

1           BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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3 In the Matter of the :  
Application of The Dayton :  
4 Power and Light Company : Case No. 12-3062-EL-RDR  
for Authority to Recover :  
5 Certain Storm-Related :  
Service Restoration Costs.:

7 In the Matter of the :  
Application of The Dayton :  
Power and Light Company : Case No. 12-3266-EL-AAM  
8 For Approval of Certain :  
Accounting Authority. :

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10 DEPOSITION

11 of Dona R. Seger-Lawson, taken before me, Karen Sue  
12 Gibson, a Notary Public in and for the State of Ohio,  
13 at the offices of Faruki, Ireland & Cox P.L.L., 500  
14 Courthouse Plaza, S.W., 10 North Ludlow Street,  
15 Dayton, Ohio, on Thursday, January 30, 2014, at  
16 1 p.m.

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18 VOLUME I

19 - - -

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22 ARMSTRONG & OKEY, INC.  
222 East Town Street, Second Floor  
23 Columbus, Ohio 43215-5201  
(614) 224-9481 - (800) 223-9481  
24 FAX - (614) 224-5724

25 - - -

## 1 APPEARANCES:

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

7 and

8 Ms. Judi L. Sobecki  
9 1065 Woodman Drive  
10 Dayton, Ohio 45432

11 On behalf of the Applicant.

12 Bruce E. Weston, Ohio Consumers' Counsel  
13 By Ms. Melissa R. Yost,  
14 Deputy Consumers' Counsel  
15 Mr. Michael J. Schuler (via speakerphone)  
16 and Mr. Larry S. Sauer (via speakerphone),  
17 Assistant Consumers' Counsel  
18 10 West Broad Street, Suite 1800  
19 Columbus, Ohio 43215-3485

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

22 Mike DeWine, Ohio Attorney General  
23 By Mr. William L. Wright,  
24 Section Chief  
25 Public Utilities Section  
26 Mr. Devin Parram (via speakerphone)  
27 Mr. Ryan O'Rourke (via speakerphone),  
28 Assistant Attorneys General  
29 180 East Broad Street, 6th Floor  
30 Columbus, Ohio 43215

31 On behalf of the Staff of the PUCO.

## 32 ALSO PRESENT:

33 Mr. Jeff Hecker, Staff (via speakerphone).  
34 Mr. David Liphtratt, Staff (via speakerphone).  
35 Ms. Tammy Turkenton, Staff (via speakerphone).

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1 Thursday Afternoon Session,<sup>3</sup>  
2 January 30, 2014.

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4 STIPULATIONS

5 It is stipulated by and among counsel for the  
6 respective parties that the deposition of Dona R.  
7 Seger-Lawson, a witness called by the Office of the  
8 Consumers' Counsel under the applicable Rules of  
9 Civil Procedure, may be reduced to writing in  
10 stenotypy by the Notary, whose notes thereafter may  
11 be transcribed out of the presence of the witness;  
12 and that proof of the official character and  
13 qualification of the Notary is waived.

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1 DONA R. SEGER-LAWSON

2 being by me first duly sworn, as hereinafter

3 certified, deposes and says as follows:

4 CROSS-EXAMINATION

5 By Ms. Yost:

6 Q. Afternoon, Dona.

7 A. Good afternoon.

8 Q. For the record this deposition is being  
9 taken by notice. Dona, I see you have a notebook  
10 with you today. Could you state what you have  
11 brought with you to the deposition.

12 A. Sure. I have a copy of my direct  
13 testimony, and I have a copy of my supplemental  
14 testimony. I have a copy of the staff audit report  
15 in this case. I have a copy of the stipulation and  
16 recommendation in Case No. 08-1094-EL-SSO. I also  
17 have the opinion and order from that same case. I  
18 have a section of the Ohio Revised Code. I have a  
19 copy of the finding and order in Case No.  
20 08-1332-EL-AAM. I have a copy of the DPL, Inc.,  
21 financial results from the third quarter.

22 Q. Third quarter of?

23 A. 2013. I have a copy of the 1999  
24 stipulation in Case No. 99-1687-EL-ETP. I have a  
25 copy of the stipulation and recommendation in Case

1 No. 02-2779-EL-ATA, a copy of the stipulation and  
2 recommendation in Case No. 05-276-EL-AIR. I have  
3 copies of Schedule C-1 from this filing. I have a  
4 copy of the Ohio Revised Code Section 4909.03,  
5 although I can't remember why. I'm looking at this  
6 going I wonder why I put that in there. I have a  
7 copy of Jeff Hecker's testimony in Case No.  
8 11-346-EL-SSO. I have a copy of Jeff Hecker's  
9 testimony in Case No. 12-1682-EL-AIR. I have a copy  
10 of the finding and order in Case No. 05-1090-EL-ATA.

11 I have a copy of page 7 of staff's  
12 comments filed in this case. I have a copy of  
13 Attachment A to David Lipthratt's testimony in  
14 this -- in Case No. 12-426-EL-SSO. I have a copy of  
15 FERC Form 1, page 322, from Ohio Power as well as a  
16 copy from the Dayton Power and Light Company, both  
17 from 2012.

18 I have a copy of an announcement that  
19 DP&L won an Edison Electric Institute Award for its  
20 storm restoration efforts. I have a copy of a  
21 balance basically of the O&M expenditures for the  
22 2008 storms, a copy of the application in Case No.  
23 12-2281-EL-AAM, and an amended application in that  
24 same case. I have a copy of the application in this  
25 case, which is 12-3062-EL-RDR.

1           Q.   That's the entire application without  
2   exhibits?

3           A.   This is the application and the schedules  
4   that I support.

5           Q.   Okay.

6           A.   I have all the schedules that I support  
7   and all the workpapers that I support. I also have a  
8   copy of the opinion and order in Case No.  
9   12-426-EL-SSO, and I have a copy of the Dayton Daily  
10   News article that says that June's windstorm was the  
11   third costliest storm in the Dayton area.

12          Q.   June, 2012?

13          A.   That was -- that was about the derecho so  
14   2012.

15          Q.   2012. Is that it?

16          A.   I have some handwritten notes about what  
17   the company sought for deferral and what we sought  
18   for recovery.

19          Q.   I'll give you the opportunity, and you  
20   can talk it over with counsel, but if you are going  
21   to rely on that, I am going to ask to see it, but if  
22   you want to take it out of the notebook, I won't ask  
23   to see it, but if she relies on it in her answers, I  
24   would ask to see it.

25          A.   Okay.

1 MR. SHARKEY: You can see it.

2 MS. YOST: Thank you.

3 Q. Dona, we have been through this before.  
4 You have been deposed many times at this time, right?

5 A. Yes.

6 Q. You understand I am going to ask you a  
7 series of questions. You are answering under oath.  
8 Please make your answers verbal for the convenience  
9 of the court reporter. If you do not understand one  
10 of my questions, please ask me to clarify. If you  
11 give an answer, it will be assumed that you  
12 understood the question; is that okay?

13 A. Okay.

14 Q. Both you and I need to make sure we don't  
15 talk over each other for the convenience of the court  
16 reporter.

17 A. Okay.

18 Q. And if at any time you need take a break,  
19 please let me know. You can do that as long as there  
20 is not an answer pending, okay?

21 A. Okay.

22 Q. Is there anything today that could  
23 inhibit your testimony to recollect or tell the  
24 truth?

25 A. No.



1           Q.   And we just went over your notebook. Did  
2   you review anything else in preparation for your  
3   deposition today that's not been included in your  
4   notebook that we just discussed?

5           A.   I don't think so.

6           Q.   I am going to ask that -- is it okay if I  
7   call you Dona?

8           A.   Yes, that's fine.

9           Q.   You can refer to me as Melissa.

10           MS. YOST: Ask that Dona's direct  
11   testimony be marked as OCC Exhibit A and the  
12   supplemental testimony OCC Exhibit B.

13                   (EXHIBITS MARKED FOR IDENTIFICATION.)

14           Q.   When I say A, that will be your direct  
15   testimony.

16           A.   Okay.

17           Q.   Could you please describe your role in  
18   developing your direct testimony which has been  
19   marked as OCC Exhibit A.

20           A.   My role in developing this testimony was  
21   such that I drafted it and shared it with a number of  
22   parties and redrafted it.

23           Q.   Did anyone assist you in the drafting of  
24   the testimony except for counsel?

25           A.   Yes. Folks that report to me and were

1 working on the case reviewed it and made suggestions  
2 and some of those suggestions I accepted and some of  
3 them I didn't.

4 Q. And who -- what are the names of those  
5 persons that actually reviewed and made suggestions  
6 to your testimony who work under you?

7 A. Aside from counsel?

8 Q. Yes.

9 A. That would be Clair Hale and Emily Rabb.  
10 And we probably also sent it to Bryce Nickel and  
11 Alissa Steele.

12 Q. A-L-Y --

13 A. A-L-I-S-S-A S-T-E-E-L-E.

14 Q. Thank you.

15 A. And probably Greg Campbell as well.

16 Q. Did anyone else review it excluding  
17 counsel than the persons you've just named?

18 A. I don't think so.

19 Q. And would you have Exhibit A as filed --  
20 I'm sorry, OCC Exhibit A as filed with the PUCO, do  
21 you have any corrections to make to that testimony  
22 that you've found since it was filed?

23 A. No, I don't.

24 Q. What's your current title?

25 A. Director of regulatory operations.

1 Q. And how long have you had that title?

2 A. I don't know.

3 Q. '92?

4 A. Actually it's in my testimony on page 1,  
5 line 15, so I was promoted in August of 2012 -- I'm  
6 sorry, 2002, 2002.

7 Q. Okay. 2002 you had the title of director  
8 of regulatory operations.

9 A. Yes.

10 Q. Okay. Thank you. And who do you report  
11 to?

12 A. I report to Derek Porter.

13 Q. And his title?

14 A. Is the president of the Dayton Power and  
15 Light Company.

16 Q. Is that the only person you have to  
17 report to?

18 A. Yes.

19 Q. And then you named Clair, Emily, Bryce,  
20 Alissa, and Greg. You supervise all those persons?

21 A. No, I don't.

22 Q. Who -- who do you supervise?

23 A. Clair and Emily. Actually I -- Clair  
24 reports to Emily but.

25 Q. Page 2 of your testimony starting on the

1 question, line 17 is indicating the schedules you are  
2 supporting. Do you still support or will you still  
3 support all those schedules at hearing?

4 A. Yes.

5 Q. Are there any additional schedules that  
6 you will be supporting?

7 A. There are exhibits to my supplemental  
8 testimony that aren't listed there.

9 Q. So other -- that's probably mentioned in  
10 your supplemental though, right?

11 A. Right, that's correct.

12 Q. And if I could have you turn to your  
13 testimony where you talk about the schedules starting  
14 on page 12, I believe. Do you -- I see you discuss  
15 several schedules on page 12 and over to -- yeah, on  
16 page 12. Anywhere in your testimony do you discuss  
17 the purposes of Schedules A-1 through A-3?

18 A. Yes, starting on page 8 of my original  
19 testimony, line 11, I discuss Schedule A-1.

20 Q. Thank you.

21 A. And then Schedule A-2 and 3 come after  
22 that.

23 Q. I see that. Thank you. Does Schedule  
24 A-1 include calculations that are based on the  
25 capital expenditures that the company sought to

1 collect in its application?

2 A. Schedule A-1 shows the rate calculation  
3 that the company proposed for the 12-month period  
4 March of '13 through February, '14. It includes the  
5 revenue requirement that would include the company's  
6 request for capital recovery.

7 Q. Thank you. And in regard to Schedule A-2  
8 the question is going to be consistent. Does that  
9 schedule include calculations in regard to the  
10 capital expenses that the company sought in its  
11 application?

12 A. Yes. Schedule A-2 contains the  
13 distribution of the revenue requirement through the  
14 tariff classes. And that revenue requirement is for  
15 one year of what the company was seeking which  
16 includes return on and return of capital.

17 Q. And it's fair to say Schedule A-1 and  
18 Schedule A-2 would also include calculations in  
19 regards to the operations and the maintenance costs  
20 that the company was seeking in its application?

21 A. Yes. It would include a revenue  
22 requirement calculation that would include O&M and  
23 capital -- I should say return on capital,  
24 depreciation expense, and taxes.

25 Q. And, again, Schedule A-3, fair to say

1 that that schedule includes calculations of both O&M  
2 expenses and capital costs that the company was  
3 seeking in its application?

4 A. No. Actually Schedule A-3 is the  
5 demonstration of what the distribution revenues of  
6 the company were based on a prior history, yeah,  
7 based on October, 2011, through September of '12,  
8 annual distribution revenues by tariff class.

9 Q. Okay. Thank you. And in regard to your  
10 next schedule is B-1 that you are sponsoring? Is  
11 that schedule -- that schedule includes the company's  
12 request for amount related to capital expenses?

13 A. Yes. Schedule B-1 contains a revenue  
14 requirement from March, 2012, through February, '15,  
15 which includes rate base, return on rate base,  
16 depreciation expense, taxes, other O&M for that  
17 period.

18 Q. Thank you. And the next schedule that  
19 you are sponsoring, would that be B-5; is that  
20 correct, B-5?

21 A. Yes, B-5.

22 Q. And does that include calculations based  
23 on the amount of capital costs that the company  
24 sought in its application?

25 A. Yes, Schedule B-5 contains a revenue

1 requirement calculation for the period March of 2008  
2 through February, 2012, which includes rate base,  
3 return on rate base, depreciation expense, taxes  
4 other than income to calculate a revenue requirement.

5 Q. Thank you. And then Schedule C-1  
6 following your testimony, that would be the next  
7 schedule that you sponsor; is that correct?

8 A. Yes.

9 Q. And does that schedule include amounts  
10 that the company sought in regard to capital  
11 expenses?

12 A. No, it does not. Schedule C-1 contains a  
13 calculation of total storm O&M.

14 Q. And Schedule C-2, that does not contain  
15 any calculation with regard to the amount of capital  
16 costs that the company was seeking in this case,  
17 correct?

18 A. That's correct.

19 Q. And does Schedule C-3 calculations, are  
20 they based on amounts that the company sought in its  
21 application for capital expenditures?

22 A. Schedule C-3 is sponsored by Greg  
23 Campbell.

24 Q. Sorry, E-1.

25 A. Schedule E-1 is sponsored by me. It is a

1 calculation of typical bills. That would be what the  
2 change is in the total customer bill based on the  
3 company's request.

4 Q. And that's all the schedules that you are  
5 sponsoring in regard to your direct testimony,  
6 correct?

7 A. Yes.

8 Q. And then workpaper -- WPA-1, does that  
9 contain calculations that are based on the amount of  
10 capital expenses that the company was seeking in its  
11 application?

12 A. Workpaper A-1 is a calculation of the  
13 private outdoor lighting rates that would result from  
14 a price per kilowatt-hour, so it's not directly  
15 related to capital.

16 Q. Thank you. And workpaper WPC-2.

17 A. Workpaper WPC-2 is the calculation of  
18 carrying costs from the period March of 2009 through  
19 February, 2013, on page 1 and March of 2013 through  
20 February of '16 on page 2. It's not directly related  
21 to capital.

22 Q. Thank you. And does your WPC-2 indicate  
23 the amount of the carrying costs rate that was used  
24 to calculate WPC-2? Would that be 5.86 as indicated  
25 under -- or above column (H)?



1           A.    Yes, the carrying costs on workpaper  
2   WPC-2 assumes a carrying cost of 5.86 percent.

3           Q.    And is it fair to say that the company's  
4   request for carrying charges used 5.86 throughout its  
5   application for the cost rate?

6           A.    Yes, I believe so.

7           Q.    And did you determine that the  
8   5.86 percentage was the appropriate carrying cost  
9   rate?

10          A.    The 5.86 was the cost of debt that was  
11   from a most recently approved cost of capital that  
12   the company had before the Commission. I believe it  
13   was from the 2008 case.

14          Q.    Are these -- are these workpapers that  
15   you actually compiled or? I understand you are  
16   sponsoring them, but did you actually do the inputs?

17          A.    No. Someone that reports to me would  
18   have done the inputs, but I would have verified them  
19   and checked them.

