

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

In the Matter of the Application of The     )  
Dayton Power and Light Company for     ) Case No. 12-3266-EL-AAM  
Approval of Certain Accounting Authority     )

**TESTIMONY  
OF  
ANTHONY J. YANKEL  
IN OPPOSITION TO THE STIPULATION AND RECOMMENDATION**

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

***May 23, 2014***

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**I. INTRODUCTION**

***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

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

***Q2. ARE YOU THE SAME ANTHONY YANKEL WHO PREVIOUSLY FILED  
DIRECT TESTIMONY IN THIS PROCEEDING?***

***A2.*** Yes.

***Q3. WHAT DID DP&L ORIGINALLY REQUEST IN THIS PROCEEDING?***

***A3.*** The Dayton Power and Light Company (“the Utility,” or “DP&L”) requested authority to collect from customers storm-related Operation and Maintenance (“O&M”) expenses for all major-event storms in 2011 and 2012, as well as certain 2008 storm O&M expenses.<sup>1</sup> DP&L also sought PUCO approval to collect capital costs from customers for storm restoration efforts in 2008, 2011, and 2012.<sup>2</sup> Furthermore, DP&L requested that the PUCO grant it accounting authority to defer the 2011 major storm O&M costs with carrying costs equal to the Utility’s cost of debt.<sup>3</sup> Finally, DP&L sought PUCO approval to implement a Storm Cost Recovery Rider (“Storm Rider”) that would permit DP&L to collect

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

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

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PUCO Case No. 12-3062-EL-RDR et al.*

1 from its customer all costs associated with major storms going forward and  
2 requested accounting authority to defer O&M costs until those amounts are  
3 collected from customers.<sup>4</sup>

4  
5 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

6 ***A4.*** My testimony, in addition to other OCC witness testimony, explains the reasons  
7 why the Public Utilities Commission of Ohio (“PUCO”) should reject the  
8 Stipulation and Recommendation filed in this proceeding on May 1, 2014  
9 (“Stipulation” or “Settlement.”) That Stipulation addresses the amount that the  
10 Utility will collect from its customers for O&M expenses “for storms in 2008,  
11 2011 and 2012 \*\*\*.”<sup>5</sup> The proposed Settlement of 2008, 2011 and 2012 storm-  
12 related O&M costs is unjust and unreasonable. The Stipulation does not represent  
13 a fair and reasonable compromise, does not benefit the customers and public  
14 interest, and violates important regulatory principles and practices. The  
15 Stipulation should be rejected by the PUCO. Instead, the PUCO should find that  
16 DP&L incurred no more than \$1 million in storm costs (plus carrying costs) in  
17 2012.

18  

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<sup>4</sup> Id.

<sup>5</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service restoration Costs*, Case No. 12-3062-EL-RDR et al., Stipulation and Recommendation (“Stipulation” or “Settlement”) at 2, (May 1, 2014).

**II. THE PUCO STAFF'S AUDIT REPORT**

***Q5. WHAT WAS THE PUCO STAFF'S RECOMMENDATIONS REGARDING  
DP&L'S APPLICATION?***

**A5.** The PUCO Staff's recommendations are best summarized in its Audit Report (attached hereto as Attachment AJY-1) submitted to the PUCO on January 3, 2014. The findings of the Audit Report are as follows:

(1) The 2008 and 2011 storm expenses should not be recovered as referenced and recommended in its June 17, 2013 Comments;<sup>6</sup>

(2) As the Commission has ruled in the October 23, 2013 Commission Entry in this case, the recovery of capital expenditures incurred as a result of storm damage is more appropriately an issue for a distribution rate case and not a storm recovery rider;<sup>7</sup>

(3) If the PUCO rules that the Utility is permitted to recover expenses from all storms described in its Application, DP&L's proposed storm-related O&M costs should be reduced to reflect prior PUCO decisions and the PUCO Staff's audit findings, which includes adjustments (deductions) related to: (1) Three-year Average, (2)

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<sup>6</sup> Audit Report at 3.

