

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**THE DAYTON POWER AND LIGHT COMPANY**

**CASE NO. 12-3062-EL-RDR**

**CASE NO. 12-3266-EL-AAM**

**STORM DAMAGE RECOVERY REQUEST**

**TESTIMONY  
OF DONA R. SEGER-LAWSON  
IN SUPPORT OF THE STIPULATION  
AND RECOMMENDATION**

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

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**ON BEHALF OF**  
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**I. INTRODUCTION**

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

A. My name is Dona R. Seger-Lawson. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

**Q. Did you previously file testimony in this proceeding?**

A. Yes, I did.

**Q. What is the purpose of this testimony?**

A. The purpose of this testimony is to provide facts showing that the Commission should approve the Stipulation and Recommendation ("Stipulation") filed in this matter on May 1, 2014, because it is the product of serious negotiations among knowledgeable parties, benefits customers and the public interest, and does not violate any important regulatory principle or practice.

**Q. Can you provide an overview of the terms and benefits of the Stipulation?**

A. Yes. The Stipulation allows DP&L to recover \$22.3 million associated with major storms that DP&L experienced in 2008, 2011 and 2012. That \$22.3 million figure is within the range of amounts of recovery that were supported by the parties in this case.

The Signatory Parties to the Stipulation represent a diverse set of interests. The Signatory Parties include DP&L, The Kroger Co., and the Commission's Staff.

As demonstrated below, the Commission should approve the Stipulation because it represents a reasonable resolution to this case, which will allow DP&L to recover costs that were prudently-incurred in connection with restoration of service to customers following major storms in 2008, 2011 and 2012.

## **II. BACKGROUND**

### **Q. When were DP&L's current distribution rates approved?**

A. DP&L's last rate case was Case No. 91-414-EL-AIR. The distribution rates that were established in that case were unbundled in Case No. 99-1687-EL-ETP, and were frozen from January 1, 2001, through December 31, 2012, by a series of Stipulations: (1) the Stipulation and Recommendation ("2000 Stipulation") filed June 1, 2000, in Case Nos. 99-1687-EL-ETP, 99-1688-EL-AAM, and 99-1689-EL-ATA, p. 3, which was adopted by the Commission in an Opinion and Order dated September 21, 2000; (2) the Stipulation and Recommendation ("2003 Stipulation") filed on May 28, 2003, in Case Nos. 02-2779-EL-ATA, 02-2879-EL-AAM, 02-2364-EL-CSS, and 02-570-EL-ATA, pp. 11-12, which was adopted by the Commission in an Opinion and Order dated September 2, 2003; (3) the Stipulation and Recommendation ("2005 Stipulation") filed on November 3, 2005, in Case No. 05-276-EL-AIR, p. 4, which was adopted by the Commission in an Opinion and Order dated December 28, 2005; and (4) the Stipulation and Recommendation ("2009 Stipulation") filed on February 24, 2009, in Case Nos. 08-1094-EL-SSO, 08-1095-EL-ATA, 08-1096-EL-AAM, and 08-1097-EL-UNC, p. 10,

which was adopted by the Commission as stated in an Opinion and Order dated June 24, 2009.

**Q. Did the distribution rates approved by those Stipulations allow for the recovery of storm costs?**

A. Yes. The 2000 Stipulation provided that after December 31, 2003, DP&L's distribution rates could be adjusted to recover "storm damage expenses." 2000 Stipulation, p. 3. The 2003 Stipulation (which created a rate plan for DP&L through December 31, 2008), provided that DP&L's distribution rates would remain frozen "subject to the adjustments permitted in the [2000 Stipulation]." 2003 Stipulation, p. 12. The 2005 Stipulation continued these provisions of the 2003 Stipulation. 2005 Stipulation, p. 6. Finally, the 2009 Stipulation (which created a rate plan for DP&L through December 31, 2012) provided that DP&L's distribution rates would remain froze through December 31, 2012, with an exception that DP&L could apply to the Commission for a separate rate rider to recover the "cost of storm damage." 2009 Stipulation, p. 12.

**Q. Were those Stipulations in place when DP&L experienced the 2008, 2011 and 2012 storms?**

A. Yes. The 2005 Stipulation established a rate plan through December 31, 2010, and was thus in place during the 2008 storms. The 2009 Stipulation established a rate plan through December 31, 2012, and was thus in place during the 2011 and 2012 storms.

**Q. Did OCC sign the 2009 Stipulation?**

A. Yes.

**Q. Has DP&L incurred costs related to storm damage as contemplated by the 2009 Stipulation?**

A. Yes. DP&L incurred storm damage costs as contemplated by those Stipulations in 2008, 2011, and 2012. Specifically, DP&L's distribution system facilities were significantly damaged by Hurricane Ike and other storms in 2008, five major storms in 2011 ("2011 Storms"), and a rare Derecho in June 2012.