20          Q.    And the last workpaper, WPC-3, that you  
21   are sponsoring, this is in regard to again carrying  
22   costs for O&M, and it would have nothing to do with  
23   the capital costs that the company sought in its  
24   application; is that fair to say?

25          A.    Yes. This is calculating the carrying

1 costs from December of '12 through February of '16.

2 Q. Thank you. Now, you're aware that the  
3 Commission -- well, let me put it this way, what is  
4 your understanding of the Commission's determination  
5 in regard to the company's application that sought  
6 capital costs in this proceeding?

7 A. I'm not sure I understand the question.

8 Q. Are you aware that the Commission issued  
9 a finding or -- in regard to the capital costs that  
10 the company sought in its application?

11 A. There was an order that the Commission  
12 issued in the fall or winter of 2013 that addressed  
13 capital but I'm not aware that it was a final order  
14 in this case.

15 Q. Is it your understanding that the cap --  
16 the company is still seeking capital costs in this  
17 case?

18 A. Our application included capital costs,  
19 and we sought recovery of capital through this case.

20 Q. When we went through and we talked about  
21 your schedules and your workpapers, the ones that had  
22 a component that was dependent upon capital costs,  
23 have you updated those schedules or workpapers to  
24 reflect the removal of capital costs?

25 A. I have not.

1 Q. Go back to your testimony, page 2. What  
2 is a rate mechanism?

3 A. I assume that you are referring to line  
4 22 on page 2 of my testimony?

5 Q. Sure. We can be specific to what is.

6 A. Okay. That is relating to whether or not  
7 we have a rate or rider that currently recovers storm  
8 costs. Sometimes people refer to rates as a rate  
9 tariff class, and sometimes they refer to the  
10 specific rate that is -- there may be several that  
11 make up a tariff class so I was trying to distinguish  
12 rate mechanism as an individual item that would be  
13 charged to a given tariff class.

14 Q. Is the collection of charges through base  
15 rates a rate mechanism?

16 A. Yes.

17 Q. And in regard to page 3 of your  
18 testimony, you talk about the 1991 case that  
19 established the rates that are currently in the base  
20 distribution rates. There is a discussion of that on  
21 page 3. What was your role in the 1991 rate case?

22 A. I joined the company in 1992; and,  
23 therefore, I was not involved in the filing or  
24 settlement of the 1991 rate case. However, that case  
25 was implemented on a phase-in basis and I did help

1 verify that the rates that were charged in 1992 and  
2 1993 were calculated correctly and applied correctly.

3 Q. Did the company request storm cost  
4 collection in its application -- and I don't want to  
5 misspeak. I assume it was filed in 1991, the  
6 application itself was filed in 1991. Of course.  
7 The case number is 91. So did the company request  
8 storm cost collection in its application that was  
9 filed in Case 91-414?

10 A. Case No. 91-414-EL-AIR was a base case  
11 and so, therefore, it was -- it included  
12 transmission, generation, and distribution costs. It  
13 would have been a cost-based rate case. And so it  
14 would have included all costs within the test year.

15 Q. And that would have included storm costs  
16 within that test year.

17 A. I don't know.

18 Q. Are there different types of storm costs?  
19 I don't mean to say O&M versus capital but different  
20 types of storms where the company incurs costs in  
21 your opinion.

22 A. In the last several years the Commission  
23 has established a definition for a major storm and  
24 everything else then is a nonmajor storm. Either it  
25 meets the qualifications for a major storm or it

1 doesn't. Or I would say there are two categories.

2 One would be a major storm; one would be a nonmajor  
3 storm.

4 Q. Since you've been with the company since  
5 1992, has the company ever had a year where it did  
6 not incur storm restoration costs?

7 A. Not that I'm aware but I don't know that  
8 I would know -- in the early years of my career I  
9 don't know that I would have been focused on that.

10 Q. On page 3, question 10, question is "Has  
11 the Company had a storm rider in place since 1999,"  
12 and your answer is "Yes." And then you continue on,  
13 and you can -- you can clarify if I'm getting this  
14 wrong, but the answer starts that "The Company had a  
15 storm rider in place from August 2006 through July  
16 2008." And then you have further testimony there.

17 I see no indication in response to that  
18 question what rider was in place in 1999 to collect  
19 storm costs. So my question to you is what was --  
20 was there a rider in place in 1999 to collect storm  
21 costs?

22 A. The company in 1999 went through its ETP  
23 case where we unbundled our then current rates into  
24 T, D, and G. The result of that case was a  
25 stipulation whereby -- get the right page -- in 1999

1 we had a stipulation that froze distribution rates  
2 through 2006 with the exception of storm costs that  
3 the company would incur after 2003.

4 MS. YOST: Would you read back her  
5 answer, please.

6 (Record read.)

7 MS. YOST: Can I have this marked as OCC  
8 Exhibit C, please.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 Q. Dona, do you have this stipulation and  
11 recommendation, 99-1687? But I will add that I did  
12 not print off the exhibits, but do you have this?

13 A. Yes, I do.

14 Q. Okay. Can you turn to page 3 of that  
15 stipulation, please.

16 A. Yes.

17 Q. Paragraph 4 it says "Electric Base Rate  
18 Freeze," and I'm going to read this and tell me if I  
19 get this correct. "The base electric distribution  
20 rates (unbundled as described above) will remain the  
21 same through December 31, 2006. After December 31,  
22 2003, such distribution rates can be adjusted by an  
23 application under Ohio Revised Code Section 4909.18  
24 to reflect the costs of complying with changes after  
25 the date of the Stip" -- "of this Stipulation in

1 environmental (distribution-related), tax or  
2 regulatory laws or regulations, and relief from storm  
3 damage expenses; or in the event of an emergency" and  
4 then it continues on. Is it fair to say that based  
5 on this 1999 stipulation, that there was no storm  
6 rider available to the company in 1999?

7 MR. SHARKEY: Objection. Calls for a  
8 legal conclusion but you can answer if you know.

9 A. The case was filed in 1999. It was filed  
10 in December of '99 and we negotiated it through 2000  
11 and the results of it took effect January 1, 2001.  
12 The company did not have a separate rate mechanism  
13 for storm cost recovery, and I think this paragraph  
14 says that if we -- that we could seek that rate  
15 mechanism after December 31 of 2003 to recover storm  
16 damage expenses.

17 Q. So based on what you say, is it fair to  
18 say that the company did not have a storm damage  
19 mechanism available to it in 1999, 2000, 2001, 2002,  
20 2003 but there was one available starting January 1,  
21 2004?

22 MR. SHARKEY: Objection. I am not sure  
23 what you mean by available, but you can answer.

24 A. I think that this says that the company's  
25 distribution rates -- that the parties agreed that

1 DP&L's distribution rates would be frozen through  
2 2006 with the exception of storm damage expenses  
3 which the company could seek after 2003.

4 Q. So would you agree that before 2000 --  
5 before 2004 pursuant to this agreement the company  
6 could not seek storm damages through a rider?

7 MR. SHARKEY: Objection, calls for a  
8 legal conclusion. You can answer.

9 A. I'm not sure I understand the question.

10 Q. Did the company have a storm rider in  
11 place in 1999 to collect 1999 storm damage?

12 A. No. In 1999, we had bundled rates that  
13 included T, D, and G.

14 Q. In 2000, did the company have a storm  
15 rider in place where it could collect 2000 storm  
16 damage costs?

17 A. No. Again, in 2000, we had bundled  
18 rates.

19 Q. And the same would be for 2001, the  
20 company did not have a storm rider in place to  
21 collect storm costs for 2001, correct?

22 A. That's correct.

23 Q. Same would be for 2002?

24 A. Yes.

25 Q. 2003?



1 A. Yes.

2 Q. Thank you. And you state in your  
3 testimony that the company has not had a storm rider  
4 since July, 2008, and I think that's line 11, page 3.  
5 Yes. Or I will let you answer.

6 A. My testimony says on page 3, line 11,  
7 that we had a storm rider in place from 2 -- August  
8 of 2006 through July, 2008, to recover the specific  
9 costs associated with the ice storm in the winter of  
10 2004 and '5.

11 Q. And since August, 2008, the company has  
12 not had a storm rider in place; is that correct?

13 A. That's correct.

14 Q. I want to talk a little bit about the  
15 application the company filed in 2008 to seek storm  
16 costs incurred in 2008. That application,  
17 08-1332-EL-AAM, what was your role in the filing, if  
18 any, in the filing of that application?

19 A. I would have been in charge of the  
20 regulatory group, and I either would have drafted it  
21 or someone on my staff would have drafted it along  
22 with counsel.

23 Q. And at the time in 2008, was it part of  
24 your job duties to decide when to seek a deferral of  
25 expenses?

1           A.    It's not my sole discretion.  There's  
2   always a conversation that's had with the vice  
3   president who is in charge of storm restoration as  
4   well as executive management about whether or not the  
5   company should file for a deferral request.

6           Q.    And why does a company file for a  
7   deferral request of O&M expenses?

8           A.    The company would seek deferral if there  
9   was a cost that would be recoverable in a future  
10  period of time and that recovery would be probable  
11  for recovery.  And so I would have reviewed all the  
12  stipulations the company had signed and what those  
13  provisions of those stipulations state and whether or  
14  not the company would be successful at seeking a  
15  deferral and recovering that cost in a future period  
16  of time.

17          Q.    Can't that be accomplished with the  
18  filing of a rate case?  The same thing?

19          A.    As we discussed, the company had a number  
20  of stipulations that the company and the staff and  
21  the OCC had signed over the years from 2000 to 2012  
22  where the company had a distribution rate freeze so  
23  the company committed not to file a distribution rate  
24  case and the parties essentially by signing it agreed  
25  they would not seek an adjustment in the distribution

1 rates of the company.

2 Q. Do you recall if you -- if at that time  
3 in regard to the 2008 application it was your  
4 recommendation that the company seek a deferral of  
5 those expenses in 2008?

6 A. In 2008, we would have had a frozen  
7 distribution rate that was carried over from Case  
8 No. 05-276-EL-AIR and I would have reviewed that  
9 stipulation to identify whether or not the company  
10 could seek deferral of the storm costs and I would  
11 have looked at the stipulation in the '05 case,  
12 reviewed that, and seen that it said that we had  
13 frozen distribution rates through 2008 with the  
14 exception of storm cost recovery.

15 Q. When you say you would have, do you  
16 recall doing that?

17 A. I don't recall specifically doing that  
18 but that's my normal course of business if someone  
19 asks me if we could recover certain costs.

20 Q. Can capital costs be deferred?

21 A. No. There's no point in deferring  
22 capital costs because capital is already capital.  
23 The effect of a deferral is that you take something  
24 that is currently an O&M expense and put it into a  
25 regulatory asset and essentially it becomes capital

1 by deferring it.

2 Q. And then how do you collect those capital  
3 costs?

4 A. You seek recovery of them.

5 Q. And how can you -- what would you file to  
6 seek recovery of those capital costs, or what can you  
7 file to seek recovery of those capital costs?

8 A. I'm confused now about what capital costs  
9 we are talking about. The ones that were deferred or  
10 straight-up capital costs?

11 Q. Let's do straight up first. How do you  
12 seek recovery of capital costs?

13 A. The company would file a rate case or  
14 separate case seeking recovery of those costs.

15 Q. When you say a separate case, what would  
16 that be?

17 A. I always talk in the nomenclature of the  
18 company -- of the Commission's Docketing Information  
19 System so we would file an RDR case which is a  
20 request to develop a rider. I think that's what it  
21 stands for.

22 Q. Dona, I am going to have you take a look  
23 at the finding and order in Case No. 08-1332-EL-AAM.

24 MS. YOST: Could I have this marked as  
25 OCC Exhibit D, I believe.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. Do you have that one?

3 A. Yes, I do.

4 Q. And is it your understanding that in its  
5 application the company proposed to defer O&M costs  
6 incurred in 2008 that exceeded the three-year average  
7 service storm O&M expenses associated with major  
8 storms?

9 A. The application in that case the company  
10 was seeking Commission authority to defer costs  
11 associated -- I should say O&M expenses associated  
12 with the Hurricane Ike as well as other storms  
13 experienced in 2008 and to the extent that amount  
14 exceeded the three-year average of O&M expenses  
15 associated with major storms.

16 Q. And what three years -- so the company  
17 has been deferring certain 2008 storm expenses since  
18 the Commission approved part of its request on  
19 January 14, 2009; is that fair to say?

20 A. The company has deferred its 2008 storm  
21 costs that exceeded the three-year average since we  
22 received this Commission order, yes.

23 Q. And how did the company calculate the  
24 three-year average applicable to the 2008 Hurricane  
25 Ike storm expenses?

1           A.    Just to make sure we're clear, it's all  
2   of 2008, not just Hurricane Ike, and the company  
3   would have calculated the total cost of storm expense  
4   in 2008 and subtracted out the three-year average of  
5   major storms from 2007, '6, and '5.

6           Q.    And on page 2 of the entry -- I'm sorry.  
7   I didn't mean to say entry; I meant finding and  
8   order, I don't want to mischaracterize it, of  
9   January 14, 2009. Can you show me -- I guess I don't  
10   want to limit you, but can you show me anywhere in  
11   this finding and order dated January 14, 2009, where  
12   the Commission says DP&L has authority to defer  
13   incremental O&M costs related to any storm other than  
14   Ike in 2008?

15          A.    Paragraph 4 on page 2 of that finding and  
16   order says that the Commission finds that the  
17   application is reasonable and should be approved. It  
18   does not say that there is anything that is  
19   disallowed or not approved.

20          Q.    Paragraph 4?

21          A.    Yes. It says "the Commission finds that  
22   the application" and has some other words and then it  
23   says at the bottom "is reasonable and shouldn't be  
24   approved."

25               MR. SHARKEY: You said "shouldn't be."

1           A.    I'm sorry, "should be approved."

2           Q.    And the other words, if I read this  
3   correctly, says "Commission finds that the  
4   application seeking authority to modify the Company's  
5   accounting procedures to defer incremental O&M  
6   expenses associated with the September 14, 2008,  
7   windstorm, with carrying costs, is reasonable and  
8   should be approved." That's -- that statement there  
9   gives -- and I don't want to mischaracterize. Is  
10   paragraph 4, that statement there is the authority in  
11   your opinion?

12          A.    I think that statement there  
13   mischaracterizes what the company's application was.  
14   The company's application was to seek authority for  
15   all storm costs in 2004 that exceed the three-year  
16   average, and this paragraph says that the application  
17   is reasonable and should be approved. There's  
18   nothing in this paragraph nor anywhere else in this  
19   finding and order that says any part of the company's  
20   application is not approved or disallowed.

21          Q.    Does the Commission have to specifically  
22   identify parts of applications that are not approved  
23   or disallowed?

24               MR. SHARKEY:  Objection.  Calls for a  
25   legal conclusion.  You can answer.

1           A.   Usually when the Commission issues an  
2   order that finds something is disallowed, it  
3   specifically says something is disallowed.

4           Q.   What do you mean by "usually"?

5           A.   I've obviously been in this job for a  
6   long time and I have read a lot of Commission orders  
7   and to the extent that the Commission specifically  
8   disallows something they usually say so.

9           Q.   Is there a rule or law that mandates that  
10   if the Commission disallows something, they have to  
11   specifically say so in an order or entry?

12          A.   I don't know.

13          Q.   So how long has the company been  
14   calculating carrying costs in regard -- in regard to  
15   storm costs from 2008?

16          A.   Consistent with this finding and order  
17   that we just discussed, the company has been  
18   deferring and calculating carrying costs on the 2008  
19   storms since I believe 2008.

20          Q.   So before the Commission approved a  
21   portion of the company's application?

22          A.   Yes.  Usually we record deferrals when we  
23   believe that they are probable for recovery and that  
24   probability for recovery usually involves a  
25   discussion about Commission precedent, about whether



1 or not the company has filed a case, so there are a  
2 number of factors that go into something being  
3 probable for recovery, but we would have recorded a  
4 deferral in 2008.

5 Q. Are there any of the schedules or  
6 workpapers that you could point me to that show that?

7 A. Workpaper WPC-1 that's sponsored by Greg  
8 Campbell shows the deferral in September of 2008.

9 Q. I'm sorry, it's taking me some time. And  
10 the company sought collection of 2008 deferred storm  
11 costs in this proceeding when it filed its  
12 application in December, 2012; is that correct?