<sup>7</sup> Audit Report at 4.

1 Management Labor, (3) Incentive Payment, (4) Union  
2 Straight-time Labor, (5) Costs for Non-Major Storms in  
3 2008, (6) Out-of-Period Labor Charges, and (7) Specific  
4 Invoice Deductions ;<sup>8</sup> and

5 (4) Other recommendations regarding the recovery period, rate  
6 design, “per diem” or maximum amount (such as \$50 day)  
7 for food allowances, and several storm-related issues to be  
8 addressed in the next rate case.<sup>9</sup>

9  
10 ***Q6. HOW MUCH OPERATION AND MAINTAINANCE COSTS DID THE PUCO***  
11 ***STAFF RECOMMEND IN ITS AUDIT REPORT THAT DP&L SHOULD BE***  
12 ***PERMITTED TO COLLECT FROM CUSTOMERS FOR THE STORM***  
13 ***COSTS INCLUDED IN DP&L’S APPLICATION?***

14 ***A6.*** The PUCO Staff recommended that DP&L not be permitted to collect any of the  
15 2008 and 2011 storms costs from customers.<sup>10</sup> In regard to the 2012 storm costs,  
16 the PUCO Staff recommended that DP&L be permitted to collect \$1,010,600<sup>11</sup>  
17 plus associated carrying costs<sup>12</sup> from customers.<sup>13</sup> That number (\$1,010,600)

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<sup>8</sup> Audit Report at 5-7.

<sup>9</sup> Audit Report at 8.

<sup>10</sup> Audit Report at 3.

<sup>11</sup> \$1,010,600 = \$4,763,244 - \$3,482,366 - \$144,611 - \$104,925 - \$4,301 - \$16,441.

<sup>12</sup> I have calculated the approximate carrying costs on the \$1,010,600 allowed O&M collection to be \$249,342 assuming the carrying cost is proportional to the money requested by DP&L. Specifically, DP&L proposed total storm O&M costs of \$29,695,078, and an associated carrying cost of \$7,326,576 for a total O&M request of \$37,021,654.

<sup>13</sup> Audit Report at 4.

1 reflected adjustments to the \$4,763,244<sup>14</sup> that DP&L sought to collect from  
2 customers for the 2012 deferred storm O&M costs. After reductions for the three-  
3 year average and other costs, the PUCO Staff recommended that DP&L be  
4 permitted to collect \$1,010,600<sup>15</sup> plus associated carrying costs<sup>16</sup> from  
5 customers.<sup>17</sup>

6

7 ***Q7. WHAT IS THE TOTAL CARRYING COST AMOUNT REQUESTED BY***  
8 ***DP&L IN ITS APPLICATION?***

9 ***A7.*** As calculated by the PUCO Staff, the O&M cost request by DP&L, including  
10 carrying costs, is \$37,021,654.<sup>18</sup> This amount represents a Total Storm O&M  
11 cost of \$29,695,078<sup>19</sup> and total carrying costs (both historical and projected) of  
12 \$7,326,576 (assuming the Total Storm O&M costs of \$29,695,078 as proposed by  
13 DP&L are allowed with deduction).

14

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<sup>14</sup> DP&L Application Schedule C-1, Line 9.

<sup>15</sup> \$1,010,600 = \$4,763,244 - \$3,482,366 - \$144,611 - \$104,925 - \$4,301 - \$16,441.

<sup>16</sup> I have calculated the approximate carrying costs on the \$1,010,600 allowed O&M collection to be \$249,342 assuming the carrying cost is proportional to the money requested by DP&L. Specifically, DP&L proposed total storm O&M costs of \$29,695,078, and an associated carrying cost of \$7,326,576 for a total O&M request of \$37,021,654.

<sup>17</sup> Audit Report at 4.

<sup>18</sup> Audit Report at 4.

