
4 ***ON DP&L'S REQUEST TO DEFER 2008 MAJOR STORM COSTS THAT***
5 ***SHOULD PREVENT DP&L FROM COLLECTING ALL OF THE 2008***
6 ***STORM COSTS IT NOW SEEKS TO COLLECT FROM CUSTOMERS IN***
7 ***THIS CASE?***

8 ***A8.*** Yes. With respect to the 2008 storms, DP&L requested deferral of all 2008 major
9 storm costs in Case No. 08-1332-EL-AAM. In its Finding and Order, the PUCO
10 recognized that DP&L had requested deferral for all storms.⁹ However, the
11 PUCO did not grant the Utility's request for all major storms; rather, DP&L was
12 only granted deferral authority for the September 14, 2008, Hurricane Ike
13 windstorm.¹⁰ DP&L is now seeking a second bite at the apple. This should not
14 be permitted. The PUCO has already denied the Utility authority to defer those
15 2008 storm restoration costs related to smaller storms. Thus, \$3,574,934 of O&M
16 expenses related to the 13 smaller storms that occurred in 2008¹¹ should not be
17 collected from customers.

⁹ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order, (January 14, 2009) at paragraph 2.

¹⁰ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order, (January 14, 2009) at paragraph 4.

¹¹ See, DP&L Response to OCC RPD 16 & 17, Tab "O&M Expenditures"; Application at Schedule C-1.

1 ***Q9. SHOULD THE PUCO ALLOW DP&L TO COLLECT FROM CUSTOMERS***
2 ***ANY OF THE OPERATION AND MAINTENANCE COSTS RESULTING***
3 ***FROM THE HURRICANE IKE STORM?***

4 ***A9.*** No.

5

6 ***Q10. WHY SHOULD THE PUCO DENY DP&L'S REQUEST TO COLLECT***
7 ***FROM CUSTOMERS THE OPERATION AND MAINTAINCE COSTS***
8 ***INCURRED AS A RESULT OF THE HURRICANE IKE STORM?***

9 ***A10.*** In making its decision whether DP&L should be permitted to collect from
10 customers its O&M costs as a result of the restoration efforts related to the 2008
11 Hurricane Ike storm, the PUCO should consider the Utility's earnings (i.e. very
12 high returns on equity since its last distribution rate case). For the reasons more
13 fully explained in the testimony of OCC witness Dr. Duann, the PUCO should not
14 make DP&L's customers pay any of the O&M costs associated with the 2008
15 major-storms (including Hurricane Ike), which total \$17,235,984.¹²

¹² Id.

1 **2011 MAJOR STORMS**

2

3 ***Q11. ARE THERE CIRCUMSTANCES SPECIFIC TO DP&L'S REQUEST IN***
4 ***THIS PROCEEDING FOR APPROVAL TO DEFER 2011 MAJOR STORM***
5 ***COSTS THAT SHOULD PREVENT DP&L FROM RECEIVING THAT***
6 ***APPROVAL?***

7 ***A11.*** Yes. With respect to the 2011 major storm O&M expenses, DP&L failed to
8 request PUCO approval for deferral of those O&M costs until it filed this action
9 on December 21, 2012. According to DP&L, there were five major storms in
10 2011 -- the first occurring on January 31, 2011 and the last occurring on
11 September 3, 2011.¹³ At best, DP&L waited nearly 16 months (at worst, 23
12 months) to seek permission to defer the costs associated with those storms.
13

14 DP&L's failure to timely seek deferral of the costs associated with the 2011 major
15 storms is particularly peculiar because of the immediacy with which the Utility
16 pursued deferral authority for the costs associated with the 2008 and 2012 storms.
17 103 days after the September 14, 2008 storm (Hurricane Ike), DP&L filed an
18 application requesting accounting authority to defer, as a regulatory asset, the
19 O&M expenses associated with restoring service. Similarly, only 42 days after
20 the June 29, 2012 storm ("Derecho"), on August 10, 2012, DP&L filed an
21 application for authority to defer associated O&M costs. Even at this time
22 (August 10, 2012) DP&L inexplicably chose not to request deferral of the costs of

¹³ Id.

1 the 2011 storms with the 2012 application. Instead, DP&L waited until December
2 2012 when it filed an application that initiated this proceeding.

3
4 In a 2003 Ohio American Water Company (“OAW”) rate case, the PUCO Staff
5 recognized the importance of timeliness for deferral requests when OAW sought
6 deferral authority for post 9/11 security costs two years after the costs were
7 incurred. The PUCO Staff Report criticized the utility for a lack of timeliness:

8 The Staff and parties to the last base rate case (01-626-WW-AIR)
9 accepted the Applicant’s estimated security costs of \$50,000 as an
10 on-going level of expenditures. If the Applicant believed that the
11 **level of security costs included in the last case were insufficient,**
12 **were of material nature, and resulted in financial harm to the**
13 **Applicant, the prudent action would have been for the**
14 **Applicant to timely file with the Commission a request for cost**
15 **deferral.** The Applicant has taken no such action for over two
16 years and now has filed a request for retroactive authority to defer
17 incremental security costs that the Applicant has accumulated since
18 January 1, 2002.¹⁴
19

20 While OAW’s rate case was settled, the PUCO Staff’s pre-settlement
21 consideration of regulatory policy — that deferral requests should be done in a
22 timely manner — is applicable in this case. In a similar manner, DP&L did not
23 timely seek PUCO approval to defer costs related to the 2011 storms; therefore,
24 the PUCO should deny DP&L’s untimely deferral request now. Thus, the PUCO
25 should not make DP&L’s customers pay any of the \$10,035,297 in O&M costs

¹⁴ *In the Matter of the Application of Ohio-American Water Company To Increase its Rates for Water and Sewer Service Provided to its Entire Service Area, Case Nos. 03-2390-WS-AIR, et al., Staff Report at 20 (September 30, 2004) (emphasis added).*

1 associated with 2011 major-storms¹⁵ that the Utility is requesting in this
2 proceeding.
3

4 ***Q12. IS THERE ANOTHER REASON WHY THE PUCO SHOULD DENY DP&L'S***
5 ***REQUEST TO DEFER, AND LATER COLLECT FROM CUSTOMERS, THE***
6 ***OPERATION AND MAINTENANCE COSTS RESULTING FROM 2011***
7 ***MAJOR STORMS?***

8 ***A12.*** Yes.
9

10 ***Q13. WHAT IS THE OTHER REASON WHY THE PUCO SHOULD DENY***
11 ***DP&L'S REQUEST TO DEFER, AND LATER COLLECT FROM***
12 ***CUSTOMERS, THE OPERATION AND MAINTENANCE COSTS FOR 2011***
13 ***MAJOR STORMS?***

14 ***A13.*** In making its decision whether DP&L should be permitted to defer (and later
15 collect from customers) its O&M costs related to restoration efforts for the 2011
16 major storms, the PUCO should consider — in addition to the untimeliness of
17 DP&L's request to defer those costs — the level of the Utility's earnings (i.e. very
18 high return on equity since its last distribution rate case). For the reasons more
19 fully explained in the testimony of OCC witness Dr. Duann and the reasons I have
20 presented above, the PUCO should not make DP&L's customers pay any of the
21 O&M costs associated with the 2011 major storms, which total \$10,035,297.