13 A. Yes, that's correct.

14 Q. Why did the company wait over five years  
15 to seek collection of these costs?

16 A. I don't -- I don't know the answer to  
17 that. We would have had conversations over the years  
18 about recovering that cost. In 2008, we entered  
19 another stipulation in the ESP case that froze our  
20 distribution rates through 2012 with the exception of  
21 storm costs. I believe the OCC and the staff and  
22 Kroger all signed that stipulation; and, therefore,  
23 the company thought it had the authority to recover  
24 storm costs in a separate rider. And the timing of  
25 that was uncertain at that time.

1           Q.   Who makes the decision -- I know you  
2 spoke about -- we talked about who decides when to  
3 seek deferral of O&M costs. Who decides when to seek  
4 collection of costs? Are you part of that team?

5           A.   That would involve me and my supervisor  
6 at the time and the accounting folks and the  
7 financial folks.

8           Q.   Is it fair to say if the Commission  
9 allows the company to charge customers a carrying  
10 cost, that the -- that any storm costs that customers  
11 pay for will be at a higher cost because of the years  
12 that any amounts were deferred?

13          A.   I'm sorry. I might need that question  
14 read back.

15          Q.   There is probably a simpler way. Just  
16 strike that question.

17                   Is it fair to say that if a cost can be  
18 collected from customers and there is an associated  
19 carrying cost, that the longer that cost is deferred  
20 the more cost it is to customers?

21          A.   Yes. If -- if the company deferred a  
22 cost and was permitted to recover carrying costs  
23 associated with that cost, carrying costs represent  
24 the company's lost opportunity cost so the carrying  
25 cost is based on the cost of debt; and, therefore, it

1 represents the time value of money. So the company  
2 could have sought recovery of dollars in 2008 and  
3 would have received those dollars in 2008, but  
4 because they waited the time value of money is  
5 essentially applying as carrying cost.

6 Q. We can agree the decision to wait to seek  
7 collection of any 2008 storm costs was the decision  
8 of the company, correct?

9 MR. SHARKEY: Can I hear that again?

10 (Record read.)

11 MR. SHARKEY: You can answer.

12 A. I agree that it's the -- that the company  
13 can decide when it seeks to file, but to the extent  
14 that the staff or the OCC or any other party wanted  
15 the company to file earlier, they could have made a  
16 recommendation, could have perhaps filed something at  
17 the Commission to ask the company to seek recovery  
18 sooner rather than later.

19 Q. So you think that's the responsibility of  
20 the other parties?

21 A. I'm just suggesting that there was no  
22 indication by any party that the company should have  
23 requested sooner.

24 Q. Would you agree that there's been  
25 indication that the parties do not want to pay

1 carrying costs for storm costs that are deferred; is  
2 that fair to say?

3 MR. SHARKEY: Objection, vague.

4 A. I'm sorry. What was the question?

5 Q. Well, in regard to the application in  
6 2008, you recall that OCC opposed the company getting  
7 carrying costs on any amounts that they were  
8 permitted to defer.

9 A. I don't recall that --

10 Q. Do you recall --

11 A. -- just off the top of my head.

12 Q. Do you recall that in the 2012 deferral  
13 case that OCC opposed carrying costs?

14 A. I would have to look back at the order,  
15 whatever was filed in that case.

16 Q. Would you expect customer parties to  
17 oppose carrying charges on storm costs?

18 A. I don't know that I would expect  
19 anything.

20 Q. And when did the company determine the  
21 three-year average in regard to the Commission's  
22 decision on the 2008 storm costs? Is that something  
23 you would do before you start -- excuse me. Let me  
24 state that again. Strike that.

25 Did the company calculate a three-year

1 average in its application in 2008?

2 A. Yes.

3 Q. And what was that number?

4 A. I don't recall off the top of my head.

5 It would have been based on the previous three years.

6 MS. YOST: Can we go off the record for a  
7 second?

8 (Discussion off the record.)

9 Q. Talk about the 2012 deferral. Just a  
10 second. I just found an exhibit I had in the wrong  
11 file. I'm sorry, an exhibit -- the application in  
12 the '08 case. I had it in the wrong file. Just a  
13 second here.

14 MS. YOST: I'm sorry. Could I have this  
15 marked as OCC Exhibit E. Thank you.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MS. YOST: Let's go off the record.

18 (Discussion off the record.)

19 Q. Dona, if you could take a look at what  
20 has been marked as OCC Exhibit E. Have you seen this  
21 document before?

22 A. Yes.

23 MS. YOST: Could we go off the record one  
24 more time?

25 (Discussion off the record.)

1           Q.   And what is the document?  Do you  
2   recognize it to be the company's application to seek  
3   deferrals of storm costs in 2008?

4           A.   It's the company's application in  
5   08-1332-EL-AAM where the company proposes to defer  
6   O&M expenses for Ike --

7           Q.   Can you read paragraph 3, please.

8           A.   -- as well as the other '08 O&M costs.

9           Q.   Could you read paragraph 3.

10          A.   "The portion of the O&M expenses the  
11   Company proposes to defer is the amount by which the  
12   total O&M expenses associated with the Hurricane  
13   Ike-related service restoration expenses and other  
14   storms experienced in 2008 exceeds the three-year  
15   average service restoration O&M expenses associated  
16   with major storms."

17          Q.   And when was the Ike storm?  Do you  
18   recall?

19          A.   Ike was in September of 2008.

20          Q.   September, 2008.  And we'll come back to  
21   that one.  Thank you.  In regard to the 2012  
22   deferral, I will mark those as exhibits.  Could you  
23   describe what your role was in seeking that deferral,  
24   if any, in 2012.

25          A.   The 2012 application to request deferral

1 of 2012 storms would have either been drafted by  
2 myself or someone on my staff in connection with  
3 counsel.

4 Q. Do you recall drafting it?

5 A. I don't.

6 Q. Do you recall making the decision to  
7 apply for the 2012 deferral?

8 A. I do recall after the derecho the company  
9 discussed requesting deferral of storm costs  
10 associated with the derecho.

11 Q. And at the time that the 2011 deferral  
12 was requested from the Commission, the company had  
13 not requested a deferral of 2011 storm costs; is that  
14 correct?

15 A. That is correct.

16 MS. YOST: Can I have marked as OCC  
17 Exhibit F the finding and order from case  
18 12-2281-EL-AAM.

19 (EXHIBIT MARKED FOR IDENTIFICATION.)

20 Q. And have you seen this document before,  
21 OCC Exhibit F?

22 A. Yes.

23 Q. And what was the carrying cost rate that  
24 the company sought in its application?

25 A. In the 2012 application, in the 2012

1 deferral application in Case No. 12-2281-EL-AAM, the  
2 company asked for a cost of debt of 5.86 as the  
3 carrying cost.

4 Q. And what's your understanding of the  
5 Commission's -- and I don't -- I will go ahead and  
6 have OCC Exhibit G marked because there was an  
7 application for rehearing and an entry on rehearing I  
8 will give you too.

9 (EXHIBIT MARKED FOR IDENTIFICATION.)

10 A. I'm sorry. What was the question?

11 MS. YOST: Could you read it back.

12 (Record read.)

13 Q. Okay. What's your understanding of the  
14 Commission's decision regarding the carrying charge  
15 on 2012 storm costs related to the I say derecho? I  
16 don't know how to say it. Derecho? What is it?

17 A. I think it's derecho. Derecho.

18 Q. Derecho, thank you.

19 A. I think in this entry on rehearing dated  
20 February 13 of 2013 the Commission denied OCC's  
21 application for rehearing regarding the cost of debt  
22 and states to the extent OCC disagrees with the DP&L  
23 implementation of carrying costs, they are able to  
24 raise it in this case, which is the case before us  
25 here, Case No. 12-3062-EL-RDR.



1           Q.   And if I could turn your attention to  
2 paragraph 9 on page 5 of OCC Exhibit G.

3           A.   Okay.

4           Q.   Middle of that paragraph, do you see  
5 where it says "the Commission finds that DP&L should  
6 apply the," do you see that?

7           A.   Yes.

8           Q.   Oh, I'm sorry.  We'll start with -- let's  
9 read from the beginning.  Paragraph 9 states "The  
10 Commission finds that OCC's application for rehearing  
11 should be denied.  The Commission found that, when a  
12 new cost of long-term debt is approved, the carrying  
13 costs should then be amended to reflect the newly  
14 approved rate.  The Commission finds that DP&L should  
15 apply the newly approved cost of long-term debt to  
16 the remaining unrecovered storm deferral from the  
17 effective date of the new cost of long-term debt, if  
18 approved in DP&L's pending ESP case."  In regard to  
19 that Commission finding in OCC Exhibit G, what is  
20 your understanding of -- in regard to DP&L's most  
21 recent Commission-approved cost of long-term debt in  
22 an ESP proceeding?

23          A.   DP&L's most recent ESP proceeding was  
24 Case No. 12-426-EL-SSO and the stipulation -- I'm  
25 sorry, the opinion and order in that case was issued

1 September 4 of 2013. And on page 15 it says that  
2 "the Commission finds DP&L's ESP should be approved  
3 for a term beginning January 1, 2014, and terminating  
4 December 31, 2016." Therefore, DP&L's current ESP  
5 beginning in January of '14 and, therefore, the  
6 paragraph 9 that you read from on OCC Exhibit G  
7 requires us to modify the carrying costs beginning  
8 January 1 of '14 and we have done that and we have  
9 contacted our accounting department and notified them  
10 of the carrying cost change after January, '14.

11 Q. And because in the ESP proceeding,  
12 12-426, the company requested the cost of long-term  
13 debt of 4.93?

14 A. I would have to look it up. This entry  
15 on rehearing that's Exhibit G says it's 4.94 percent.  
16 I'm assuming that's correct.

17 Q. So that is almost a point different than  
18 the -- we don't have to argue over the math, but are  
19 these schedules that are attached to the application  
20 going to be updated to reflect the newer lower  
21 carrying costs as of January 1, 2014?

22 A. We don't currently have any plans to  
23 refile the schedules with that change, but we have  
24 made the accounting change. We've notified our  
25 accounting group that starting January of 2014 the

1 carrying costs should no longer be the 5.86, but it  
2 should instead be the 4.94.

3 Q. For what amounts did you order the new  
4 carrying charge to be applicable to?

5 A. Consistent with this order for any --  
6 yeah, in paragraph 9 on page 5, about the middle of  
7 the paragraph, it says "The Commission finds that  
8 DP&L should apply the newly approved cost of  
9 long-term debt to the remaining unrecovered storm  
10 deferral from the effective date of the new cost of  
11 long-term debt."

12 MR. SHARKEY: Could we go off the record?

13 (Discussion off the record.)

14 Q. So did the accounting change apply to the  
15 2008 remaining storm deferrals?

16 A. It would apply to any unrecovered storm  
17 deferral from the effective date of January 1.  
18 Therefore, it applies to all deferrals from January 1  
19 on to the extent we haven't deferred them.

20 Q. Thank you. And you would also agree that  
21 in the 2012 case in regard to the deferrals that the  
22 Commission also mandated that any deferrals would  
23 have to exceed the three-year average O&M expenses  
24 associated with major storms?

25 MR. SHARKEY: Which paragraph are you

1 referring to, Melissa?

2 MS. YOST: Not a specific one.

3 Page 3, Exhibit G.

4 THE WITNESS: I'm sorry, can I have that  
5 question read back.

6 (Record read.)

7 A. I think this entry on rehearing in the  
8 12-2281 case says that any 2012 deferral would need  
9 to be reduced by the three-year average.

10 Q. And the application does not reflect that  
11 the 2012 deferrals have been reduced by any  
12 three-year average, correct?

13 A. I think the application -- the company's  
14 application in this case reflects the 2012 total  
15 storm costs while -- that was the deferral order  
16 telling us to reduce the amount by the three-year  
17 average. I think the company has the ability to  
18 request the full recovery of the amount.

19 MS. YOST: Read that again, please.

20 (Record read.)

21 Q. If a three-year average were to be  
22 calculated in regard to the Commission's entry on  
23 rehearing mandating one, what years would be used to  
24 develop that average?

25 A. I think we did back out the three-year

1 average when we calculated the deferral. It's just  
2 when the company filed this case seeking recovery of  
3 the costs, we sought recovery of the full costs.

4 Q. And what three years were used to back  
5 out a three-year average in regard to the deferral  
6 for 2012?

7 A. It would have been all major storms  
8 associated with '11, '10, and '09.

9 Q. Okay. Just to clarify the company is  
10 seeking to recover a deferral amount for 2012 that is  
11 larger than the amount it has deferred?

12 A. No. I would not say it that way. I  
13 would say the company is seeking to recover all of  
14 2012 major storm costs and that is different than the  
15 amount of deferral.

16 Q. Then why did the company seek a deferral?

17 A. The company would seek a deferral to --  
18 it's an accounting mechanism to make sure that the  
19 expense is incurred in the year that the revenue is  
20 received. So in 2012, we incurred an expense, asked  
21 the Commission for deferral authority so that we  
22 could move it from an expense to a regulatory asset  
23 and seek recovery of it in a future period.

24 Q. Could you provide me with any Commission  
25 precedent, PUCO rule, Ohio law that provides that you

1 can seek to collect more money from customers than  
2 the amount that the Commission deferred --

3 MR. SHARKEY: Objection.

4 Q. -- in regard to storm costs?

5 MR. SHARKEY: Objection. Calls for a  
6 legal conclusion. You can answer if you know.

7 A. I don't think that there is any  
8 Commission order or precedent that says in order to  
9 seek recovery of a cost, it must first be deferred.

10 Q. Is this a regular practice of the DP&L to  
11 seek to collect more money than the PUCO approved it  
12 to defer?

13 A. No. I think the company seeks to recover  
14 costs that are prudently incurred, and it believes it  
15 has the authority to seek recovery of those costs.

16 Q. Is the company seeking -- then why isn't  
17 the company seeking the total amount of 2008 costs  
18 that it -- that it incurred?

19 A. That's a good question. We have had a  
20 number of discussions and internal meetings and such  
21 to review our policies with storm recovery and those  
22 have changed over time and in this filing we sought  
23 only to recover the 2008 storm costs that we had  
24 deferred.

25 Q. You're talking about policies changing

1 over time, but you are seeking collection of the 2008  
2 and 2012 deferred costs at the same time.

3 A. Yes. We put in this application that we  
4 would only seek to recover the amount deferred plus  
5 carrying costs for 2008 and for 2012 and '11. We  
6 sought recovery of all the costs without a baseline  
7 and the carrying costs associated with those.

8 Q. And could you turn to page -- beginning  
9 with G, we were looking at paragraph 9. We heard the  
10 first part of the paragraph. Page 7 -- I'm sorry,  
11 paragraph 7, paragraph 7 of G, we were talking about  
12 the 2008 deferrals, and the lower half of paragraph 7  
13 states "Reducing DP&L's recovery of O&M expenses by  
14 the three-year average of O&M expenses associated  
15 with major storms is consistent with Commission  
16 precedent, most notably Case No. 08-1332-EL-AAM. In  
17 that case, DP&L applied for authority to defer, as a  
18 regulatory asset, a portion of its O&M expenses  
19 associated with restoring electric service to its  
20 customers in the aftermath of Hurricane Ike. DP&L  
21 proposed to defer the amount by which the total O&M  
22 expenses associated with the Hurricane Ike-related  
23 service restoration expenses experienced in 2008  
24 exceeded the three-year average service restoration  
25 O&M expenses associated with major storms."

1                   So would you agree that in this most  
2 recent entry on rehearing as of February 13 of 2013,  
3 the Commission again is reiterating that the company  
4 only had authority to defer storm costs associated  
5 with Ike in 2008?

6                   A. No, I disagree. I think this is a  
7 mischaracterization of what the company proposed to  
8 defer. This says DP&L proposed to defer the amount,  
9 blah, blah, blah of Ike. That isn't what we sought  
10 to defer. What we sought to defer was all of 2008  
11 storms reduced by a three-year average.