<sup>19</sup> Application Schedule C-1, Line 11.

1 **Q8. IF DP&L IS NOT PERMITTED TO COLLECT FROM CUSTOMERS THE**  
2 **TOTAL AMOUNT OF STORM RESTORATION OPERATION AND**  
3 **MAINTENANCE COSTS IT REQUESTS IN ITS APPLICATION, THEN**  
4 **WHAT WILL BE THE EFFECT ON THE CARRYING COST AMOUNT?**

5 **A8.** If DP&L does not receive approval to collect the Total Storm O&M costs sought  
6 in its Application from customers, then the total carrying costs to be collected  
7 from customers should be reduced proportionally (assuming that such carrying  
8 costs cover both historic and projected periods). The PUCO Staff recognized this  
9 effect on the carrying costs and supported this approach in the Audit Report.<sup>20</sup>

10  
11 **Q9. WHAT IS THE PUCO STAFF'S CALCULATION OF THE MAXIMUM**  
12 **AMOUNT OF MONEY THAT DP&L SHOULD BE PERMITTED TO**  
13 **COLLECT FROM CUSTOMERS FOR STORM RESTORATION EXPENSES**  
14 **IF DP&L IS PERMITTED TO COLLECT STORM COSTS FROM ALL**  
15 **THREE YEARS (2008, 2011, AND 2012)?**

16 **A9.** The PUCO Staff does not make such a calculation in the Audit Report. However,  
17 the PUCO Staff does discuss the amount of collection that it would recommend if  
18 the PUCO rules that the Utility is allowed to collect the storm-related costs as  
19 requested in the Application – \$23,407,216.<sup>21</sup> However, this alternative position  
20 overstates the amount of carrying costs.<sup>22</sup>

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<sup>20</sup> Audit Report at 4.

<sup>21</sup> Audit Report at 3-4.

<sup>22</sup> Audit Report at 4.



**Q10. HOW DID THE PUCO STAFF OVERSTATE THE REQUIRED CARRYING COSTS IN ITS ALTERNATIVE POSITION IN THE AUDIT REPORT?**

**A10.** According to the PUCO Staff Audit Report, the Utility was requesting \$37,021,654,<sup>23</sup> which was a composite of \$29,695,078 in O&M expenses related to storm damage,<sup>24</sup> and \$7,326,576 in associated carrying costs (both historical and projected). In its Audit Report, the PUCO Staff recommended a deduction of \$13,614,438<sup>25</sup> to the total amount of storm O&M costs sought by DP&L (such that the maximum amount to be collected from customers would be \$16,080,640 without carrying charges), but the PUCO Staff failed to adjust the carrying costs accordingly. The maximum amount of major storm restoration cost collection (assuming 2008, 2011, and 2012 storm costs are allowed), should reflect a proportional deduction in the total carrying costs (assuming historical and projected carrying costs). Accordingly, the carrying costs should also be reduced proportionally (a reduction of 45.85%) by approximately \$3,359,049.<sup>26</sup> In summary, if the PUCO permits DP&L to collect 2008, 2011, and 2012 storm costs from customers, then—based on the PUCO-ordered audit—the maximum amount of major storm-related restoration cost collection from customers should

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<sup>23</sup> Audit Report at 4.

<sup>24</sup> Application, Schedule C-1, Line 11.

<sup>25</sup> Audit Report at 4. The total deduction of \$13,614,438 is the sum of the proposed 2008 O&M adjustments of \$4,975,219, the 2011 O&M adjustments of \$4,859,575, and the 2012 O&M adjustments of \$3,752,644 as identified in the Audit Report.

<sup>26</sup> The carrying cost should be reduced by approximately 45.85% (\$13,614,438 divided by \$29,695,078) of the total carrying cost of \$7,326,576, or \$3,359,049.

1           be \$20,048,167.<sup>27</sup> This is with full carrying (historical and projected) charges  
2           while the Stipulation gave \$22.3 million with no additional carrying charges  
3           (historical only) being collected during recovery.