¹⁵ See, DP&L Response to OCC RPD 16 & 17, Tab "O&M Expenditures"; Application at Schedule C-1.

**III. SPECIFIC COSTS THAT CUSTOMERS SHOULD NOT PAY FOR
THROUGH A STORM RIDER**

***Q14. IF THE PUCO DOES NOT DENY DP&L'S REQUEST TO COLLECT 2008
AND 2011 MAJOR STORM COSTS AS YOU HAVE JUST
RECOMMENDED, THEN DO YOU HAVE ANY RECOMMENDATIONS
REGARDING THE AMOUNTS THAT CUSTOMERS SHOULD PAY?***

A14. Yes. If the PUCO does not accept my recommendations resulting in a complete disallowance of the 2008 and 2011 major storm costs, I have additional recommendations with regard to specific O&M costs associated with the 2008 and 2011 major storms that customers should not pay. I have also identified specific 2012 storm costs that the PUCO should not permit DP&L to collect from customers through a storm rider.

1 **CAPITAL COSTS**

2

3 ***Q15. IN THE UTILITY'S INITIAL APPLICATION OF DECEMBER 21, 2012,***

4 ***HOW MUCH MONEY WAS REQUESTED TO BE COLLECTED FROM***

5 ***CUSTOMERS WITH RESPECT TO CAPITAL COSTS RELATED TO***

6 ***STORM RESTORATION EFFORTS?***

7 ***A15.*** In its initial Application, the Utility claimed that the O&M restoration costs due to

8 the major storms of 2008, 2011, and 2012 totaled \$32,034,524.¹⁶ Of this amount,

9 DP&L claimed that \$29,001,118¹⁷ were capital expenditures.

10

11 ***Q16. SHOULD CUSTOMERS PAY FOR CAPITAL COSTS RELATED TO STORM***

12 ***RESTORATION EFFORTS IN THIS PROCEEDING?***

13 ***A16.*** No. In an Entry dated October 23, 2013, the PUCO removed capital costs from

14 consideration in this case. DP&L did not ask for rehearing on that issue.

15 Additionally, DP&L filed testimony in this case on January 17, 2014; however,

16 there was no attempt to place capital costs as an issue in this proceeding.

17 Therefore, the PUCO's decision in this case should only address the O&M

18 expenses that were requested in the Application of \$29,695,078 (\$32,034,524 less

19 \$2,339,446).¹⁸

¹⁶ Application at Schedule C-1, line 11 plus \$2,339,446 from line 4.

¹⁷ Application at Schedule B-2, line 2.

¹⁸ Application at Schedule C-1, line 11.

1 **MUTUAL ASSISTANCE**

2

3 ***Q17. DID DP&L HAVE AN ARRANGEMENT WITH OTHER UTILITIES TO***
4 ***PROVIDE ASSISTANCE WITH STORM RESTORATION EFFORTS IN 2008,***
5 ***2011 AND 2012?***

6 ***A17.*** Yes. DP&L is a member of the Great Lakes Mutual Assistance Group and the
7 Southeastern Electric Exchange.¹⁹ Generally speaking, this means that DP&L has
8 the ability to request storm restoration help from a number of utilities from as far
9 away as Wisconsin, Texas, and Florida.²⁰ Likewise, these same utilities can
10 request assistance from DP&L when these other utilities are undergoing storm
11 restoration efforts. Thus, these agreements are referred to as “Mutual Assistance”
12 agreements.

13

14 ***Q18. PLEASE EXPLAIN HOW THE MUTAL ASSISTANCE AGREEMENTS ARE***
15 ***APPLICABLE TO DP&L WORK.***

16 ***A18.*** Utility “A” may use utility “B” to help in a storm restoration effort, and then at a
17 later time, utility “B” may use utility “C” to assist it in its own restoration efforts.
18 Charges for the costs of wages and equipment are not standardized, but are simply
19 based upon the prevailing rates used by the assisting utility. Thus, these
20 agreements are designed to attract the widest range of assistance without the need
21 to investigate differences in pricing structures. Utility “A” may use utility “B” to

¹⁹ See, DP&L Response to OCC INT-76.

²⁰ DP&L has a mutual assistance agreement with the Southeastern Exchange and the Edison Electric Institute.

1 help in storm restoration efforts, but utility “A” may not help utility “B” for a
2 number of years, or possibly never. What is important about these agreements is
3 that it allows a utility to call upon a large pool of resources.

4

5 ***Q19. DID DP&L RELY UPON ITS MUTUAL ASSISTANCE AGREEMENTS***
6 ***DURING THE 2008, 2011, AND 2012 STORMS?***

7 ***A19.*** Yes. Although DP&L may not have called upon its mutual assistance partners
8 during every storm, it did so for the 2008 Hurricane Ike storm and the 2012
9 Derecho.²¹

²¹ See, Response to OCC RPD 16 & 17, tabs “05100663” and “05100689.”

Q20. DURING THE YEARS OF 2008, 2011, AND 2012, FOR WHICH DP&L IS SEEKING TO COLLECT STORM RESTORATION COSTS FROM CUSTOMERS, DID DP&L PROVIDE MUTUAL ASSISTANCE TO OTHER UTILITIES?

A20. DP&L did not provide any mutual assistance to utilities in 2008, but DP&L provided mutual assistance to, and received the following amounts from the following utilities during 2011 and 2012:

Table 1²²

PPL (Pennsylvania)	Oct. 2011	Storm	
Met-Ed (Pennsylvania)	Nov. 2011	Storm	
Indianapolis P&L	Aug. 2012	Storm	
PSE&G New Jersey	Nov. 2012	Hurricane Sandy	
CEI	Nov. 2012	Hurricane Sandy	
Jersey Central P&L	Nov. 2012	Hurricane Sandy	

Q21. IF THE PUCO DETERMINES THAT ANY STORM COSTS SHOULD BE CHARGED TO CUSTOMERS, SHOULD THERE BE AN OFFSET OR ADJUSTMENT TO THOSE COSTS TO REFLECT THAT DP&L RECEIVED MONEY FOR THE STORM ASSISTANCE IT PROVIDED TO OTHER UTILITIES IN 2011 AND 2012?