12                  Q. Would you agree that reading the  
13 Commission's entries, the ones we have just read,  
14 that the -- whether or not the company sought to  
15 defer other 2008 storm costs, that the Commission was  
16 of the opinion that the only costs that the company  
17 sought in 2008 were related to Ike; is that fair to  
18 say?

19                  A. I disagree. I think that the  
20 Commission's order in the 2008 case allowed DP&L to  
21 defer -- it approved its application. The  
22 application was to defer all of 2008 including Ike  
23 plus the three-year average.

24                  Q. Would you agree that it's ambiguous, that  
25 the --



1           A.    I would agree that the order could have  
2    been written more clearly.

3           Q.    Fair to say -- go ahead and strike that.

4                    Do you know what the deferred amount was  
5    for the 2012 deferral based on the years 2010 --  
6    excuse me, 2011, 2010, and 2009 that you just stated?

7           A.    I'm sorry.

8           Q.    Let me strike that. That was confusing.  
9    You stated that although the company did not  
10   calculate a three-year major storm average in regard  
11   to the 2012 storm costs it seeks to collect, that the  
12   company had calculated a three-year average for the  
13   purposes of the deferral of those storms, correct?

14          A.    Yes.

15          Q.    And you said that those years were 2011,  
16   2010, and 2009, correct?

17          A.    Yes.

18          Q.    Do you know what that amounted to?

19          A.    No, I don't.

20          Q.    Who would know that?

21          A.    Greg Campbell.

22          Q.    Thank you. If I could have you turn to  
23   your testimony page 4, please.

24          A.    We're still on Exhibit A?

25          Q.    Yes. Question 9, it says "Does DP&L have

1 Commission authority to seek recovery of storm  
2 costs?" You indicate "Yes," and you talk about PUCO  
3 Case No. 08-1094-EL-SSO. Could you please explain  
4 your involvement, if any, in regard to that case?

5 A. Yes. I was involved in that case. I put  
6 on testimony in that case and worked on the  
7 settlement that resulted from that case.

8 Q. What issues did you testify to in that  
9 case? Do you remember?

10 A. I don't know. '08 case --

11 Q. Let me simplify it, do you recall if the  
12 company requested a storm rider in that case in its  
13 application?

14 A. No. That was an ESP case. That was the  
15 company's first ESP case so that dealt mostly with  
16 generation and transmission-related rates. However,  
17 the stipulation that resulted from that case that was  
18 signed by staff and Kroger and OCC extended the rate  
19 freeze through December of 2012 and permitted the  
20 company to file a separate application to recover  
21 storm costs.

22 MS. YOST: I would like to have marked  
23 now OCC Exhibit H. It's the February 24, 2009,  
24 stipulation and recommendation, and I also will say  
25 that I do have up to Attachment E. I do believe this

1 has all of the attachments. But there might have  
2 been tariffs attached so I just want to make that  
3 clear.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. And this is a stipulation and  
6 recommendation that you're referencing that the  
7 Commission approved that gives the company the  
8 authority to seek recovery of storm costs?

9 A. This application -- or this stipulation  
10 was the most recent stipulation but there were at  
11 least three prior to this that also gave us the  
12 authority to seek storm recovery.

13 Q. Three prior?

14 A. Stipulations.

15 Q. I guess what I'm speaking about is in  
16 regard to the costs that the company is seeking in  
17 this case, 2008, 2012, and 2011.

18 A. This is the most recent stipulation.

19 Q. Is it your -- well, in your testimony you  
20 state in regard to the question "Does DP&L have  
21 Commission authority to seek recovery of the storm  
22 costs," I assume that question is specific to the  
23 storm costs you're seeking in this case, which would  
24 be for years 2008, 2011, and 2012; is that fair to  
25 say?

1 A. Yes.

2 Q. And in regard to that question is this  
3 stipulation and recommendation and the Commission  
4 order approving the stipulation and recommendation  
5 the only authority granting DP&L the right to seek  
6 recovery of storm costs?

7 MR. SHARKEY: Objection. Calls for a  
8 legal conclusion.

9 You can answer if you know.

10 A. I'm not sure I follow.

11 Q. Well, in response to this question on  
12 page 4 of your testimony, line 9, you indicate -- the  
13 only authority that you indicate is the stipulation  
14 and recommendation that's in front of you and the  
15 Commission order approving it, correct?

16 A. Yes.

17 Q. Do you know of any other Commission order  
18 or entry that gives DP&L the authority to seek  
19 recovery of storm costs and specifically in 2008,  
20 2011, 2012?

21 MR. SHARKEY: Objection. Calls for a  
22 legal conclusion.

23 You can answer if you know.

24 A. I guess I am not seeing the distinction.  
25 The company had at least four stipulations, rate

1 stipulations, from 1999 through 2008 where it had  
2 frozen distribution rates, and in addition to the  
3 frozen distribution rates, it had the authority to  
4 seek cost recovery of storm damage.

5 Q. During the applicable terms of those  
6 ESPs, correct?

7 MR. SHARKEY: Object. They weren't all  
8 ESPs.

9 A. Each one states a specific timeframe over  
10 which the distribution rates are frozen and some of  
11 them specify when we can seek recovery of storm  
12 costs.

13 Q. Did any of those documents, we'll just  
14 call them, that you're referencing give DP&L the  
15 authority to seek recovery of storm costs incurred in  
16 2008?

17 MR. SHARKEY: We object. You are asking  
18 her detailed questions about documents you haven't  
19 placed in front of her. I would ask you if you are  
20 going to cross-examine her about what those  
21 stipulations say, you put them in front of her.

22 A. The 1999 ETP case, which was Case No.  
23 99-1687-EL-ETP, stipulation stated we would have  
24 frozen distribution rates through 2006 with the  
25 exception of storm damage expenses after 2003. The

1 2002 case, which was Case No. 02-2779-EL-ATA, a  
2 stipulation that resulted from that case said that we  
3 would have frozen distribution rates through 2008,  
4 and it carried forward all the exceptions from the  
5 ETP case in 1999 which included storm relief.

6 In the '05 case, which was Case No.  
7 05-276-EL-AIR, it carried forward a certain paragraph  
8 from the '02 case which froze distribution rates with  
9 the exception of storm damage through 2008. And then  
10 we had the '08 case which was 08-1094-EL-SSO which  
11 froze distribution rates through 2012 with the  
12 exception of storm damage.

13 Q. Okay. So the first case you cited was  
14 02-2779; is that correct?

15 A. No. The first case was 99-1687-EL-ETP.

16 Q. So is it your testimony that the  
17 Commission order in Case 99-1687 authorizes DP&L to  
18 seek recovery of storm costs incurred in 2008?

19 A. No. It's my testimony that that case  
20 froze distribution rates through 2006 with the  
21 exception of storm damage that we incurred after  
22 2003.

23 Q. Is it your testimony that the  
24 Commission's opinion and order in 99-1687 gives DP&L  
25 the authority to seek recovery of storm costs

1 incurred in 2011?

2 MR. SHARKEY: Object. You are asking her  
3 questions about an opinion and order that you have  
4 not placed in front of her.

5 You can answer the question if you know.

6 A. I'm sorry. I don't know what the  
7 question was.

8 MS. YOST: Could you read it back.

9 (Record read.)

10 A. No. It's my testimony that the '99 case,  
11 1999, 1687-EL-ETP, the stipulation that was approved  
12 by the Commission in that case froze DP&L's  
13 distribution rates through 2006 with the exception of  
14 storm damage expenses that were incurred after 2003.

15 Q. And is it your testimony that the  
16 Commission's opinion and order in 99-1687 authorizes  
17 DP&L to seek recovery of storm costs incurred in  
18 2012?

19 MR. SHARKEY: Same objection.

20 A. No.

21 Q. And I apologize, the second case you  
22 stated, was that 02-2779?

23 A. Yes.

24 Q. Is it your testimony that -- and I can  
25 break it down if the answers are different. Is it

1 your testimony that the Commission's opinion and  
2 order in 02-2779 gives DP&L the authority to seek  
3 recovery of storm costs incurred in 2008, 2011, and  
4 2012?

5 MR. SHARKEY: Same objections.

6 A. I don't understand the question. I mean,  
7 the 2002 stipulation, as I said, froze distribution  
8 rates through 2008 with the exception of storm  
9 relief.

10 Q. So can the company pursuant to that  
11 order -- in regard to 02-2779, does that give the  
12 company authority to seek recovery of storm costs  
13 incurred in 2008?

14 A. I guess sort of, yes. We had frozen  
15 distribution rates through 2008 according to that  
16 stipulation with the exception of storm relief so at  
17 that time it would have given us the authority to  
18 seek recovery of storm damage whether that storm  
19 damage occurred in 2003, '5, '6, '8, '12. There was  
20 a whole series of stipulations that froze the  
21 distribution rates with the exception of storm  
22 damage.

23 Q. So '02, the Commission's opinion and  
24 order in 02-2779, gives the company the authority to  
25 seek recovery of storm costs incurred in 2011?



1 MR. SHARKEY: Same objections.

2 A. It's not the only stipulation that was  
3 out there, but if it was the only one standing, then,  
4 yes, it would have.

5 Q. We're talking about the company filed to  
6 seek recovery of storm costs December, 2012, correct?

7 A. Yes.

8 Q. And that application sought authority to  
9 recover storm costs in 2008 -- strike that.

10 And that application sought to recover or  
11 collect from customers storm costs from storms that  
12 occurred in 2008 and 2012, correct?

13 A. No. The application filed in December of  
14 2012 sought recovery of storms that occurred in 2008,  
15 2011, and 2012.

16 Q. So I left out '11 and that's why you said  
17 my answer was wrong.

18 A. Right.

19 Q. So when the company filed the application  
20 December, 2013 -- December, 2012, when it filed the  
21 application, did the Commission's opinion and order  
22 in 02-2779 give them that authority to seek recovery  
23 of storm costs incurred in 2008, 2011, and 2012?

24 MR. SHARKEY: Same objections as earlier.

25 A. I don't think that it's a -- that

1 specific stipulation. Again, there were a series of  
2 stipulations that were signed from 1999 through 2008  
3 that all said DP&L's distribution rates would be  
4 frozen with the exception of storm costs recovery.

5 Q. I appreciate that. I understand that  
6 distribution rates have been frozen through several  
7 agreements over some years, but you can at least  
8 agree with me that in response to your testimony  
9 filed with the application, that the only authority  
10 you indicate that DP&L has from the Commission to  
11 seek recovery of costs is the 08-1094 stipulation and  
12 that opinion and order that approved it on page 4 of  
13 13.

14 A. I reference only the 2008 stipulation in  
15 my original testimony. However, in my supplemental  
16 testimony I also discuss all of the cases, on page 8  
17 of my supplemental testimony. It's actually the  
18 question that starts on page 7, line 20. That talks  
19 about -- the answer states, line 1, "DP&L, the PUCO  
20 staff, and other intervenors have agreed several  
21 times over the course of the last 15 years that  
22 DP&L's distribution rates would be frozen, not  
23 subject to an increase or a decrease." And "The last  
24 such agreement took place in the ESP I stipulation,"  
25 that was the '08 case, "which froze DP&L's

1 distribution rates through 2012 with the exception of  
2 storm cost recovery."

3 Q. Do you have a copy of the application in  
4 this proceeding? I'm sorry, Dona, did you have a  
5 copy?

6 A. Yes.

7 Q. Could you turn to the application first  
8 page.

9 A. Okay.

10 Q. Do you see anywhere in the application  
11 that the company cites to 02-2279 for authority to  
12 recover storm costs in this case from customers?

13 A. No, I don't.

14 MS. TARKENTON: This is Tammy Tarkenton.  
15 I'm sorry to interrupt.

16 MS. YOST: Yeah, Tammy, we're here.

17 MS. TARKENTON: Okay. I apologize.

18 MR. SHARKEY: Go off the record.

19 (Discussion off the record.)

20 Q. The stipulation and recommendation which  
21 has been marked as OCC H, could you please turn to  
22 page -- I am looking for the page you cite in your  
23 testimony on page 4 -- page 10, I believe bottom of  
24 page 10.

25 A. Okay.

1           Q.   Paragraph 18 on page 10 is 18 subpart A  
2   and B, that's what you have cited, it looks like, in  
3   full in your testimony, correct?

4           A.   Yes.  That's what I intended.

5           Q.   And we can agree that this stipulation  
6   and recommendation is no longer in effect, correct?

7           MR. SHARKEY:  Objection.  Calls for a  
8   legal conclusion.

9           You can answer if you know.

10          A.   I don't know.  There wasn't a subsequent  
11   stipulation to take its place.

12          Q.   I'm sorry?

13          A.   There wasn't a subsequent stipulation to  
14   take its place.

15          Q.   But isn't this -- but is it your  
16   understanding this stipulation established an  
17   electric security plan for the company?

18          A.   It established an electric security plan  
19   for the company that was in place from '09 through  
20   2013.

21          Q.   Yes.  And we're in 2014 so it's fair to  
22   say that the terms and conditions of the electric  
23   security plan from the 08-1094 case are not the terms  
24   and conditions that the company must abide by; is  
25   that fair to say?

1 MR. SHARKEY: Objection. Calls for a  
2 legal conclusion.

3 You can answer if you know.

4 A. I don't know.

5 Q. The rates for electric service that the  
6 company is charging its customers for today were  
7 approved in what proceeding?

8 A. It depends on what rates you're talking  
9 about.

10 Q. Standard service offer rate.

11 A. The standard service offer rates that the  
12 company is charging today in January of '14 were the  
13 result of the Commission order in the '12 case,  
14 12-426-EL-SSO.

15 Q. Can you identify any terms or conditions  
16 that the company is required today to apply within  
17 OCC Exhibit H?

18 MR. SHARKEY: Objection. Calls for a  
19 legal conclusion.

20 You can answer if you know.

21 A. I'm not sure I follow that.

22 THE WITNESS: Can you maybe reread the  
23 question.

24 (Record read.)

25 A. I think a number of provisions that are

1 in this document still apply today.

2 Q. And how do they still apply?

3 MR. SHARKEY: Objection. Calls for a  
4 legal conclusion.

5 You can answer if you know.

6 A. I think the paragraph 15 that deals with  
7 reasonable or unique arrangements must be filed with  
8 the Commission for approval. I think that still  
9 applies today.

10 Q. Pursuant to this agreement?

11 A. This agreement and case precedent and  
12 Commission rules. I think that the paragraph that we  
13 are talking about, paragraph 18, still applies today  
14 because there is nothing else that's been issued by  
15 the Commission telling DP&L to charge different  
16 distribution rates.

17 Q. So you're saying the DP&L's distribution  
18 rates are frozen?

19 A. No. I'm saying this paragraph still  
20 applies, that its rates were frozen through 2012 with  
21 the exception of complying with changes in tax or  
22 regulatory laws and storm damage. So this talks  
23 about what DP&L's distribution rates would be  
24 charged. There's nothing in the most recent ESP that  
25 talks at all about DP&L's distribution rates, what

1 they should be starting in '14 or any other aspect of  
2 distribution rates.

3 Q. So let's turn back to the Commission  
4 opinion and order from September 4, 2013, which we  
5 marked as an exhibit. I believe that was exhibit --  
6 we did mark it as an exhibit, didn't we? Actually  
7 strike that. I believe that -- did we mark that as  
8 an exhibit?

9 MR. SHARKEY: Which one?

10 MS. YOST: The ESP III order.

11 MR. SHARKEY: No, we did not.

12 MS. YOST: Okay. Do that real quick.

13 And at this time I would like for the  
14 opinion and order in Case No. 12-426-EL-SSO be marked  
15 as OCC Exhibit I.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 Q. You've definitely seen this exhibit,  
18 correct?

19 A. Yes.

20 Q. Do you remember earlier when we were  
21 talking about the carrying cost rate that got  
22 approved in this case and you read that the term of  
23 the ESP would start January 1, 2014?

24 A. Yes.

25 Q. What page was that?

1 A. Page 15.

2 Q. Thank you. And on page 15 it says "The  
3 Commission finds that DP&L's ESP should be approved  
4 for a term beginning January 1, 2014, and  
5 terminating" December 36 -- excuse me, "December 31,  
6 2016." Do you see that?