**Q. Has DP&L sought to defer costs related to storm damage as contemplated by the 2009 Stipulation?**

A. Yes. First, on December 26, 2008, DP&L filed an application in Case No. 08-1332-EL-AAM for approval of accounting authority to defer as a regulatory asset the portion of its Operation and Maintenance ("O&M") expenses associated with restoring electric service to its customers in the aftermath of Hurricane Ike and other storms. In its January 14, 2009 Finding and Order, the Commission authorized DP&L to defer certain amounts in that case, along with carrying costs.

Second, on August 10, 2012, as amended on October 19, 2012, DP&L requested Commission authorization to defer O&M expenses that were incurred as a result of the 2012 Derecho in Case No. 12-2281-EL-AAM. The Commission approved a modified version of DP&L's request, allowing DP&L to defer the cost of the Derecho less the three-year average of major storms, along with carrying costs.

Finally, DP&L sought to defer expenses associated with the 2011 Storms in its Application in this case.

**Q. Can you describe the principal components of DP&L's Application in this case?**

A. Yes. The Application sought to recover O&M expenses, a return on the rate base, depreciation expense, and taxes on capital expenditures associated with Hurricane Ike and other storms in 2008, the 2011 Storms, and the 2012 Derecho.

### **III. THE STIPULATION AND RECOMMENDATION**

**Q. Can you identify the principal terms of the Stipulation?**

A. Yes. The principal terms of the Stipulation are:

1. DP&L shall recover \$22.3 million associated with O&M expenses that DP&L incurred to restore service to customers following the major storms occurring in 2008, 2011 and 2012.
2. DP&L may seek to recover its capital expenditures associated with the 2008, 2011 and 2012 storms in a future distribution rate case.
3. DP&L will implement storm recovery rates on a \$/Customer/bill basis as depicted in Attachment A to the Stipulation.

#### **IV. THE COMMISSION'S CRITERIA FOR EVALUATING STIPULATIONS**

**Q. What criteria does the Commission use to decide whether to approve a Stipulation and Recommendation?**

A. The Commission has in the past applied, and should use in considering this Stipulation, the following three regulatory principles or criteria: First, is the Stipulation a product of serious bargaining among capable, knowledgeable parties? Second, taken as a package, does the Stipulation benefit ratepayers and the public interest? Third, does the Stipulation violate any important regulatory principle or practice?

**A. The Stipulation is the Product of Serious Bargaining Among Knowledgeable Parties**

**Q. Turning to the first criterion or principle, was the Stipulation the product of serious bargaining among capable, knowledgeable parties?**

A. Yes. The settlement negotiations involved a diverse group of experienced parties. Numerous negotiating sessions were held. The Signatory Parties to the Stipulation represent a wide spectrum of diverse interests including, without limitation, the interests of a regulated utility, a commercial customer, as well as the Commission Staff which is tasked with balancing the interests of all parties to a case. All of the Signatory Parties were represented by skilled men and women with years of experience in regulatory matters before this Commission who possessed extensive information, and the negotiations were at arm's length. All had the benefit of experienced legal counsel. Countless hours were devoted to the negotiating process.

**Q. Did all parties have an opportunity to participate in the negotiations?**

A. Yes. There was a series of settlement conferences in which all parties were invited to participate. There were also numerous telephone conferences and email exchanges in which the parties discussed their views as to settlement.

**B. The Stipulation Benefits the Public Interest**

**Q. Turning to the second criterion or principle, can you identify the customer benefits of the Stipulation?**

A. Yes. The Stipulation benefits customers by establishing a recovery amount that is within the range of amounts that was supported by the parties, and was more than \$12 million (or more than 33%) less than the amount that DP&L sought for O&M expenses in this case. The Stipulation also benefits the public interest by allowing DP&L to recover its prudently-incurred storm expenses, thereby providing a reasonable expectation to the Company going forward that it will be permitted to recover prudently-incurred costs associated with its efforts to restore customers to service as safely, quickly and efficiently as possible after future storms.

**C. The Stipulation Does Not Violate Any Important Regulatory Principle**

**Q. With respect to the third criterion or principle, does the Stipulation violate any important regulatory principle or practice?**

A. No. The Stipulation does not violate any important regulatory principle or practice. Indeed, by authorizing DP&L to recover its prudently-incurred storm expenses, the

Stipulation will provide recovery to DP&L for its actual expenditures and will maintain an appropriate expectation for DP&L to respond to storms in the future.

**V. CONCLUSION**

**Q. Does this conclude your testimony in support of the Stipulation?**

**A. Yes.**

## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Dona R. Seger-Lawson in Support of the Stipulation and Recommendation has been served via electronic mail upon the following counsel of record, this 1st day of May, 2014:

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Summary: Testimony Testimony of Dona R. Seger-Lawson in Support of the Stipulation and Recommendation electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company