A21. Yes. If any utility is requesting to recover from customers the major storm expenses for any given year, then moneys collected for mutual assistance in

²² See, DP&L Response to OCC RPD-43.

1 support of other utilities should be used to offset those major-storm expenses.

2 The offset should be based upon the amount of mutual assistance funding the
3 Ohio utility charged its utility partners that would have been included in base
4 rates, and already collected from the Ohio utility's customers in order to avoid
5 double recovery by the utility.

6
7 ***Q22. DOES DP&L INCUR ADDITIONAL COSTS WHEN IT ASSISTS OTHER***
8 ***UTILITIES WITH STORM RESTORATION?***

9 ***A22.*** Yes. DP&L does incur some incremental costs (not included in base rates) when
10 it sends personnel and equipment to other utilities to help with storm restoration.²³
11 But while all of DP&L's charges to another utility for storm restoration are
12 incremental to the requesting utility, only a portion of what is invoiced and
13 collected by DP&L is truly incremental to the DP&L. It is this non-incremental
14 amount that DP&L charges other utilities that is recovered by DP&L through its
15 base rates, and should be credited back to the customers in this case.

16
17 ***Q23. WHAT COSTS ARE NON-INCREMENTAL TO DP&L AND SHOULD BE***
18 ***CREDITED BACK TO THE CUSTOMERS IN THIS PROCEEDING?***

19 ***A23.*** In its invoices to other utilities, DP&L charges for both union and management
20 personnel.²⁴ For purposes of this case, it is reasonable to conclude that 100% of
21 the management costs and 25% of the union costs was included in base rates. The

²³ See, DP&L Response to OCC INT 99-b.

²⁴ See, DP&L Response to OCC RPD 18, 42 - 44.

1 assumption of 100% of management time is based upon the fact that management
2 time is all salaried and thus fully incorporated in base rates. The assumption of
3 25% of union time is based upon the assumption that the first 40 hours on union
4 time are included in base rates, but while working on storm restoration these
5 individuals would be working 16 hours per day and 7 days a week for a total of
6 112 hours per week. Of this amount, 40 hours are at regular time and the other 72
7 hours (112-40) are at time and a half. Under these assumptions, the relative pay
8 associated with union straight-time would be 27% of the pay.

9
10 In its invoices to other utilities, DP&L charges for transportation costs.²⁵ The
11 entire cost category of transportation should be credited back to the customers.
12 The cost of these vehicles and the cost of operation are paid for in base rates. If
13 the vehicles were not being used to help some other utility, they would have been
14 used on the DP&L system. Whether on its own system or supporting another
15 utility, these vehicle costs are paid for by DP&L customers through base rates.

16
17 The next category of costs on these invoices to other utilities is called “travel
18 expenses, meals, fuel, Misc.”²⁶ Meals and hotel costs would not be included in
19 base rates. Fuel costs would be included in base rates, but there would be extra
20 fuel costs associated with getting to the requesting utility. For simplicity, I have

²⁵ Id.

²⁶ Id.

1 not included these costs (including any extra fuel) as an amount that should be
2 credited back to the customers.

3
4 The next category of costs on these invoices to other utilities is for “A&G
5 Overheads.”²⁷ The relationship between “A&G Overhead” and the combined
6 cost of “Labor, Transportation, and Travel Expenses” appears to be relatively
7 consistent within a given year. I propose that the relative percentage of A&G
8 Overhead cost applied to the total costs of “Labor, Transportation, and Travel
9 Expenses” be applied to the “Labor, Transportation and Travel Expenses” that are
10 to be credited back to the customers in this case. For example, if the ratio of total
11 “A&G Overhead” dollars to total “Labor, Transportation, and Travel Expenses”
12 dollars is 10%, then this 10% ratio should be applied to the amount of “Labor,
13 Transportation, and Travel Expenses” that is to be credited back to the customers.

14
15 The next category of costs on these invoices to other utilities is for “Employee
16 Bonus.”²⁸ The relationship between “Employee Bonus” and the cost of “Labor”
17 appears to be relatively consistent within a given year. As with the “A&G
18 Overhead” expenses, I propose that the relative percentages of total “Employee
19 Bonus” cost to the total cost of “Labor” be used as the percentage to be applied to
20 the “Labor” expenses that are to be credited back to the customers in this case in

²⁷ Id.

²⁸ Id.

1 order to calculate the portion of “Employee Bonus” cost that should be credited
2 back to the customers.

3
4 The next category of costs on these invoices to other utilities is for “Payroll
5 Overhead.”²⁹ The relationship between Payroll Overhead and the cost of “Labor”
6 appears to be relatively consistent within a given year. As with the Employee
7 Bonus expenses, I propose that the relative percentages of total “Payroll
8 Overhead” cost to the total cost of “Labor” be used as the percentage to be
9 applied to the “Labor” expenses that are to be credited back to the customers in
10 this case in order to calculate the portion of “Payroll Overhead” cost that should
11 be credited back to the customers.

12
13 The last category of costs on these invoices to other utilities is for “Supervision
14 and Engineering” (“S&E”).³⁰ The relationship between “S&E” and all other costs
15 appears to be relatively consistent within a given year. As with the other expense
16 categories, I propose that the relative percentages of total “S&E” cost to the total
17 of all other costs be used as the percentage to be applied to the “S&E” expenses
18 that are to be credited back to the customers in this case in order to calculate the
19 portion of “S&E” cost that should be credited back to the customers.

²⁹ Id.

³⁰ Id.

1 ***Q24. BASED UPON THE CATEGORIES OF COSTS THAT YOU IDENTIFIED***
2 ***ABOVE, WHAT ADJUSTMENT SHOULD BE MADE TO REDUCE STORM***
3 ***COST EXPENSES TO REFLECT THE MONEY DP&L RECEIVED FOR***
4 ***PROVIDING STORM RESTORATION ASSISTANCE TO OTHER***
5 ***UTILITIES IN 2011 AND 2012?***

6 ***A24.*** As can be seen from Confidential Attachment AJY-2, based upon the above
7 charges that were identified, the adjustment to 2011 major storm expenses should
8 be a reduction of \$ [REDACTED] and the adjustment to 2012 major storm expenses
9 should be a reduction of \$ [REDACTED].

10

11 **INSURANCE PROCEEDS**

12

13 ***Q25. IF DP&L RECEIVED ANY INSURANCE PROCEEDS FROM STORM***
14 ***DAMAGE CLAIMS, HOW SHOULD THOSE PROCEEDS BE TREATED?***

15 ***A25.*** Any amount of storm costs that PUCO determines customers should pay should
16 be offset by the amount that DP&L receives from insurance claims for storm
17 damage. If DP&L has received any insurance payment or if DP&L receives any
18 such payment in the future, the PUCO should required the Utility to make such
19 amounts known.