7 A. Yes.

8 Q. And would you agree that the previous ESP  
9 was terminated as of January 1, 2014?

10 A. I don't know that it was terminated. The  
11 rates that were authorized and approved in the ESP I  
12 went from 2009 through 2013, December 31, 2013.

13 Q. So if you don't know if it's terminated,  
14 do you ensure that the company is complying with the  
15 terms and conditions in the ESP from the 08-1094  
16 case?

17 A. I'm not sure which provisions you're  
18 talking about.

19 Q. Any provision.

20 A. I don't understand the question.

21 Q. Is it part of your job responsibilities  
22 to ensure that the company complies with its -- the  
23 terms and conditions of the approved ESP; is that  
24 fair?

25 A. Yes.



1           Q.    So when you're doing your job in 2014,  
2   part of your job is to understand -- understand what  
3   terms and conditions that the company has to comply  
4   with; is that fair?

5           A.    Yes.

6           Q.    And what terms and conditions does the  
7   company have to comply with in 2014 in regard to the  
8   stipulation and recommendation in the 08-1094 case?

9           A.    Well, the Commission order in the 2012  
10   case did not establish distribution rates so I guess  
11   that's why I have that section of the code in my  
12   book.  I think Ohio Revised Code 4909.03 states that  
13   rates, charges, classifications are fixed by the PUCO  
14   and shall be enforced and prima facie lawful for two  
15   years from the day they take effect or until changed  
16   or modified by the Commission.  So I don't think that  
17   the Commission has changed or modified DP&L's  
18   distribution rates by issuing the order in the 2012  
19   case.

20          Q.    And wouldn't you agree that DP&L's  
21   distribution rate -- distribution rates were  
22   established in the 1991 distribution rate case,  
23   correct?

24          A.    Yes.  The current distribution rates were  
25   established in the 1991 -- were the result of the

1 1991 case, unbundled in the 1999 case.

2 Q. And they are still in effect?

3 A. And they are still in effect because we  
4 had a series of stipulations that we signed with the  
5 staff and the OCC and several other intervenors from  
6 1999 until 2008 that froze our distribution rates  
7 with the exception of storm costs.

8 Q. And DP&L will be filing a distribution  
9 rate case soon, correct?

10 MR. SHARKEY: Objection. And I will  
11 instruct you not to answer.

12 She is not required to disclose DP&L's  
13 future plans.

14 Q. If DP&L were to file a distribution rate  
15 case, if that application were approved -- strike  
16 that.

17 We can agree that the distribution rates  
18 that Dayton Power and Light are charging today were  
19 established in the 1991 and the 1999 unbundling case,  
20 correct?

21 A. Yes.

22 Q. And nothing in the 12-426 ESP proceeding  
23 changed those rates, correct?

24 A. That's correct.

25 Q. And nothing in the 08-1094 case changed

1 those rates either, correct?

2 A. The 08-1094 case froze DP&L's  
3 distribution rates through 2012 with the -- with two  
4 exceptions, one of which was storm damage expense.

5 Q. Okay. Let's talk about that and I am  
6 going to talk about the provision that you have cited  
7 in your testimony which is also OCC H so paragraph  
8 18, page 10 of OCC H, states that, as we spoke,  
9 "DP&L's distribution base rates will be frozen  
10 through December 31, 2012." And do you agree that  
11 the 08-1094 stipulation indicated that that  
12 distribution rate freeze did not limit DP&L's right  
13 to seek emergency rate relief pursuant to 4909.16,  
14 correct?

15 A. Yes.

16 Q. Did DP&L ever seek emergency rate relief  
17 pursuant to 4909.16 of the Revised Code during the  
18 term of the ESP in the 2008 case?

19 A. No.

20 Q. Do you agree that the 2008 stipulation  
21 did not limit DP&L's right to apply to the Commission  
22 for approval of a separate rider to recover the cost  
23 of complying with changes in tax or regulatory laws  
24 and regulations effective after the date of the  
25 stipulation?

1           A.    The '08 stipulation allowed for the  
2   company to file a separate application to recover  
3   costs associated with either, A, the cost of  
4   complying with changes in tax or regulatory laws and,  
5   B, the cost of storm damage.

6           Q.    And so my answer is yes?

7           A.    Yes, I'm sorry.

8           Q.    I was just reading it straight. I'm not  
9   trying to be tricky at all. Did the company during  
10  the term of the '08 ESP apply to the Commission for  
11  approval of a separate rate rider to recover any of  
12  the following costs -- and we can break them down  
13  separately -- the cost of complying with changes in  
14  tax or regulatory laws?

15          A.    No.

16          Q.    And regulations effective after this  
17  stipulation?

18          A.    Not that I recall off the top of my head.

19          Q.    So the provision 18 granted DP&L the  
20  right to seek emergency rate relief. It didn't  
21  require DP&L to seek emergency rate relief, correct?

22          A.    It allowed us to seek emergency rate  
23  relief.

24          Q.    But you didn't do it during the term of  
25  the 2008 ESP, correct?

1 A. Correct.

2 Q. And we can agree that the company did  
3 seek approval of separate rate riders to defer storm  
4 costs during the term of the ESP, correct?

5 A. The company sought a request to defer the  
6 storm costs during the ESP, but we also sought  
7 recovery of the storm cost during the ESP because we  
8 filed in December of 2012 which was effectively still  
9 part of the ESP I timeframe.

10 Q. Would you agree because that term was  
11 extended by Commission order?

12 A. No.

13 MR. SHARKEY: I'm sorry, there wasn't any  
14 question, I don't think.

15 MS. YOST: You're right. What?

16 MR. SHARKEY: I am objecting. There  
17 wasn't a question.

18 MS. YOST: Could you read back my  
19 question and answer.

20 (Record read.)

21 MS. YOST: I'm sorry. Are you objecting?

22 MR. SHARKEY: I guess I was objecting  
23 because there wasn't a question that you had asked.  
24 I don't think that was phrased as a question.

25 MS. YOST: Oh, okay. Well, she answered.

1 Just move on?

2 MR. SHARKEY: Your record is what it is  
3 so you can keep going.

4 MS. YOST: I didn't know if you had  
5 another objection.

6 Q. My dates are wrong, correct, the 2008 ESP  
7 per the terms of the stipulation were to end  
8 December 31, 2012, correct?

9 A. That's correct.

10 Q. Thank you. Sorry about that. A lot of  
11 time has passed. And you would agree that the 2008  
12 stipulation did not grant DP&L the right to recover  
13 storm costs from customers, correct?

14 MR. SHARKEY: Objection. Calls for a  
15 legal conclusion.

16 You can answer if you know.

17 A. I believe the 2008 stipulation allowed  
18 DP&L to apply to the Commission for approval through  
19 a separate rate to recover storm costs.

20 MR. SHARKEY: Go off the record.

21 (Discussion off the record.)

22 (Record read.)

23 Q. Would you agree that the 2008 stipulation  
24 does not guarantee recovery of storm costs from  
25 customers?

1           A.    It doesn't say that it guarantees cost  
2    recovery.

3           Q.    And the current ESP does not contain a  
4    storm cost recovery rider, correct?

5           A.    The Commission's order in the most recent  
6    ESP which would be the 2012 case does not permit  
7    storm recovery nor does it deny storm recovery.  It's  
8    silent.

9           Q.    Does it establish a storm cost recovery  
10   rider?

11          A.    No, but it doesn't deny one either.

12          Q.    But the company never requested a storm  
13   cost recovery in the 12-426 case, correct?

14          A.    Correct.  That's because the 12-426 case  
15   is an ESP case which deals with generation rates in  
16   general.

17          Q.    Are you aware of whether AEP has a storm  
18   cost rider?

19          A.    I believe they do.

20          Q.    And do you know where they receive their  
21   approval for that storm cost rider?

22          A.    I do not.

23                MS. YOST:  Off the record.

24                (Discussion off the record.)

25          Q.    On page 4 of your testimony the very --

1 close to the bottom, line 24, you talk about "seek  
2 incremental recovery of storm costs." Just to  
3 clarify you use "recovery." Does that mean collect  
4 from customers?

5 A. Yes, I believe it means collect from  
6 customers.

7 Q. And when you use the word "incremental"  
8 on line 24, and you can read the whole sentence if  
9 that helps you, but what does incremental mean to you  
10 in regard to storm costs as it's used?

11 A. The way I intended that word in my  
12 testimony is that distribution rates were frozen  
13 through '12 and the company could seek recovery above  
14 and beyond current distribution rates to recover its  
15 storm costs.

16 Q. So incremental means any costs that the  
17 company incurs above base distribution rate?

18 A. The way that it was intended there was to  
19 demonstrate that distribution rates were frozen  
20 through '12 with the exception of storm costs, and  
21 those storm costs would be recovered incremental to  
22 DP&L's distribution rates.

23 Q. So anything above distribution rates --

24 A. Yes.

25 Q. -- is an incremental cost.



1           A.   Incremental recovery is what it says, and  
2   so it's incremental recovery of storm costs.

3           Q.   So it's incremental recovery not  
4   incremental costs?

5           A.   That's correct.  So we were permitted to  
6   recover our distribution rates which were our base  
7   distribution rates, and incremental to that we were  
8   allowed to recover storm costs.

9           Q.   Oh, I see.  I had that backwards.  Have  
10   you heard the phrase incremental costs?

11          A.   Yes.

12          Q.   What does that mean to you?

13          A.   It depends on how it's used, in what  
14   context.

15          Q.   If -- if the company was permitted to  
16   collect from customers incremental costs resulting  
17   from mutual assistance, is that -- or am I going  
18   somewhere?

19          A.   I am not understanding.

20          Q.   Does DP&L -- yes.  You guys are a member  
21   of mutual assistance agreements.  You go help other  
22   utilities with storm restorations.

23          A.   Yes, that's correct.

24          Q.   If you sent your crews to another state  
25   to help during storm restoration and the Commission

1 said that you could collect incremental costs  
2 resulting from that mutual assistance from customers,  
3 what would that mean to you?

4 A. I don't understand that level of  
5 thinking. If we were to send our crews to help out  
6 another utility, the cost of us sending those crews  
7 would be borne by that utility, so I don't know how  
8 the Commission would grant us authority to recover  
9 that cost. It's not our -- at that point it's not  
10 our cost; it's the other utility's cost.

11 Q. Yeah, strike that. I missed something.  
12 Think of an example. I won't hold up on this. So  
13 the phrase incremental cost, do you have a general  
14 understanding of what that means?

15 A. Again, it depends on how it's used and  
16 what context. This right here says incremental  
17 recovery.

18 Q. Yeah, I see that after you explained  
19 that. I was thinking incremental costs. Okay.  
20 Let's talk about the 2011 deferral. Were you  
21 involved in the decision to include a request to  
22 defer and collect 2011 storm costs from customers in  
23 this case?

24 A. Yes.

25 Q. And what was your role in that decision

1 making?

2 A. Again, any time the company decides to  
3 request deferral of costs there's discussions that  
4 occur with the accountants and the financial folks,  
5 the service operations folks, and I would have been  
6 involved in those discussions.

7 Q. And we talked about the fact that the  
8 2012 storm costs -- strike that.

9 And we talked about the fact that the  
10 company sought deferral of 2008 storm costs before it  
11 sought deferral of 2011 storm costs, correct?

12 A. Yes. The company sought deferral of 2008  
13 storm costs before 2011.

14 Q. Earlier you said that the decision when  
15 to seek deferral of costs depends on -- strike that.

16 Why did DP&L wait nearly 15 months after  
17 the last major storm in 2011 to seek a deferral?

18 A. We sought deferral of our 2011 storm  
19 costs as part of our filing in this case so the  
20 company had made a decision to apply for recovery of  
21 its storm costs and it decided that 2011 was also a  
22 major storm event year and we should seek deferral of  
23 those costs as well.

24 Q. At what point after a storm does the  
25 company know whether it was a major storm event?

1           A.    I think it depends.  The definition of a  
2   major storm has changed over time.  Bryce Nickel and  
3   his folks would be the people who would determine  
4   whether or not a storm was a major storm or not.  I  
5   think that timing depends on what's occurring at the  
6   time, what kind of storm it was, how we're measuring  
7   whether it was a major/nonmajor storm.

8           Q.    Isn't a quick determination of whether a  
9   storm was a major storm needed in regard to the  
10  Commission's rules on reliability?

11          A.    Yes.  The Commission's rule for  
12  reliability establishes what is a major storm and  
13  what is not, I mean the criteria for determining  
14  that.

15          Q.    And there's no reason why the company  
16  could not have sought deferral of 2011 storm costs  
17  with its application to defer 2012 defer -- storm  
18  costs, correct?

19          A.    That's correct.  I am not aware of any  
20  Commission rule or requirement with respect to  
21  requesting deferral of costs and the timing of that  
22  and the timing of recovery of those costs.

23          Q.    Was the company not aware that it had  
24  what is alleged to be major storms in 2011 until  
25  2012?

1           A.    No.  I'm sure we were aware that we had  
2   major storms in 2011 prior to requesting deferral in  
3   December of 2012.  However, there were many things  
4   going on at the Commission during 2011 such as the  
5   acquisition of DP&L -- AES's acquisition of DP&L.

6           Q.    Was there a decision before DP&L was  
7   acquired by -- what is it?

8           A.    AES?

9           Q.    Thank you.  Was there a decision before  
10  DP&L was acquired by AES to not seek deferral of 2011  
11  storm costs?

12          A.    I don't believe that decision -- I don't  
13  believe there was ever a decision not to seek  
14  recovery of 2011 storm costs.

15          Q.    On page 5 of your testimony, question  
16  line 8 indicates "Why has the Company asked for a  
17  ruling on that portion of the application by  
18  February 8, 2013?"  What was the -- are you familiar  
19  with what that request was by February 8, 2013?

20          A.    Yes.  That request was included in our  
21  application in this case because the company had  
22  plans to file its SEC reporting documents by the  
23  beginning of February, 2013.  And so we were asking  
24  the Commission to essentially expedite their decision  
25  to allow us to defer those costs.

1           Q.   And that did not happen in this case,  
2   correct?

3           A.   That did not happen in this case.  That's  
4   still an open request.

5           Q.   And fair to say that the PUCO does not  
6   require any deferred amounts to be included on the  
7   company's filings with the Securities and Exchange  
8   Commission?

9           A.   I'm sorry.  I didn't follow that, or  
10   maybe I should have it read back.

11          Q.   I can rephrase.  It might be easier.  The  
12   PUCO does not mandate that deferrals are included on  
13   the company's filings with the Securities and  
14   Exchange Commission, correct?

15          A.   That's correct.  The Commission does not  
16   require it, but accounting standards require that  
17   items be probable for recovery in order to be  
18   recorded as a regulatory asset.

19          Q.   Isn't that a limitation rather than a  
20   requirement?  Isn't that -- can you answer it that  
21   way?  Or I'll take it further.

22          A.   I don't understand.

23          Q.   You were indicating that the accounting  
24   standards a deferral has to be probable for recovery  
25   before it can be recorded, correct?

1           A.   That's correct, accounting standards  
2   require that something be probable for recovery  
3   before it is recorded as a regulatory asset.

4           Q.   Isn't that a limitation that it has to be  
5   probable for recovery rather than a requirement that  
6   it be recorded on SEC filings?

7           MR. SHARKEY:  Objection to form.

8           You can answer.

9           A.   I don't understand the distinction  
10   between the limitations versus the requirement.  I  
11   mean, the company elected to record it as a  
12   regulatory asset, and in doing so it sought the  
13   Commission's authority to defer it as a regulatory  
14   asset.

15          Q.   And once you -- you were talking earlier  
16   about costs have to be probable for recovery before  
17   you request deferral.  Do you recall that?

18          A.   I think I said they knew to be probable  
19   for recovery before they're recorded, not necessarily  
20   before they are requested.

21          Q.   And why would the company want to include  
22   approved deferrals on their filings with the  
23   Securities and Exchange Commission?

24          A.   As we discussed before, the deferral  
25   is -- the accounting effect of a deferral is taking

1 an expense from a given period and recording it as an  
2 asset, and then in the future period when revenues  
3 are received related to that expense, the costs are  
4 expensed at the -- at the rate that they are  
5 recovered.