MANAGEMENT LABOR AND UNION STRAIGHT-TIME LABOR

***Q26. SHOULD ALL OF THE DP&L'S PAYMENTS FOR LABOR EXPENSES
FOUND IN THE UTILITY'S APPLICATION BE COLLECTED FROM
CUSTOMERS?***

A26. No, the labor expenses portion of the O&M costs that DP&L seeks to collect from customers is not just and reasonable, because such costs are imbedded in base rates, and already paid by DP&L's customers. A portion of these labor costs were paid to management/salaried employees who participated in the storm restoration effort.³¹ Any supplemental/overtime compensation paid to management/salaried employees because of the storms is not an appropriate charge to customers. Traditionally, management/salaried employees are paid a base amount that is not directly tied to hours worked. An hourly rate can be calculated and then attached to a management/salaried employee, but this does not mean that the paycheck for a management/salaried employee will be tied to the hours worked. Most individuals who are paid based upon a salaried rate will tell you that, overall, they work more than a 40-hour week in order to get their pay.

The PUCO has not allowed utilities to charge their customers for the supplemental/overtime compensation paid to management/salaried employees involved in storm restoration efforts if the utility does not ordinarily pay overtime

³¹ See, DP&L Response to OCC INT 60-a.

1 to its management/salaried employees.³² DP&L does not normally pay overtime
2 to its management/salaried employees.³³ While DP&L may, in its discretion,
3 chose to pay its management/salaried employees overtime or compensation pay, it
4 is inappropriate to ask customers to pay for those discretionary costs. The Utility
5 has a financial incentive to get customers experiencing an outage (and not using
6 utility service) back in service as quickly as possible because the Utility is losing
7 revenue. To the extent the Utility incents management employees to work longer
8 hours in the restoration efforts that benefits the Utility and should not be charged
9 to their customers.

10
11 Additionally, management/salaried employees charge regular hours (normal 40-
12 hour work week) to storm projects if the storm work occurs during what would be
13 considered the employee's normal working hours.³⁴ Although it may be
14 convenient for the Utility to record hours worked on various projects, this does
15 not mean that all of these hours worked on storm restoration should be charged to
16 the customers. Essentially, the wages for all of the hours that a
17 management/salaried employee works is included in base rates. The PUCO
18 should not permit DP&L to collect any non-incremental costs of storm restoration
19 efforts from customers in this proceeding. The management/salaried time and pay

³² See, *In the Matter of the Application of Duke Energy Ohio, Inc. to Establish and Adjust the Initial Level of Its Distribution Reliability Rider*, Case No. 09-1946-EL-RDR, Opinion and Order (January 11, 2011) at 13.

³³ See, Supplemental Testimony of Bryce Nickel at pages 2 and 3.

³⁴ See, DP&L Response to OCC INT 60-a.

1 rates are non-incremental to the Utility; therefore, they should not be collected
2 from customers as part of any separate storm rider.

3
4 The same is true for all straight-time worked by union workers that DP&L has
5 included in its Application.³⁵ If a union worker is working on storm restoration
6 during his 40-hour workweek at straight-time pay, then customers are already
7 paying for his time through his wages included in base rates. The costs associated
8 with union straight-time hours are not incremental to the Utility. Therefore,
9 straight-time union pay should be removed from the amount of storm costs, if
10 any, that customers have to pay.

11
12 ***Q27. WHAT WAS THE AMOUNT OF STRAIGHT-TIME COMPENSATION PAID***
13 ***TO DP&L'S MANAGEMENT/SALARIED EMPLOYEES AS WELL AS***
14 ***UNION EMPLOYEES FOR THE STORM COSTS DP&L SEEKS TO***
15 ***CHARGE CUSTOMERS?***

16 ***A27.*** The amount of straight-time pay given to employees under a storm project code
17 for each of the three years addressed in the Utility's filing is as follows:³⁶

18 Table 2

	<u>Management/Salaried</u>	<u>Union</u>
19 2008	\$517,107	\$677,311
20 2011	\$309,169	\$318,813
21 2012	<u>\$144,611</u>	<u>\$104,925</u>
22 Total	\$970,887	\$1,101,049

³⁵ See response to OCC INT 61.

³⁶ See response to OCC RPD 2&3 Summary of Expenditures (11-5-12) Tab "O&M Expenditures."

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On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 12-3062-EL-RDR et al.

1 These dollar amounts should be removed from any costs, if any, that DP&L is
2 permitted to collect from customers,

3

4 [REDACTED]

5

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

³⁷ See response to OCC RPD 35-k.

1 **THREE-YEAR AVERAGE ADJUSTMENTS**

2

3 ***Q29. WHAT METHODOLOGY HAS THE PUCO ESTABLISHED FOR DP&L TO***

4 ***USE WHEN CALCULATING THE AMOUNT OF MAJOR STORM***

5 ***OPERATION & MAINTENANCE EXPENSES THAT IT MAY SEEK TO***

6 ***COLLECT FROM CUSTOMERS?***

7 ***A29.*** For DP&L's major storm O&M expenses, the PUCO has established a calculation

8 whereby the average annual major storm costs for the three previous years is

9 subtracted from the major storm costs of the year in question. Only reasonable

10 major storm O&M expenses that were prudently incurred, above the average of

11 the previous three years, may be collected from customers.

12

13 ***Q30. DID DP&L PERFORM THE THREE-YEAR AVERAGE MAJOR STORM***

14 ***OPERATION & MAINTENANCE EXPENSE CALCULATION CORRECTLY***

15 ***FOR 2008?***

16 ***A30.*** No. The PUCO authorized DP&L to defer a portion of the O&M major storm

17 expenses related to the restoration work associated with the September 14, 2008

18 storm (Hurricane Ike). Specifically, DP&L was authorized to defer "incremental

19 O&M expenses associated with the September 14, 2008 wind storm, with

20 carrying costs ..." that exceed the three-year average service restoration O&M

1 expenses for major storms.³⁸ However, DP&L's calculation of the three-year
2 average major storm cost is understated, resulting in an excessive request for
3 collection from customers.

4
5 For 2008, DP&L incorrectly calculated a three-year average of major storm costs
6 found on Schedule C-2 of the Application and as shown in Table 3 below as
7 \$2,339,446. The correct three-year average should be \$2,893,949.

8
9 ***Q31. WHAT DATA DID YOU USE TO CALCULATE THE THREE-YEAR***
10 ***AVERAGE OFFSET TO THE 2008 MAJOR STORM EXPENSES THAT***
11 ***MAY BE PAID BY CUSTOMERS?***

12 ***A31.*** In response to an OCC Interrogatory in Case No. 12-2281-EL-AAM, DP&L
13 provided ten years of major storm expense data. That data was used by PUCO
14 Staff witness Lipthratt in DP&L's recent Electric Security Plan ("ESP II")
15 proceeding.³⁹ A copy of that data from Attachment A to Mr. Lipthratt's
16 testimony is contained in Attachment AJY-3, and that data is what I used for my
17 calculation.

³⁸ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order at paragraph 2 and 4, (January 14, 2009).

³⁹ Direct testimony of PUCO Staff witness David M. Lipthratt, PUCO Case No. 12-426-EL-SSO at 5 (March 12, 2013) Attachment A.

The following table provides a comparison of the 2008 three-year average major storm expense calculations of DP&L (contained in Schedule C-2) and the calculations of the OCC and PUCO Staff:

Table 3

Three-Year Average of O&M Major Storm Expenses for 2008 Costs

	<u>DP&L Sch. C-2</u>	<u>OCC/Staff</u>
2005	\$1,573,662	\$6,094,093
2006	\$2,563,493	\$ 872,528
2007	<u>\$2,881,184</u>	<u>\$1,715,226</u>
3-Year Ave.	\$2,339,446	\$2,893,949

Thus, based upon more appropriate data, the three-year average major-storm expense reduction that should be applied to the 2008 storm(s) is \$2,893,949, not the \$2,339,446 recommended by DP&L.

Q32. WHAT DID DP&L CALCULATE FOR THE THREE-YEAR AVERAGES THAT SHOULD BE REMOVED FROM THE 2011 AND 2012 MAJOR STORM EXPENSES?

A32. DP&L did not calculate a three-year average to be used as an offset to the major storm expenses for either 2011 or 2012.

1 ***Q33. DID THE PUCO REQUIRE DP&L TO REDUCE ITS 2012 DEFERRED***
2 ***MAJOR STORM COSTS BY A THREE-YEAR AVERAGE?***

3 ***A33.*** Yes. The PUCO required a three-year average to be used as an offset when it
4 granted DP&L permission to defer 2012 major storm expenses.⁴⁰ A three-year
5 average must be calculated for 2012.

6

7 ***Q34. IF THE PUCO GRANTS DP&L AUTHORITY TO DEFER 2011 MAJOR***
8 ***STORM COSTS IN THIS PROCEEDING, THEN SHOULD THOSE COSTS***
9 ***BE REDUCED BY A THREE-YEAR AVERAGE?***

10 ***A34.*** Yes. If the PUCO grants DP&L the authority to defer any of its 2011 major storm
11 costs, which the PUCO Staff and I do not recommend, then the PUCO should also
12 require that amount to be reduced by DP&L's three-year average of storm costs.

13

14 ***Q35. HAVE YOU DEVELOPED THREE-YEAR AVERAGES TO BE APPLIED AS***
15 ***OFFSETS FOR THE MAJOR STORM OPERATION & MAINTENANCE***
16 ***EXPENSES INCURRED IN 2011 AND 2012?***

17 ***A35.*** Yes. The calculations for these two years is slightly more complicated than
18 simply developing a three-year average from PUCO Staff witness Lipthrott's
19 Attachment A in the DP&L ESP II case, which is shown as my Attachment AJY-
20 3. First, I calculated these three-year averages based upon the data in Attachment

⁴⁰ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Service Restoration Costs*, Case No. 12-2281-EL-AAM, Finding and Order at 3 (Dec. 19, 2012) (stating "The Commission finds that DP&L's deferred O&M expenses should be reduced by the three-year average of O&M expenses associated with major-storms").

AJY-3. The three-year average that should be applied to the 2011 major storm costs would be the average of the major storm costs for the years 2008, 2009, and 2010. As set forth in Attachment AJY-3, the three-year average offset of \$5,676,189 should be used for 2011 major storm expenses. Likewise, the three-year average that should be applied to the 2012 major storm costs would be the average of the major storm costs for the years 2009, 2010, and 2011. As set forth in Attachment AJY-3, the three-year average offset of \$3,704,352 should be used for 2012 major storm expenses.

IV. ALLOCATION OF COSTS TO CUSTOMER CLASSES AND RATE DESIGN

Q36. HOW HAS DP&L PROPOSED TO ALLOCATE THE REVENUE ASSOCIATED WITH THIS RIDER BETWEEN CUSTOMER CLASSES?

A36. DP&L proposes to allocate the revenue requirement of its storm rider on the basis of "Distribution Revenue Less Customer Charge Revenue."⁴¹

Q37. HOW HAS THE PUCO STAFF PROPOSED TO ALLOCATE THE REVENUE ASSOCIATED WITH THIS RIDER BETWEEN CUSTOMER CLASSES?

A37. The PUCO Staff does not appear to have addressed the allocation of the rider revenue among customer classes.

⁴¹ See, Application at Schedule A-3.

1 **Q38. IS DP&L'S ALLOCATION PROCEDURE REASONABLE?**

2 **A38.** Yes. It is far better to allocate on the basis of "Distribution Revenue Less
3 Customer Charge Revenue" than only on "Distribution Revenue" without
4 removing the customer charge component. Allocating storm costs only through
5 "Distribution Revenue" would require an additional complication of spreading
6 part of these costs out through the customer charge. Generally speaking, the
7 amount of the customer charge covers costs for meter reading, billing, mailing,
8 collections, etc. These functions are completely inappropriate as a basis for
9 allocating storm costs.

10

11 The use of "Distribution Revenue Less Customer Charge Revenue" is similar to
12 allocating on the basis of energy, which makes more sense. During a storm
13 outage, customers desire the restoration of "energy" flow, not customer-related
14 costs. Likewise, demand-related costs (peak usage) will be incurred sometime
15 during the month, but not necessarily with service restoration. Energy is the one
16 commodity that all customers are hoping to get out of storm restoration efforts.
17 The use of "Distribution Revenue Less Customer Charge Revenue," is roughly
18 equivalent to an energy allocator and comes close to measuring the costs
19 associated with what customers seek from storm restoration efforts.

1 ***Q39. WHAT RATE DESIGN HAS DP&L PROPOSED TO USE FOR THE STORM***
2 ***RIDER COSTS ALLOCATED TO THE RESIDENTIAL CLASS?***

3 ***A39.*** DP&L has proposed to design Residential rates on the basis of energy usage.⁴²

4

5 ***Q40. HAS THE PUCO STAFF PROPOSED A RATE DESIGN FOR THE***
6 ***RESIDENTIAL CLASS?***

7 ***A40.*** Yes. The PUCO Staff has proposed that the Residential rate design be based on a
8 customer bill basis as opposed to an energy basis.