6 Q. Would you agree that there is some risk  
7 in re -- strike that.

8 Are you aware of any utilities who have  
9 been granted deferrals and denied -- and later denied  
10 recovery of the deferred amounts?

11 A. Not off the top of my head.

12 Q. Have you monitored the Duke storm case at  
13 all?

14 A. I watch it and folks that report to me  
15 watch those cases, yes.

16 Q. And I don't mean to make it a current  
17 case. The Duke storm case in regard to their  
18 expenses for Ike, do you recall the outcome of that  
19 case?

20 A. I believe they had a large disallowance  
21 because their costs were not prudently incurred.

22 Q. And would you agree that they had  
23 received approval to defer those storm costs related  
24 to Ike?

25 A. I don't know if they were deferred or



1 not.

2 Q. Would you expect that they requested a  
3 deferral?

4 MR. SHARKEY: Objection. Calls for  
5 speculation.

6 A. I don't know.

7 Q. And how much is the company requesting in  
8 carrying charges if it receives the deferral in  
9 regard to 2011's storms?

10 A. That would be in our filing. I don't  
11 know that it's a certain line item in our filing, but  
12 I would have to do some calculations to determine  
13 that amount.

14 Q. I don't want to make you do a calculation  
15 so we can talk about what is the requested carrying  
16 cost amount in regard to the 2011 request to defer  
17 storm costs?

18 A. It would be contained on Schedule B-1,  
19 line 23, but those are the carrying costs of all O&M  
20 prior to March of 2012.

21 Q. Can you tell what the requested carrying  
22 cost rate for the 2011 deferral is? Would that be --

23 A. It would be the same as all others, 5.86.

24 Q. And so we could -- is that requested  
25 deferral WPC-3?

1           A.    WPC-3 contains carrying costs from the  
2    '11 storm that starts in March of '13, and then it  
3    also contains carrying costs on storm costs incurred  
4    December of 2012, two sets of carrying costs there.

5           Q.    Why are these carrying costs calculated  
6    beginning December, 2012?

7           A.    We submit the carrying costs into what  
8    had been -- what had been recorded already prior to  
9    our filing, and then we tried to project what the  
10   carrying costs would be on a going-forward basis.

11          Q.    What do you mean recorded prior to your  
12   filing?

13          A.    From an accounting perspective.  When  
14   the -- for example, the 2008 storm costs were  
15   incurred, they were recorded on the company's books  
16   as a regulatory asset, and carrying costs were  
17   applied from that point forward so when we filed this  
18   case in December of '12, there were some carrying  
19   costs that had been already recorded on the company's  
20   books and records from an accounting perspective.

21          Q.    So carrying costs --

22          A.    I believe Greg Campbell sponsors the  
23   schedules dealing with the carrying costs that were  
24   recorded from an accounting perspective, and I  
25   sponsored the schedules from the going-forward

1 calculation.

2 Q. And he can answer all my questions on  
3 these matters so you don't have to?

4 A. Yes.

5 Q. Thank you. Talk a little bit about the  
6 storm rider. Is it the company's proposal that the  
7 storm cost recovery rider would be for storms --  
8 storm costs incurred after 2012?

9 A. I'm sorry. Are you looking at a certain  
10 section of my testimony?

11 Q. No. I am just looking at the words  
12 "storm cost recovery rider" on page 8 but not really.  
13 Let me put it a different way. Under the company's  
14 proposal would they be able to -- would the company  
15 be able to collect storm costs incurred in 2013?

16 A. It was the company's intention when it  
17 filed its application in December of 2012 that we  
18 would be recovering past storms and then there would  
19 be a mechanism in place to recover future storms as  
20 well.

21 MS. YOST: I'm sorry. Could you read her  
22 answer back.

23 (Record read.)

24 Q. When you say past storms, do you mean  
25 2008, 2011, or 2012, or additional years?

1           A.    When we filed the application in December  
2   of '12, we were seeking recovery of 2008, 2011, and  
3   2012, and then I'm not sure if it was in the  
4   application or not, but we assumed that we would have  
5   a storm rider going forward to track storm costs in  
6   future years.

7           Q.    On page 11 of your testimony, question 9,  
8   indicates "Why did you not include all of 2012 O&M  
9   costs associated with major storm" -- excuse me,  
10  "major event storms?" And you talk about the filing  
11  being in December, 2012, and when the company files  
12  to reset the storm cost recovery rider in 2013, the  
13  total 2012 major storm costs will be known and  
14  included at that time. Do you know if the company  
15  incurred additional major event storm costs that are  
16  not reflected in its application for 2012?

17          A.    We did not have any additional major  
18  storms in 2012 besides the derecho.

19          Q.    So the company does not intend to seek  
20  any other 2012 storm costs through a rider other than  
21  those related to the derecho?

22          A.    That's correct.

23          Q.    And in regard to question 14 about 2009,  
24  2010 storm-related O&M costs, does the company intend  
25  to -- strike that.

1                   Did the company incur any major event  
2 storm costs for 2009?

3           A.    Yes.

4           Q.    Do you know how much that was?

5           A.    I believe that amount was shown on my  
6 Exhibit B to my supplemental testimony, major storm  
7 costs in '9, 774,841.

8           Q.    And might as well stay there. Did the  
9 company incur any major storm event costs in 2010?

10          A.    Yes.

11          Q.    And how much would that be?

12          A.    302,919.

13          Q.    Does the company intend to collect 2009  
14 major storm costs through the storm costs recovery  
15 rider?

16               MR. SHARKEY: I'm sorry. Could I hear  
17 that question again.

18               (Record read.)

19               MR. SHARKEY: Sorry for interrupting.

20          A.    The company's plans did not include  
21 seeking recovery of 2009 and 2010 storm costs.

22          Q.    So the company, as far as you know, does  
23 not intend to seek collection of those costs?

24          A.    As far as I know today, yes.

25               MR. SHARKEY: Go off the record.

1 (Discussion off the record.)

2 Q. I want to talk about your statement on  
3 page 11, top of 11. You talk about O&M costs from  
4 three years of storms backed out -- were O&M costs  
5 from the three years of storms backed out of the 2008  
6 total number? So in the application what did you do  
7 differently in regard to the three-year average  
8 compared to the three-year average for the deferrals?

9 A. I'm not sure I understand the question.  
10 What did we do differently?

11 Q. Yes.

12 A. From what?

13 Q. For the three-year average. Were O&M  
14 costs for the three years of storms backed out of the  
15 2008 total number? Are you talking about for the  
16 three-year average?

17 A. What this question and answer is relating  
18 to is that the company was seeking deferral of all  
19 2008 storms and we subtracted out the average of  
20 three-year major storm costs from the prior three  
21 years. So it was the total 2008 costs including  
22 Hurricane Ike, and make sure we're talking about the  
23 same thing, all costs -- all the storm costs in 2008  
24 minus the three-year average of major storms.

25 Q. And the three -- three-year average of

1 major storms was the average of '11, '10, and '09?

2 A. No. 2008, we are talking about 2008  
3 costs in --

4 Q. I'm sorry, yes.

5 A. And this was the three-year average of  
6 '7, '6, and '5.

7 Q. '7, '6, and '5, thank you.

8 A. And we subtracted out the 2005 ice storm  
9 because the company had sought and received recovery  
10 of that cost.

11 Q. And the company subtracted out the 2005  
12 ice storm in the calculation for the deferrals also?

13 A. Yes.

14 Q. So the same methodology was used to defer  
15 them in regard -- and the same methodology was used  
16 in the application in regard to the collection that  
17 the company seeks?

18 A. Yes.

19 Q. And you state that, we talked about it a  
20 little bit earlier, that the company's proposal has  
21 evolved. What has made the company's proposal  
22 evolve?

23 A. Questions and responses that we have  
24 provided to the staff and intervenors in these cases.  
25 If -- if the staff's interpretation is correct of the

1 2008 deferral order and the company was only allowed  
2 to recover a single storm such as Ike, it does not  
3 make logical sense to back out the average of  
4 three-year costs. So through those discussions and  
5 trying to identify what was in base rates versus what  
6 was not we -- when we filed this case, the  
7 methodology that we thought was appropriate was that  
8 we would have no baseline and no costs backed out  
9 because we don't believe there are any costs in our  
10 current base rates.

11 Q. Are you aware of the 2005 case where the  
12 company determined that the baseline would be \$3.6  
13 million?

14 A. Yes. That was at the request of staff.

15 Q. And you state "Thus, the Company used the  
16 new methodology for 2011 storm-related O&M" on --  
17 again on page 11, question starting on line 1. Do  
18 you see that at the very end?

19 A. Yes. Starting with 2011 storms, the  
20 company's new methodology was that we don't believe  
21 we have any costs in our current base rates and,  
22 therefore, nothing should be backed out of storms on  
23 a going-forward basis.

24 Q. Didn't you testify earlier that is --  
25 that the company is seeking all of its cost for 2012



1 also?

2 A. Yes, 2011 and '12. Starting with '11,  
3 '11 and '12.

4 Q. So it's the company's position that  
5 storm-related operation and maintenance major --  
6 strike that.

7 It's the company's position that they  
8 can -- that the company can collect from customers  
9 major storm operation and maintenance costs even if  
10 they never received authority to defer those costs?

11 A. Yes. There's nothing in the Commission  
12 rules or precedent that says first the company must  
13 seek deferral and then it can seek recovery.

14 Q. In the future will the company no longer  
15 seek deferrals of O&M costs?

16 MR. SHARKEY: Objection. Calls for  
17 speculation. I am going to instruct you not to  
18 answer. It's a legal strategy that will be made in a  
19 future case.

20 MS. YOST: What's your objection why she  
21 can't answer? Is it legal strategy or is it  
22 speculation?

23 MR. SHARKEY: Yeah. It's both  
24 speculation and it's a legal strategy, legal decision  
25 that will be made in a future case.

1           Q.   Do you believe that there must be  
2 multiple storms in a given year for the three-year  
3 average offset to be applicable?

4           A.   No. I believe the three-year average  
5 should not be applicable at all.

6           Q.   Then explain what you were saying in  
7 regard to staff's position and actually OCC's  
8 position that the company only received authority to  
9 defer 2008 storm costs related to Ike in regard to  
10 the three-year average.

11          A.   I believe what I said was that I don't  
12 think that it makes logical sense to subtract a  
13 three-year average from a single storm. The company  
14 incurred storm costs. They were prudently incurred.  
15 Ike was a major event. And it had absolutely nothing  
16 to do with the previous three years of storms.

17          Q.   Does it make sense to subtract a  
18 three-year average from a year of cost recovery  
19 regarding multiple storms?

20          A.   I don't understand the question.

21          Q.   You said it did not make sense to  
22 subtract a three-year average from a single storm.  
23 My question is is it reasonable to subtract a  
24 three-year average from a request for storm costs in  
25 a year where there were multiple major storm events?

1           A.    It makes more sense to me to subtract out  
2   a three-year average from a year in which you have  
3   the total storm costs, but it makes no sense to me to  
4   subtract out a three-year average from a single storm  
5   which had nothing to do with the previous three  
6   years.  That storm occurred; it was a major event.  
7   The company did everything it could to efficiently  
8   and effectively restore service.  Those costs were  
9   prudently incurred, and the company should be  
10  permitted to recover that cost.

11           Q.   Do you -- what is your understanding of  
12  the function of the offset of the three-year average  
13  of storm costs?

14           A.   Quite frankly I'm confused by it.  I  
15  think the intent by the staff was to reflect that  
16  some level of storm cost was included in base rates,  
17  but as you can see in my testimony, I do not believe  
18  there were any major storm costs included in base  
19  rates.

20           Q.   What kind of storm costs were included in  
21  base rates?

22           A.   It's very difficult to say because in  
23  1991 was -- was -- that case was resolved by a  
24  stipulation.  It was a black box stipulation.  There  
25  is very limited information about what -- what

1 assumptions were made about those -- this level of  
2 rates. There's nothing that says what level of storm  
3 cost is or is not included in that case.

4 Q. What is your understanding of the  
5 Commission's order in regard to the 2008 and 2012  
6 deferrals requiring an offset of the three-year storm  
7 cost average?

8 A. I don't know what the Commission's  
9 thinking is. You would have to ask the staff.

10 Q. Do you understand the Commission is  
11 concerned, that there are concerns, OCC has concerns,  
12 that absent a baseline over a three-year average that  
13 there would be double collection of storm costs from  
14 customers? Do you understand that?

15 MR. SHARKEY: Are you saying the  
16 existence would -- there would be double recovery or  
17 that OCC is concerned there would be a double  
18 recovery?

19 MS. YOST: Read that back.

20 (Record read.)

21 Q. Let me strike that. Do you understand  
22 the concern there could be double collection of storm  
23 costs from customers if there is not a three-year  
24 average offset?

25 MR. SHARKEY: Objection. It's not clear

1 whether you are asking her whether she understands  
2 parties are concerned or whether that may actually  
3 happen.

4 You can answer the question.

5 A. I understand that that's OCC's position  
6 that there could be double recovery. However, as I  
7 state in my testimony, starting on page 14, I do not  
8 believe that there are any major storm costs in  
9 DP&L's 1991 rates because those costs would have been  
10 extraordinary items and would have been excluded due  
11 to the normalization adjustments that happen through  
12 a rate case.

13 Q. And you would agree that double  
14 collection of costs of customers is not a good thing,  
15 right?

16 A. It's not the company's intention to  
17 double recover costs.

18 Q. Is the double collection of costs from  
19 customers something that should be avoided?

20 A. Again, it's not the company's position to  
21 double recover costs. We don't know and you don't  
22 know and the staff doesn't know what level of costs  
23 were included in the 1991 rate case, but because of  
24 the normalization process through a rate case, I do  
25 not believe there are any major storm costs included

1 in our base rates.

2 Q. You believe that the company would have  
3 agreed to a stipulation that provided them zero  
4 dollars to recover from major storm events? That's  
5 your testimony?

6 A. My testimony is that I do not believe  
7 there are any major storm costs in our base rates  
8 because all we have is the information that we have  
9 from the 1991 rate case. Those items would have been  
10 excluded as extraordinary items. If there was an  
11 extraordinary storm in the test year, that would have  
12 been excluded as part of the test year.

13 Q. So the company would agree that in its  
14 next rate case regarding distribution rates that they  
15 should not be given any money for major storm damage  
16 in its base rates; is that correct?

17 MR. SHARKEY: I am going to object and  
18 instruct you not to answer. You don't need to  
19 disclose what the company would or would not agree to  
20 in a settlement, in negotiation, or in a distribution  
21 rate case.

22 MS. YOST: Could you read it again,  
23 please. That's not what I asked.

24 (Record read.)

25 MR. SHARKEY: That was the question and

1 the instruction stands.

2 Q. Would you agree that a utility should not  
3 be allowed to collect major storm costs in base  
4 rates?

5 A. I think that if a utility has a storm  
6 cost recovery rider that is ongoing, the storm costs  
7 should be recovered through that rider. It does not  
8 make logical sense to me that you would have some  
9 storm costs in your base rates and some storm costs  
10 in rate recovery through a separate rider. There's  
11 no purpose in that.

12 Q. Has the company ever sought -- it's been  
13 a while actually. I won't go back that far because  
14 it predates you.

15 So major storm costs should not be  
16 collected from customers through base rates if there  
17 is a storm cost recovery mechanism in place?

18 A. It is -- it is my position today DP&L  
19 does not have a distribution rate case in front of  
20 it, but it's my position today that there's no reason  
21 to bifurcate storm costs into base rates and through  
22 a storm rider. You could have a storm rider that  
23 recovers all the storm costs.

24 Q. So the company's proposal in this case is  
25 to have a storm rider that collects capital costs,

1 correct?

2 A. Yes, that's correct.

3 Q. And you discuss the company is permitted  
4 to collect capital costs in a storm rider, page 7,  
5 line 13, correct?

6 A. Yes. Oh, line 13? No.

7 Q. Somewhere. Hold on.

8 A. Line 1, page 7, line 1.

9 Q. Yes. And you're discussing -- I'm sorry.  
10 It's page 7, line 13. "Did the Commission allow for  
11 capital cost recovery associated with storms for the  
12 Company's 2005 storm rider?" And you said, "Yes, it  
13 did," correct?