9

10 ***Q41. IS DP&L'S RATE DESIGN APPROPRIATE FOR THE RESIDENTIAL***
11 ***CUSTOMERS?***

12 ***A41.*** Yes. It is far better than the PUCO Staff's proposed customer charge. As
13 mentioned above, the one thing that customers want to most get out of service
14 restoration is energy. Additionally, generally speaking, customers with larger
15 usages are getting more out of service restoration than smaller usage customers.
16 Because the impact of service restoration is closely tied to energy, that would be
17 the preferred method of recovering these costs.

⁴² See, Application at Schedule A-1.

V. STORM RIDER ON A GOING FORWARD BASIS

Q42. IS DP&L SEEKING A STORM COST RECOVERY RIDER TO COLLECT FUTURE STORM COSTS FROM CUSTOMERS?

A42. Yes.⁴³

Q43. SHOULD THE PUCO AUTHORIZE SUCH A COST COLLECTION MECHANISM?

A43. No. The PUCO should reject DP&L's request to establish a Storm Cost Recovery Rider ("Storm Rider"). Specifically, DP&L requests the PUCO to authorize a Storm Rider so that DP&L can defer "all costs associated with major-storms going forward and requests accounting authority to defer O&M costs until they are recovered through this rider."⁴⁴

The PUCO should deny DP&L's proposed Storm Rider because it is unreasonable. As requested by the Utility, the Storm Rider would permit DP&L to track changes in only one expense element (i.e. major-storm costs) of its total revenue requirement. In tracking only this one expense item, the presumption is that DP&L is entitled to collect, from customers, major storm-related costs incurred that are higher than the amount of those particular costs included in the

⁴³ See, DP&L Application at 2.

⁴⁴ Id.

1 determination of distribution rates. This presumption is contrary to how
2 ratemaking should balance the interests of customers and utility investors.

3
4 A utility should be required to prove to the PUCO that the level of major storm
5 costs it incurs across all cost categories, absent collection from customers, would
6 result in financial harm. For ratemaking purposes, the Utility should not be
7 allowed the asymmetry of cherry-picking a single item of cost when the totality of
8 its costs and revenues might not justify a rate increase. The proposed Storm Rider
9 would permit DP&L to meet a much lower standard — that its major-storm costs
10 are higher than the annual baseline amount. This is an unfair result that will shift
11 further financial burden onto DP&L's customers.

12
13 The result is that DP&L's proposal does not allow the PUCO to consider or
14 review potentially offsetting expense reductions or revenue increases. Such a
15 review could indicate that the increased storm damage costs have not harmed the
16 Utility's bottom line as was the case over the past 10-plus years as detailed in the
17 testimony of OCC witness Dr. Duann. Thus, permitting the Storm Rider might
18 increase customer rates even though the Utility is earning as much, or more, than
19 it was authorized to earn. Furthermore, the PUCO should deny DP&L's proposal
20 to create on-going deferrals. The PUCO is, in general, opposed to the creation of

1 deferrals unless there are “extraordinary circumstances.”⁴⁵ There are no
2 “extraordinary circumstances” in this case that would necessitate the blanket use
3 of a deferral in the future. Accordingly, the PUCO should reject DP&L’s
4 proposed Storm Rider.

5
6 Finally, the Utility’s proposed Storm Rider does not allow for a detailed review of
7 DP&L’s future requested cost collection from customers under the Storm Rider.
8 As seen in this case, there is a serious need for review of the reasonableness of all
9 major storm costs that any utility seeks to collect from customers.

10
11 ***Q44. IF THE PUCO AUTHORIZES DP&L TO ESTABLISH A MAJOR STORM***
12 ***COST RECOVERY RIDER, THEN WHAT CONSUMER PROTECTIONS***
13 ***SHOULD BE MANDATED?***

14 ***A44.*** As stated above, the PUCO should reject DP&L’s proposal for a Storm Rider on a
15 going forward basis. But if the PUCO does authorize a Storm Rider for future
16 storm costs, then the PUCO should structure the Storm Rider so that DP&L’s
17 customers are protected. Most importantly, the PUCO should require an annual
18 baseline amount of \$4 million as proposed by the PUCO Staff in DP&L’s recent
19 ESP II proceeding.⁴⁶ Establishing this baseline would eliminate the need to
20 calculate the three-year storm cost average. Thus, DP&L would be allowed to

⁴⁵ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, Opinion and Order at 36 (August 8, 2012).

⁴⁶ *See*, Post-Hearing Brief of PUCO Staff at 25, Case No. 12-426-EL-SSO.

1 defer the annual amount of “major-storm O&M cost that exceeds the baseline, or
2 to refund the difference between the amount expensed for major-storm O&M
3 restoration and the baseline, should the annual expense be less than the
4 baseline.”⁴⁷ In addition, any capital costs incurred as a result of a major storm
5 would be addressed in a future electric distribution base rate case, not through the
6 Storm Rider.⁴⁸

7
8 ***Q45. IN ADDITION TO THE PUCO STAFF RECOMMENDING A BASELINE***
9 ***FIGURE OF \$4,000,000 FOR DP&L IN CASE NO. 12-426-EL-SSO, WHY DO***
10 ***YOU SUPPORT SUCH A BASELINE?***

11 ***A45.*** As seen earlier in my testimony, the average of the 3 three-year averages that I
12 calculated is very close to \$4,000,000. Specifically I calculated the average of the
13 three-year averages as follows:

14 Table 4⁴⁹

<u>3 year averages used to offset storm costs deferrals</u>	
For 2008 deferral	\$2,893,949
For 2011 deferral	\$5,676,189
For 2012 deferral	<u>\$3,704,352</u>
Average	\$4,091,966

20 Additionally, the 10-year average of major-storm O&M costs from 2002 to 2011
21 (listed on Attachment AJY-3) equates to \$3,977,641. Thus, a \$4,000,000 base
22 line for major-storm O&M costs is most appropriate based upon historical data.

⁴⁷ Direct Testimony of PUCO Staff witness David M. Lipthratt at 5, Case No. 12-426-EL-SSO.

⁴⁸ Direct Testimony of PUCO Staff witness David M. Lipthratt at 7, Case No. 12-426-EL-SSO.

⁴⁹ The average of the three previous years taken from Attachment AJY-3.

**Q46. DO YOU AGREE WITH DP&L WITNESS SEGER-LAWSON'S
TESTIMONY (ON PAGES 12-14 OF HER SUPPLEMENTAL
TESTIMONY) REGARDING THE USE OF A THREE-YEAR AVERAGE
MAJOR STORM COST AS AN OFFSET TO STORM COSTS?**

A46. No. This testimony is often confusing and off-target. The first paragraph
on page 13 starts off by stating:

It would not be appropriate to subtract an annual storm amount,
represented by a three-year average of major storms, from a single
storm.

Apparently she believes that there must be multiple storms in a given year for the
three-year average offset to be applicable. (On page 15 of her testimony, she
states that there was only one major storm in 2012.) One can surmise that this
mistaken belief (that there must be multiple storms in a given year for the three-
year average offset to be applicable) may be the reason why the Utility did not
develop a three-year average to the 2012 data. Likewise, there were no major
storms listed for 2010. Again, this mistaken belief may be the reason why DP&L
did not make a three-year average calculation for 2011.

The next paragraph is supposed to be an example of how the logic in the first
paragraph works. This “example” is more off-target than the first paragraph. It
starts with an illustration of the development of a three-year average which results
in an offset of \$6 million. Next, this example proposes that in Year 4 that there is

1 one major storm⁵⁰ that costs \$1.5 million, plus a number of non-major storms that
2 cost \$4 million. The example then cites three things that would happen —
3 supposedly to the detriment of DP&L.

4
5 First, DP&L maintains that it would not recover its \$1.5 million in major storm
6 costs. This is true and very appropriate — the cost of the storm(s) was below the
7 three-year average. That is the point of the three-year average — if you do not
8 exceed it, you do not get to collect more money for major-storm cost from
9 customers.

10
11 Second, DP&L claims that it would not recover the \$4 million associated with
12 non-major storms. This is also true and very appropriate. We are only looking at
13 addressing the cost of major storms. DP&L apparently wants to collect non-
14 major storm costs in a mechanism that is designed to address only major storms. I
15 am not recommending this, but the only way that DP&L's logic would work is if
16 the three-year average was much higher because it was based upon both major
17 storm costs and non-major storm costs.

18
19 Third, DP&L maintains that it would have to refund to customers \$4.5 million
20 (\$1.5M - \$6.0M). Once again this is true and very appropriate. That is exactly
21 how such an offset mechanism is supposed to work. If the three-year average is

⁵⁰ Actually, the example holds true if there were multiple major storms — as long as the total cost was under \$6 million.

1 above the major storm costs in Year 4, then customers should receive a credit.

2 Likewise, if the three-year average was below the major storm cost in Year 4

3 (even if there was only one storm), then more money could potentially be

4 collected from the customers. This is a symmetrical calculation.

6 DP&L seems to be stating that if there is a storm (non-major or major) then it

7 should get paid for all of the costs from its customers. It forgets that the \$4

8 million in non-major storm costs in its example is already embedded in base rates.

10 ***Q47. WHAT ADDITIONAL CONSUMER PROTECTIONS SHOULD THE PUCO***
11 ***REQUIRE IF IT AUTHORIZES DP&L TO COLLECT FUTURE STORM***
12 ***COSTS FROM CUSTOMERS THROUGH A STORM RIDER?***

13 ***A47.*** If the PUCO approves a Storm Rider, which OCC opposes, then the PUCO
14 should protect customers as recommended by the PUCO Staff in DP&L's ESP II
15 proceeding.⁵¹ In this regard, the PUCO should require the following:

16 (1) Find that DP&L may defer only "major storm" related incremental
17 distribution O&M expenses -- those costs that DP&L would not
18 have incurred absent the major storm and that are incremental to
19 normal DP&L O&M expenses;

20 (2) Find that the determination of whether a storm is deemed to be
21 'major' or not is determined by the methodology outlined in the

⁵¹ Direct Testimony of PUCO Staff witness David M. Lipthrott at 6-8, Case No. 12-426-EL-SSO.

IEEE Guide for Electric Power Distribution Reliability Indices, as
set forth in O.A.C. Rule 4901:1-10-10(B).

(3) Prohibit the deferral of and inclusion of any capital expenditures in
the Storm Rider (capital costs should be recorded separately and
should not be recovered through the Storm Damage Recovery
Rider; instead, capital costs should be reviewed and considered as
part of future base distribution rate cases);

(4) Require DP&L to maintain a detailed accounting of all storm
expenses within its storm deferral account, including detailed
records of all incidental costs. DP&L should provide this
information annually for PUCO Staff to audit to determine if
additional proceedings are necessary to establish recovery levels or
refunds;

(5) Order DP&L to file an application by December 31st of each year
during the existence of the Storm Rider commencing a proceeding
where:

- DP&L has the burden of proof to demonstrate that all
the major storm costs were prudently incurred and
reasonable;
- Any interested party and the PUCO Staff have the
opportunity to file comments on the annual application
within 90 days after it is filed;

- If any objections are not resolved by DP&L, then an evidentiary hearing will be scheduled;
- Parties will be provided ample time to conduct discovery; and
- Parties will be provided the opportunity to present testimony before the PUCO.

These protections were mandated by the PUCO when it approved a Storm Damage Recovery Mechanism for AEP-Ohio.⁵² Accordingly, if the PUCO approves the Storm Rider for DP&L, then DP&L's customers should be afforded the same protections as AEP Ohio's customers.

Q48. ARE THERE ANY OTHER CONSUMER PROTECTIONS THAT THE PUCO SHOULD MANDATE IF DP&L IS PERMITTED TO COLLECT STORM COSTS FROM CUSTOMERS THROUGH A STORM RIDER?

A48. Yes. If the PUCO approves a Storm Rider, then consistent with my testimony above, amounts received by DP&L for mutual assistance and any insurance proceeds from storm damage should be used to offset storm costs the PUCO determines should be paid by customers. Also, the PUCO should require local public hearings in DP&L's service territory as part of the yearly proceeding on costs to be collected from customers through the Storm Rider.

⁵² *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, Opinion and Order (August 8, 2012) at 68-69.

1 **VI. CONCLUSION**

2

3 ***Q49. DOES THIS CONCLUDE YOUR TESTIMONY?***

4 ***A49.*** Yes. However, I reserve the right to supplement my testimony in the event that
5 DP&L, the PUCO Staff or other parties submit additional testimonies, or if new
6 information or data in connection with this proceeding becomes available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Public Version Direct Testimony of Anthony J. Yankel* was served on the persons stated below via electronic transmission this 31st day of January 2014.