14 A. Yes.

15 Q. And you agree that the company was  
16 permitted to collect those costs because of a  
17 stipulation in that case, right?

18 A. No. There was no stipulation in the '05  
19 case. There was a Commission order that allowed for  
20 cost recovery consistent with the company's amended  
21 application.

22 Q. Could you look at OCC Exhibit C which is  
23 the stipulation and recommendation from the 99-1867  
24 case.

25 A. Okay.



1           Q.    Page 3 -- I'm sorry, yeah, it is page 3.  
2   Isn't this the case that established the mechanism  
3   that was received in the 2005 case?

4           A.    I would have to review the '05 case  
5   because I'm not sure of the timing. We had an '05  
6   stipulation, Case No. 05-276-EL-AIR, and that may  
7   have governed the '05 storm case.

8           Q.    We can agree that the stipulation in  
9   99-1687 states that "The base electric distribution  
10  rates unbundled and described above will remain the  
11  same through December 31, 2006. After December 31,  
12  2003, such distribution rates can be adjusted by an  
13  application under Ohio Revised Code 4909.18 to  
14  reflect the cost of complying with," and it goes on  
15  and says "and relief from storm damage expenses."  
16  And this is -- with this exception the distribution  
17  rate in effect at the end of 2003 will continue in  
18  effect for years 2004, '5, and '6.

19                   So you don't know whether this is the  
20  underlying mechanism for the storm rider that  
21  collected capital costs that you are referring to in  
22  your testimony?

23           A.    Well, this is the '99 case and since '99,  
24  we had an '02 case and we also had an '05 case so I'm  
25  not sure. I would have to review the timing of the

1 2005 storm case and when it was filed and what  
2 stipulation was governing at that time.

3 Q. What's the '05 case number you are  
4 referring to?

5 A. 05-276-EL-AIR.

6 Q. Are you aware of 05-1090?

7 A. 05-1090 is the storm case from the '05  
8 case -- from the '05 storm. I would have to review  
9 the 2005 276-EL-AIR case stipulation to determine if  
10 it was in place at the time that the 05-1090 case was  
11 filed.

12 Q. Okay. In regard to Exhibit C, page 3.

13 MR. SHARKEY: Which is Exhibit C?

14 MS. YOST: It's the stipulation from the  
15 99-1687.

16 Q. We can agree this stipulation required  
17 any relief from storm damage expense to be requested  
18 with an application under Ohio Revised Code 4909.18?

19 A. Yes.

20 Q. And we can agree that the stipulation in  
21 regard to DP&L's 2008 case did not have a requirement  
22 that an application under 4909.18 had to be filed?

23 A. That's correct.

24 Q. Are you responsible for the storm cost  
25 allocation to customer classes?

1           A.    Yes.  That's part of the schedules I  
2 sponsored.

3           Q.    What kind does the company propose in its  
4 application in regard to cost allocation?

5           A.    The company proposed in its application  
6 to calculate the revenue requirement, I believe, to  
7 recover it over three years and distribute a -- an  
8 annual amount based on distribution revenues  
9 including customer charged revenues from the period  
10 October, '11, through December -- I'm sorry, through  
11 September, 2012.

12          Q.    So the allocation proposed by the company  
13 to customer classes is based on distribution revenues  
14 initially; is that correct?

15          A.    Yes.

16          Q.    And why did the company choose to  
17 allocate those costs using distribution revenues?

18          A.    I don't recall.  Likely because they had  
19 to do with storm costs and storm costs are generally  
20 distribution related.

21          Q.    Could the company allocate costs to  
22 customer classes based on kilowatt-hours?

23          A.    Yes, it could.

24          Q.    Is there any problems with the proposal  
25 to allocate costs based on kilowatt-hours that you

1 can think of?

2 A. Allocating cost to kilowatt-hour would  
3 assign more of the storm costs to the industrial  
4 customers and they would have a lot of kilowatt-hour  
5 volume of distribution level sales. And that may  
6 disproportionately assign storm costs to customers  
7 who may or may not have actually incurred storm  
8 damage.

9 Q. Couldn't that happen whether or not it's  
10 allocated based on distribution revenue?

11 A. Yes.

12 Q. You read the staff's audit report in this  
13 case?

14 A. Yes.

15 MS. YOST: I would like to mark the audit  
16 report of the PUCO staff filed January 3 as OCC  
17 Exhibit J.

18 (EXHIBIT MARKED FOR IDENTIFICATION.)

19 Q. Could you turn to the very last page  
20 where they have the recommendations. In regard to  
21 recommendation No. 2 that the amount be recovered on  
22 a per customer bill, not per kilowatt-hour or  
23 kilowatt, do you know what the staff is proposing in  
24 regard to cost allocation based on that statement?

25 A. I believe that that means that as far as

1 rate design goes, once the costs are allocated to the  
2 tariff class the cost within the tariff -- that's  
3 assigned to the tariff class should be divided by the  
4 number of bills in that tariff class.

5 Q. Do you know how staff is proposing the  
6 cost be allocated based on their comments or the  
7 Staff Report?

8 A. I don't recall seeing anything in the  
9 audit report about cost allocation.

10 Q. So you see No. 2 as a rate design, not a  
11 cost allocation statement?

12 A. Yes.

13 Q. Does the company have a policy in regard  
14 to how much money a day can be spent for food  
15 allowances for internal employees during storm  
16 restoration efforts?

17 A. Not that I'm aware of. It would be  
18 difficult to apply a cap, so to speak, on an  
19 individual during a storm restoration because  
20 oftentimes there are only one or maybe one or two  
21 restaurants that are available for folks who are  
22 restoring service to eat at. Sometimes there's only  
23 one restaurant in the area that has electricity.

24 Q. And so there should be no limitation on  
25 how much employees can spend per day for food during

1 storm restoration?

2 A. That's not really my area of expertise.

3 That's probably a better question for Bryce.

4 Q. Okay. Does the company have a policy  
5 when employees travel how much they can spend for  
6 food?

7 A. No, it does not.

8 Q. Does the company have a policy in regard  
9 to how much they will pay contractors for food during  
10 storm restoration?

11 A. I don't know.

12 Q. Are you considered a salaried employee?

13 A. Yes.

14 Q. Do you normally work more than 40 hours a  
15 week?

16 A. Depends on the projects and topics that  
17 we are working on but, yes, on occasion.

18 Q. Out of a typical month, four-week month,  
19 how many weeks out of the month do you work more than  
20 40 hours?

21 A. Again, it depends on what -- what's going  
22 on. If you want to talk about the ESP case, we were  
23 in Columbus for three solid weeks so I worked a lot  
24 more than 40 hours those weeks.

25 Q. How many hours do you think you worked

1 each week during the ESP case?

2 A. Easily 12-hour days.

3 Q. The weekends too?

4 A. Sometimes. Probably not 12 hours during  
5 the weekends but some hours on the weekends.

6 Q. Did you get any incentive pay or overtime  
7 pay for that work?

8 A. No, I did not. That's part of my job  
9 description and part of my duties expected of me, I  
10 suppose, because I'm the head of the rates  
11 department, and I am expected to be at the case and  
12 sit through the entire proceeding.

13 Q. Would you -- do most DP&L salaried  
14 employees work more than 40 hours a week?

15 MR. SHARKEY: Objection. Calls for  
16 speculation. You can answer if you know.

17 A. I don't know how many do.

18 Q. OCC Exhibit D, which is the 2008 finding  
19 and order --

20 A. You mean the deferral case?

21 Q. Yes, page 2, the very bottom, "It is,  
22 therefore, ordered, that" -- the Commission states  
23 "that the application by DP&L to modify accounting  
24 procedures to defer incremental O&M costs related to  
25 the September 14, 2008, windstorm service restoration

1 expenses with carrying costs as set forth in findings  
2 (4) thru (6) is approved." What does "incremental  
3 O&M costs" mean to you in that context?

4 A. In that context incremental O&M costs  
5 mean to me that it was the amount that exceeds the  
6 three-year average.

7 Q. Would you agree that a utility should not  
8 be permitted to collect nonincremental O&M storm  
9 costs from customers?

10 A. I think it's up to the Commission to  
11 determine what the utility is permitted to recover  
12 and whether or not those costs are incremental.

13 Q. Should a utility be permitted to recover  
14 costs related to storm restoration efforts that it is  
15 already collecting through base rates?

16 A. Again, it is my position that the company  
17 does not have any major storm costs included in base  
18 rates. And I think that the company should be  
19 permitted to recover prudently incurred storm costs  
20 consistent with Commission orders and opinions and  
21 stipulations that have been signed over the years.

22 Q. My question is not specific to DP&L. If  
23 a company -- in general if a company is collecting  
24 major storm costs, restoration costs in base rates,  
25 should it be permitted to collect those same costs



1 through a storm cost recovery rider?

2 A. We are working off of your hypothetical  
3 question. If there were storm costs included in base  
4 rates, a utility should not be permitted to recover  
5 those same costs through a separate rider if that's  
6 what the question was.

7 Q. Yes.

8 A. But that's if there were any costs  
9 included in base rates.

10 Q. Have you reviewed the company's 1991  
11 application filed in the distribution case?

12 A. I have read the 1991 application over the  
13 last 20 years. I don't recall when the last time was  
14 that I read it.

15 Q. Have you read it in the last year?

16 A. Not that I recall.

17 Q. Have you read it in the last five years?

18 A. Probably.

19 Q. Are you aware of any other -- any utility  
20 in Ohio that's permitted to collect capital costs  
21 associated with storm restoration efforts through a  
22 storm recovery rider?

23 A. I'm not aware of any other Ohio utility  
24 collecting capital costs through a storm rider, but I  
25 am aware of other utilities collecting capital costs

1 through separate incremental riders so outside of a  
2 regular distribution rate.

3 Q. Does DP&L have any riders that collect  
4 distribution capital costs?

5 A. Not at this time. The company was  
6 seeking to recover capital costs through this case  
7 through a separate rider.

8 Q. Since 1991, has the company had any  
9 distribution riders that collected capital costs?

10 A. No. Oh, I take that back. The storm  
11 costs, the '05 storm costs, the 05-1090 case we  
12 collected storm costs and capital through that rider.

13 Q. Do you know what the total collected in  
14 terms of capital costs?

15 A. No, I don't. I have to go back and look  
16 at that.

17 Q. Is there any type of filing that you  
18 could direct us to that would have that information  
19 publicly available?

20 A. That would be in the '05 case, 1090.

21 Q. On page 10 of your testimony, towards the  
22 very bottom of the page, the end of line 21 it says  
23 "Finally, approximately 4.8 million of O&M from the  
24 2012 Derecho storm was included in the rider." What  
25 was the total O&M for the 2012 derecho?

1           A.    I do not think I have that right here in  
2   front of me.  I have the amount deferred, but I am  
3   not sure if I have the total amount of the derecho.

4           Q.    What was the amount deferred?

5           A.    That No. 4.8, it's on Schedule C-1, line  
6   9, 4.763244.

7           Q.    Is it your understanding that the costs  
8   incurred for the 2012 storm was more than 4.8?

9           A.    I believe that it was, but I don't know  
10   that I have anything in front of me that can show  
11   that.  Oh, I know where that is.  Oh, no, it's not on  
12   there.  I don't think I have anything in front of me  
13   that shows what the total amount was for the 2012  
14   derecho.

15          Q.    And do you know why the company did not  
16   include the total amount with the filing of its  
17   application?

18          A.    I believe we did.  I just can't locate it  
19   right now.  I would have to spend some time to look  
20   through this.

21          Q.    Do you know why the full amount would not  
22   have been included in the rider?

23          A.    I believe that it was, the full amount  
24   was included in the rider.

25          Q.    Is 4.8 the full amount?

1           A.    I thought that the 4.8 was just the  
2    deferral.

3           Q.    I am -- my questions are in regard to  
4    your statement that finally approximately 4.8 million  
5    of the O&M from the 2012 storm was included in the  
6    rider.

7           A.    Yes, because that's walking through  
8    Schedule C-1 and that 4.8 is the amount that's on  
9    Schedule C-1.

10          Q.    Is the company seeking more than 4.8  
11   million for the 2012 storm?

12          A.    Again, I would have to find it here.  I  
13   don't see it right in front of me.

14          Q.    Actually if you looked at page 11 of your  
15   testimony, 13 -- line 11, "When the Company files to  
16   reset the storm cost recovery rider in 2013, the  
17   total 2012 major event storm costs will be known and  
18   included at that time."

19          A.    Yeah.  The intent of that was to say we  
20   were filing this case in 2000 -- in December of 2012,  
21   and I didn't know if there was going to be another  
22   ice storm or something else that came up after we  
23   filed the case that wasn't already reflected in this  
24   case.

25          Q.    So that statement was not about the June,

1 2012, storm?

2 A. No.

3 Q. Page 12, 13, in regard to your testimony  
4 on E-1, what costs were included in the calculation  
5 of a residential customer's typical bill if the  
6 application was approved?

7 A. The cost of a residential bill would have  
8 been assigned as part of the rate design schedules  
9 that were on Schedule A-1. So in Schedule A-1 we  
10 calculate revenue requirement -- well, we take out  
11 revenue requirement that's assigned to residential  
12 customers divided by kilowatt-hours and get to a rate  
13 of 0.002778 per kilowatt-hour, and we have taken that  
14 and applied it to 750 kilowatt-hours to get a typical  
15 bill. A typical bill increase of \$2.08.

16 Q. Does a typical residential customer use  
17 750 kilowatt-hours in the Dayton service territory?

18 A. We've written that calculation a number  
19 of times, and it's probably more like 800 and  
20 something. It changes over time.

21 Q. So then the dollar increase based on the  
22 company's proposal wouldn't affect it --

23 A. When we say typical bill, we use 750  
24 because that is what the Commission states on its  
25 website.

1           Q.   Are there any costs that the company is  
2   seeking in its application that are not included in  
3   the calculation to determine what the increase would  
4   be?

5           A.   I don't think so.  When we filed the  
6   application, it was effective as of December of 2012.  
7   Now, we are sitting here in January of 2014 so there  
8   have been additional carrying costs incurred and  
9   calculated on deferred balances.  We tried to project  
10  those costs in the application.  So we would have to  
11  true those up to make sure that the calculations were  
12  correct if our application was approved as filed.

13          Q.   Did the company incur any major storms in  
14  2013?

15          A.   In 2013, I do believe we did, uh-huh.

16          Q.   Do you know the approximate costs?

17          A.   I don't know off the top of my head.

18          Q.   On page 13 of your testimony, line 3,  
19  towards the end it starts "The Company."  You state  
20  that "The Company has Commission authority to seek  
21  incremental recovery of these costs through the 2008  
22  ESP stipulation."  What do you mean by incremental  
23  recovery?

24          A.   That's what we talked about before.  
25  Incremental to current distribution rates, the 2008

1 stipulation and previous stipulations to that stated  
2 that our distribution rates would be frozen with the  
3 exception of storm cost recovery and that the company  
4 can seek a separate rider to recover that cost, and  
5 so incremental recovery means recovery above and  
6 beyond current distribution rates.

7 Q. And, again, you rely on the 2008  
8 stipulation for that authority, correct?

9 A. The 2008 stipulation was in effect and  
10 applicable when we filed this case in December of  
11 2012.

12 Q. And that's what you're citing to on page  
13 13, correct?

14 A. Yes.

15 Q. And if I could have you turn to that  
16 stipulation, please, the 2008 stipulation. I'm  
17 sorry, I just lost my exhibits. Beginning on page  
18 10.

19 A. Yes.

20 Q. And I guess it goes on to 11 in regard to  
21 paragraph 18 which has subsections A and B. You  
22 would agree that nowhere in paragraph 18 does the  
23 word "incremental" appear, correct?

24 A. Nowhere in that paragraph does the word  
25 incremental appear but the paragraph, the words in

1 the paragraph, state that DP&L's distribution rates  
2 are frozen through 2012, and the company may seek a  
3 rate recovery rider that is incremental to recover  
4 storm costs.

5 MS. YOST: It's 5:30 now. I need a quick  
6 restroom break, and then we can start the other  
7 section, but I still kind of want to stop at 6.

8 MR. SHARKEY: Go off the record.

9 (Recess taken.)

10 Q. In regard to your supplemental testimony  
11 which has been marked as OCC Exhibit B, could you  
12 please describe your role in developing this  
13 testimony.

14 A. Yes. I drafted the testimony and shared  
15 it with counsel and with the same folks that I listed  
16 on the first set of testimony.

17 Q. And the purpose of this testimony is to  
18 respond to staff's recommendations contained in their  
19 January 3 audit report?

20 A. Yes. And the other purposes that's  
21 listed on page No. 1, lines 9 through 14, which would  
22 be in response to the staff's audit report and  
23 address DP&L's historical revenue requirements and  
24 demonstrate why staff imposing new conditions or  
25 restrictions on storm recovery is inconsistent with



1 our rate agreements signed by the staff and other  
2 parties to this proceeding.

3 Q. And who reviewed and provided comments on  
4 your draft testimony who is not an attorney?

5 A. The same people that I listed on the  
6 first one.

7 Q. And did I ask you about are there any  
8 changes that's going to be made in regard to your  
9 testimony or exhibits?

10 A. The only change I had is grammatical.  
11 It's on page 5, line 3. It should have said "based  
12 on the Commission order in Case No." blah, blah,  
13 blah.

14 Q. Order singular?

15 A. Yeah, order singular.

16 Q. Did you have any changes to any of the  
17 schedules that you are supporting?

18 A. No, I don't.

19 Q. Did you have any changes to any of the  
20 workpapers that you are supporting?

21 A. No, I don't.

22 MS. YOST: Should we go off the record?

23 (Discussion off the record.)

24 Q. And on page 1 of your testimony you state  
25 that -- you address DP&L's historical distribution

1 revenue requirements. Why did you include this in  
2 your testimony?

3 A. I included it in my testimony because the  
4 Commission staff's audit report in this case and in  
5 the comments filed in June of '13 recommended that  
6 the Commission deny DP&L's recovery of 2008 and 2011  
7 storm expenses based on the company's past historical  
8 earnings and O&M levels.

9 Q. And in regard to lines -- continuing on  
10 to 12 and 13, you talk about staff imposing new  
11 conditions. What are the new conditions that you're  
12 referring to?

13 A. The new conditions that I'm referring to  
14 are what I just stated, that in the June, 2013,  
15 comments and in the staff audit report the Commission  
16 staff recommends that the Commission deny recovery of  
17 2008 and 2011 storms because the company did not  
18 spend the same level of O&M that was included in our  
19 1991 rates and in addition to that the company's  
20 earnings in 2008, I suppose they are referring to.

21 Q. Do you -- do you believe that staff's  
22 recommendation is based on only the 2008 earnings?

23 A. It's difficult to tell, but on page 2 of  
24 their audit report the staff states "Additionally,  
25 the Company's rate of return has been substantially

1 higher than which" -- "than that which was allowed in  
2 the last rate case in 1991." And so those are new  
3 conditions placed on the company after stipulations  
4 were signed. This permitted the company to have  
5 frozen distribution rates and seek recovery of storm  
6 costs.

7 Q. And on line 13 when you talk about  
8 "restrictions on storm recovery," what are you  
9 speaking to?

10 A. What I just stated which is the staff is  
11 recommending that we not be permitted to recover  
12 prudently incurred storm costs in 2008 and 2011.

13 Q. On page 2 of your testimony you speak to  
14 that "The Company should be made whole." What do you  
15 mean by that statement? Line 3.

16 A. I mean that the company is permitted per  
17 the stipulations signed by the company and the staff  
18 and the OCC and Kroger to recover storm costs in  
19 addition to current base rates and there's nothing in  
20 any of those stipulations that say that the company  
21 must first spend a certain level of O&M and neither  
22 does it say that the company cannot recover storm  
23 costs if it's rate of return exceeds a certain level.  
24 So they should be made whole and be permitted to  
25 recover all of their storm costs that were prudently

1 incurred.

2 Q. Is it your opinion that -- well, let me  
3 ask you that. Where -- you just said all storm costs  
4 that are prudently incurred. Where does it say that  
5 those costs have to be prudently incurred?

6 A. That is a general requirement by any --  
7 through any rate-making proceeding before the  
8 Commission that costs are first deemed prudent before  
9 they are recoverable.

10 Q. So would you agree that the stipulation,  
11 the 2008, prohibits seeking collection from -- strike  
12 that again.

13 Would you agree that the 2008 stipulation  
14 prohibits the company from seeking approval to  
15 collect imprudent costs?

16 A. No. I believe the 2008 stipulation  
17 allows the company to seek approval of storm costs in  
18 addition to its current frozen distribution rates.

19 Q. Would you agree that the 2008 stipulation  
20 does not address the actual collection of costs?

21 A. I'm not sure I understand what you mean  
22 by that.

23 Q. The 2008 stipulation speaks to seeking  
24 approval.

25 A. Yes, that's what we discussed before. It

1 says we can seek approval. It does not have any  
2 additional information besides that.

3 Q. Your next sentence you talk about the  
4 Commission recognizes that Hurricane Ike was a severe  
5 weather event that fell outside the normal scope of  
6 storms. What are you speaking of in regard to was  
7 that a Commission order? Press release? What are  
8 you talking about in that regard?

9 A. There are a number of orders that the  
10 Commission issued at the time, whether it's in DP&L's  
11 case or Duke's case or AEP's case dealing with Ike  
12 and recognizing that it was a severe weather event.  
13 I believe we were called into the Commission to  
14 explain how and when and why we were -- we restored  
15 service. I believe that we had similar conversations  
16 with the Ohio Consumers' Counsel, and so I believe  
17 the staff of the Commission as well as the OCC  
18 recognized that Hurricane Ike was a severe weather  
19 event.

20 Q. You speak that a disallowance of  
21 prudently incurred storm costs would punish the  
22 company, and you speak to good faith efforts in those  
23 storm costs. Is that a standard in restoration  
24 efforts, they have to be in good faith?

25 A. No. I'm just saying that the company

1 conducted itself in good faith to restore service to  
2 those customers as quickly and as efficiently and  
3 safely as possible.

4 Q. We discussed earlier that the 2008  
5 stipulation merely provided the company the  
6 opportunity to seek recovery of storm costs which it  
7 did. And No. 2 you say that not allowing collection  
8 of certain costs would violate the Commission order.  
9 Can you show me a paragraph that you are referring to  
10 that would be violated? And it's OCC Exhibit H,  
11 please. You know, you are actually speaking to the  
12 order which I have here. Here it is. I'm sorry, I  
13 only have one copy.

14 A. That's okay. I have a copy.

15 MS. YOST: Could you please mark this as  
16 OCC Exhibit K.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 Q. Okay. So what you have in front of you,  
19 which is OCC Exhibit K, is the Commission opinion and  
20 order dated June 24, 2009; is that correct?

21 A. Yes.

22 Q. And could you show me the Commission --  
23 provision of the Commission order that you're  
24 speaking to that would be violated if the company is  
25 not permitted to collect all the costs it seeks from

1 customers.

2 A. The order says on -- on page 13 "Ordered,  
3 That the Stipulation presented in these proceedings  
4 be adopted." So this Commission order adopted the  
5 stipulation. The stipulation said that DP&L's  
6 distribution rates would be frozen with the exception  
7 of storm costs, that the company may seek to recover  
8 those storm costs, and denying our ability to recover  
9 those costs would violate that agreement.

10 Q. Did anyone per -- prohibit DP&L from  
11 seeking approval to recover storm costs?

12 A. No. But it's like allowing someone to do  
13 something and then still denying it later is the same  
14 thing as not permitting them to seek recovery of it.

15 Q. Well, wouldn't you agree if the company  
16 wants certain costs, they specify they will collect a  
17 specific amount of costs?

18 A. I'm not sure I followed that.

19 Q. The 2008 stipulation did not in any  
20 way -- we talked about this before -- guarantee that  
21 the company could collect storm costs, correct?

22 A. The 2008 stipulation did not guarantee  
23 that the company could recover storm costs, but it  
24 permitted the company to seek recovery and to  
25 outright just disallow it without reviewing the

1 prudency of the costs or even considering the  
2 company's request, I believe, is a violation of that  
3 agreement.

4 Q. You do agree that the staff has reviewed  
5 the prudencies -- prudency of the storm cost for  
6 2008, 2011, 2012, correct?

7 A. Yes.

8 Q. And I'm sure they served numerous data  
9 requests upon the company, correct?

10 A. Yes.

11 Q. And the staff report memorializes the  
12 findings of that review, correct?

13 A. The staff report is the Commission's  
14 staff's report of its review of the prudency, and I  
15 believe that it found that the 2008 and 2011 storm  
16 costs, some of those costs were prudently incurred.

17 Q. What's your understanding of the, as you  
18 state on lines 9 and 10, "the significantly excessive  
19 earnings test"?

20 A. I'm sorry, you're on what page?

21 Q. Same page, 2.

22 A. And your --

23 THE WITNESS: Could the question be read  
24 back?

25 (Record read.)



1           A.    There was a section in my testimony where  
2    I explain what the SEET is.  Here it is.  On page 4  
3    of my testimony starting at lines 3 and 4, I discuss  
4    what the SEET is and when it applies, and essentially  
5    the significantly excessive earnings test was  
6    developed in Senate Bill 221 that was passed by the  
7    General Assembly in 2008 and effective in January of  
8    2009; and, therefore, the SEET did not exist in 2008  
9    and did not apply to DP&L.

10          Q.    Have you been involved in any SEET --  
11    when I say SEET, I mean significantly excessive  
12    earnings test.  Have you been involved in any SEET  
13    proceedings?

14          A.    Yes.  The company filed its first SEET  
15    proceeding in 2013.

16          Q.    And did this go to hearing?

17          A.    No, it did not.

18          Q.    It was settled with the staff?

19          A.    It was settled, yes.

20          Q.    Did you provide testimony?

21          A.    No, I did not.

22          Q.    What happens when a utility -- when the  
23    Commission determines that a utility's earnings are  
24    significantly excessive?

25          A.    According to the provision of Senate Bill

1 221, if the Commission finds that a utility's  
2 earnings are excessive, they may order a refund to  
3 ratepayers. But, again, the SEET did not apply to  
4 DP&L until 2012 per stipulations that were signed by  
5 both the staff and OCC and Kroger.

6 Q. And are you aware of what costs are  
7 subject to refund if there is a SEET determination?

8 A. I'm not understanding your question. I  
9 don't know how you refund costs to customers. You  
10 refund revenues to customers through rates or rate  
11 reduction.

12 Q. Is there a limit on how much can be  
13 refunded to customers if there is a finding of  
14 significantly excessive earnings?

15 A. I don't know.

16 Q. Do you know how the Commission determines  
17 what expenses collected from customers may be  
18 refunded?

19 A. Again, I'm confused by your term that  
20 expenses are refunded to customers.

21 Q. What in your opinion is refunded to  
22 customers?

23 A. In a SEET proceeding, which this is not  
24 one of them, the Commission may find that the company  
25 has had excessive earnings and may order a refund of

1 revenues to customers and that would be done through  
2 a credit or a reduction in rates.

3 Q. Do you know -- you would agree that the  
4 company has not collected the amounts that it has  
5 received approval to defer for storm costs in 2008  
6 and 2012?

7 A. I didn't understand the question.

8 MS. YOST: Would you read it back,  
9 please.

10 (Record read.)

11 A. Through this filing the company is  
12 seeking recovery of those costs and because the  
13 Commission has not yet issued an order in this case,  
14 the company has not recovered these costs from  
15 customers.

16 Q. And would you agree that you cannot  
17 refund money that was never collected?

18 A. Yes, I would agree that you cannot refund  
19 money that was never collected. I would also agree  
20 that the SEET test does not apply in this case  
21 because this is not a SEET proceeding and why the  
22 Commission staff is looking back at past earnings or  
23 O&M spent is not -- does not make sense to me.

24 Q. Do you understand that in administering  
25 the SEET test the Commission has to look -- strike

1 that.

2 Is it your understanding that the SEET  
3 can only amount to refunds of money back to  
4 customers -- actually strike that.

5 Are you familiar with the methodology  
6 that the Commission uses to determine the SEET  
7 threshold?

8 A. Yes, I'm generally familiar.

9 Q. What is that methodology?

10 A. That the Commission looks at return on  
11 equity amounts that the utility is earning and  
12 compares those to comparable businesses that are  
13 faced with the same financial risk and have the same  
14 capital structure and that the Commission should  
15 consider the capital requirements of the utility.

16 Q. Okay. In your opinion would the  
17 authority to establish a storm collection rider be a  
18 provision that is included in Dayton's ESP?

19 MR. SHARKEY: Objection. Calls for a  
20 legal conclusion.

21 You can answer if you know.

22 A. I think that to the extent a storm rider  
23 was a provision in an ESP and -- and if that utility  
24 was subject to the SEET test, it would be a --  
25 something that would be factored into a SEET test,

1 but the storm cost recovery that we have here is not  
2 part of our current ESP. It was part of the ESP I in  
3 the 2008 stipulation but there's nothing in the  
4 current ESP that mentions the storm costs. It  
5 doesn't prohibit it and it doesn't allow for it and I  
6 don't think it would be considered as part of the  
7 SEET test for the company going forward.

8 Q. So is it your understanding that DP&L  
9 will have a -- SEET will apply to Dayton Power and  
10 Light in 2014, correct?

11 A. Yes, the SEET will apply to DP&L in 2014.

12 Q. So any costs that the company gets to  
13 collect through a storm recovery mechanism, are those  
14 amounts subject to the SEET test?

15 MR. SHARKEY: Objection. Calls for a  
16 legal conclusion.

17 You can answer if you know.

18 A. I don't know. That's for that proceeding  
19 to determine whether or not it applies or not.

20 MS. YOST: I think this is a good place  
21 to stop. Otherwise we go into another area.

22 (Thereupon, the deposition was adjourned  
23 at 6:15 p.m.)

24 - - -

25

1 State of Ohio :  
 2 County of \_\_\_\_\_ : SS:  
 3

4 I, Dona R. Seger-Lawson, do hereby certify  
 5 that I have read the foregoing transcript of my  
 6 deposition given on Thursday, January 30, 2014; that  
 7 together with the correction page attached hereto  
 8 noting changes in form or substance, if any, it is  
 9 true and correct.

10 \_\_\_\_\_  
 11 Dona R. Seger-Lawson

12 I do hereby certify that the foregoing  
 13 transcript of the deposition of Dona R. Seger-Lawson  
 14 was submitted to the witness for reading and signing;  
 15 that after she had stated to the undersigned Notary  
 16 Public that she had read and examined her deposition,  
 17 she signed the same in my presence on the \_\_\_\_\_  
 18 day of \_\_\_\_\_, 2014.

19 \_\_\_\_\_  
 20 Notary Public

21 My commission expires \_\_\_\_\_, \_\_\_\_\_.

22 - - -

23

24

25

## 1 CERTIFICATE

2 State of Ohio :  
3 County of Franklin : SS:

4 I, Karen Sue Gibson, Notary Public in and for  
5 the State of Ohio, duly commissioned and qualified,  
6 certify that the within named Dona R. Seger-Lawson  
7 was by me duly sworn to testify to the whole truth in  
8 the cause aforesaid; that the testimony was taken  
9 down by me in stenotypy in the presence of said  
witness, afterwards transcribed upon a computer; that  
the foregoing is a true and correct transcript of the  
testimony given by said witness taken at the time and  
place in the foregoing caption specified and  
completed without adjournment.

10 I certify that I am not a relative, employee,  
11 or attorney of any of the parties hereto, or of any  
12 attorney or counsel employed by the parties, or  
financially interested in the action.

13 IN WITNESS WHEREOF, I have hereunto set my  
14 hand and affixed my seal of office at Columbus, Ohio,  
on this 4th day of February, 2014.

15 \_\_\_\_\_  
16 Karen Sue Gibson, Registered  
17 Merit Reporter and Notary Public  
in and for the State of Ohio.

18 My commission expires August 14, 2015.

19 (KSG-5814)

20 - - -

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24

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**Case No(s). 12-3062-EL-RDR, 12-3266-EL-AAM**

Summary: Deposition Deposition Transcript of Dona R. Seger-Lawson Volume I by the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Yost, Melissa Ms.