/s/ Michael J. Schuler

Michael J. Schuler
Deputy Consumers' Counsel

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Cases in Which Mr. Yankel Has Participated

Camplands Water LLC Case No. 13-1690-WW-AIR

AEP-Storm Case No. 12-3255-EL-RDR

DP&L-Storm Case No. 12-3062-EL-RDR

Idaho Power Case IPC-E-13-14

Rocky Mountain Power (Idaho) Case No. PAC 12-14

Idaho Power Case IPC-E-12-29

Idaho Power Case IPC-E-12-14

Idaho Power Case IPC-E-12-13

Idaho Power Docket No UE 233(Oregon)

Rocky Mountain Power (Idaho) No. PAC-E-11-12

Idaho Power Case IPC-E-11-08

Columbus Southern & Ohio Power Case No. 11-346-EL-SSO

Rocky Mountain Power (Idaho) No. PAC-E-10-07

Duke Energy Ohio Case No. 09-1946-EL-RDR

Idaho Power Case No. IPC-E-09-03

Rocky Mountain Power (Idaho) Case PAC-E-08-07

Idaho Power Case No. IPC-E-08-10

Dayton Power and Light Case No. 08-1094

American Electric Power Case No. 08-917-EL-SSO

Duke Energy Ohio Case No. 08-920-EL-SSO

FirstEnergy Case No. 08-935-EL-SSO

Columbia Gas Of Ohio Case No. 08-0072-GA-AIR

Toledo Edison Case No. 08-67-EL-CCS et.al.

Rocky Mountain Power (Idaho) Case No. PAC-E-07-05

Duke Energy Ohio Case No. 07-589-GA-AIR

Idaho Power Case No. IPC-E-07-08

PacifiCorp Docket 06-035-21

Idaho Power Case No. IPC-E-05-28

Elyria Foundry vs. Ohio Edison Company Case No. 05-796-EL-CSS

Cincinnati Gas & Electric Case No. 05-0059-EL-AIR

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Cleveland Electric Illuminating Company Case No. 94-578-EL-CMR, et al

Ohio Power Company Case No. 94-996-EL-AIR

Idaho Power Company Case No. IPC-E-94-5

Cincinnati Gas & Electric Merger FERC Docket No. EC93-6-000

Hope Gas Company Case No. 93-0004-G-42T

Idaho Power Company Case No. IPC-E-92-25

Cincinnati Gas & Electric Company Case No. 92-1464-EL-AIR

Cincinnati Gas & Electric Company Case No. 92-1463-GA-AIR

Idaho Power Company Case No. IPC-E-92-21

Cincinnati Gas & Electric Company Case No. 92-1464-EL-AIR

Cincinnati Gas & Electric Company Case No. 92-1463-GA-AIR

Idaho Power Company Case No IPC-E-92-21

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Mountaineer Gas Company Case No. 92-0063-G-42T

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Equitable Gas Company of West Virginia Case No. 91-560-G-30C

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Dayton Power and Light Company Case No. 91-414-EL-AIR

Columbia Gas of Ohio Case No. 91-195-GA-AIR

Montana Power Company Docket No. 90.6.39

River Gas Company Case No. 90-395-GA-AIR

Columbia Gas Transmission FERC Docket No. RP90-108-000

Ohio Power Company Case No. 91-01-EL-EFC

Cleveland Electric Illuminating Company Case No. 90-108-EL-EFC

Utah Power and Light Company Case No. UPL-E-90-1

Cincinnati Gas & Electric Company Case No. 90-390-GA-AIR

Columbia Gas Transmission FERC Docket No. RP89-250 and
Columbia Gulf Transmission Company FERC Docket No. RP89-249

Ohio Edison Company Case No. 89-1001-EL-AIR

Hope Gas Company Case No. 89-493-G-30C

Utah Power & Light Company Case No. 89-035-10

Columbia Gas of Ohio Case No. 89-(616 through 620)-GA-AIR

Panhandle Pipeline Docket No. RP88-241

Trunkline Pipeline Docket No. RP88-239

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Idaho Power Company Case No. IPC-E-88-2

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Cleveland Electric Illuminating Company Case No. 88-170-EL-AIR

Utah Power and Light Docket No. 87-035-12

Columbia Gas Transmission TA87-4-21 et al.

Cleveland Electric Illuminating Company Case No. 86-2025-EL-AIR

Toledo Edison Company Case No. 86-2026-EL-AIR

Idaho Power Company Case No. U-1006-265A

Columbia Gas Transmission Corporation FERC Docket No. RP86-168-000 and
Columbia Gulf Transmission Company FERC Docket No. RP86-167-000

Columbia Gas Company of Ohio Case No. 86-1454-GA-FOR

East Ohio Gas Company Case No. 86-297-GA-AIR

Cleveland Electric Illuminating Company Case No. 85-675-EL-AIR

Idaho Power Company Case No. U-1006-265

Utah Power & Light Company Case No. U-1009-157

Consolidated Gas Transmission FERC Docket No. RP85-169-000

Columbia Gas of Ohio Gas Cost Recovery Case No. 85-21-GA-GCR

Toledo Edison Company Case No. 85-554-EL-AIR

East Ohio Gas Company and River Gas Company Division of Energy Case No.
EOG/RGC-83-84-85-G

Ohio Edison Company Case No. 84-1359-EL-AIR

Idaho Power Company Case No. U-1006-248

Columbia Gas of Ohio Case No. 84-413-GA-AEC

Columbia Gas of Ohio Case Nos. 84-67-GA-AIR (Central Region) and 83-1519-GA-AIR (Northwestern Region)

Utah Power and Light Company Case No. U-1009-137

Cleveland Electric Illuminating Company Case No. 84-188-EL-AIR

Columbia Gas of Ohio Division of Energy Case No. CGC-83-G and Case No. CGC-84-G

Montana Power Company Docket No. 83.9.67

Columbia Gas of Ohio Cases No. 83-392-GA-AIR, 83-666-GA-AIR, and 83, 719-GA-AIR

Columbus and Southern Ohio Electric Company Case No. 83-314-EL-AIR

Columbia Gas of Ohio Cases No. 83-1301-GA-AIR (Brewster, Ohio), 83-1322-GA-AIR (Canfield, Ohio), and 83-1323-GA-AIR (Steubenville, Ohio)

Idaho Power Company Case No. U-1006-207

Montana Power Company Docket No. 82.8.54

Idaho Power Company Case No. U-1006-185

Montana Power Company Docket No. 80.4.2 Phase II

Idaho Power Company Case No. U-1006-176

Idaho Power Company Case No. U-1006-173

Utah Power and Light PURPA Case No. U-1009-114

Utah Power and Light PURPA Case No. U-1009-107

Idaho Power Company PURPA Case No. U-1006-159

Idaho Power Company Case No. U-1006-158

Utah Power and Light Case No. U-1009-107

Utah Power and Light Case No. U-1009-100

Idaho Power Company Case No. U-1006-140

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Summary: Testimony Direct Testimony of Anthony J. Yankel (Public Version) on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Schuler, Michael Mr.