4  
5   **III.   OCC'S RECOMMENDATIONS**

6  
7   ***Q11.   WHAT ARE OCC'S RECOMMENDATIONS REGARDING DP&L'S***  
8           ***APPLICATION SEEKING TO COLLECT 2008, 2011, AND 2012 STORM***  
9           ***COSTS FROM CUSTOMERS?***

10   ***A11.***   OCC's recommendations are similar to those contained in the Audit Report. First,  
11           as discussed in detail in the testimony of OCC witness Dr. Duann,<sup>28</sup> DP&L  
12           should not be permitted to charge customers for any of the 2008 and 2011 storm  
13           costs.<sup>29</sup> Second, capital expenditures should be addressed in a future rate case.<sup>30</sup>  
14           Third, any storm costs permitted to be collected from customers must be reduced  
15           by a three-year average.<sup>31</sup> OCC also makes specific adjustments to the storm  
16           costs related to mutual assistance,<sup>32</sup> insurance proceeds,<sup>33</sup> and management labor

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<sup>27</sup> \$20,048, 167 = \$16,080,640 + \$3,967,527. (\$16,080,640 = \$29,695,078 - \$13,614,438) and (\$3,967,527 = \$7,326,576 - \$ 3,359, 049).

<sup>28</sup> See Direct Testimony Dr. Daniel J. Duann at 12-20 (January 31, 2014).

<sup>29</sup> Yankel Direct Testimony at 6-11.

<sup>30</sup> Duann Direct Testimony at 8-9.

<sup>31</sup> Yankel Direct Testimony at 26-30.

<sup>32</sup> Yankel Direct Testimony at 14-21.

<sup>33</sup> Yankel Direct Testimony at 21.

1 and union straight-time labor.<sup>34</sup> In summary, OCC recommends that customers  
2 pay no more than \$1 million for storm costs.<sup>35</sup>  
3

4 **IV. THE PUCO'S THREE-PRONG TEST FOR EVALUATING SETTLEMENTS**  
5

6 ***Q12. WHY DO YOU RECOMMEND THAT THE PUCO REJECT THE***  
7 ***SETTLEMENT IN THIS CASE?***

8 ***A12.*** The PUCO relies upon a three-prong test when evaluating whether to approve a  
9 Stipulation. The Stipulation, does not meet this test.  
10

11 ***Q13. WHAT IS YOUR UNDERSTANDING OF THE THREE-PRONG TEST THAT***  
12 ***THE PUCO USES TO EVALUATE SETTLEMENTS?***

13 ***A13.*** It is my understanding that the PUCO applies a three-prong test when evaluating  
14 whether a settlement should be approved. The PUCO must answer the following  
15 three questions:

- 16 1. Is the settlement a product of serious bargaining among  
17 capable, knowledgeable parties representing diverse  
18 interests?
- 19 2. Does the settlement, as a package, benefit customers and  
20 the public interest?

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<sup>34</sup> Yankel Direct Testimony 22-25.

<sup>35</sup> Yankel Direct Testimony 14-30.

- 1                   3.       Does the settlement package violate any important  
2                               regulatory principle or practice?  
3

4       **V.       THE PROPOSED STIPULATION FAILS THE PUCO'S THREE-PRONG TEST**

5  
6       ***Q14.   DOES THE STIPULATION REPRESENT DIVERSE INTERESTS AS***  
7       ***REQUIRED BY THE FIRST PRONG OF THE TEST?***

8       ***A14.*** No. The first prong of the PUCO test requires that the Stipulation be the product  
9           of serious bargaining among capable, knowledgeable parties representing diverse  
10          interests. Contrary to the testimony of Utility witness Dona Seger-Lawson (filed  
11          May 1, 2014), the Stipulation does not “represent diverse interests.” OCC is the  
12          only party in this case that represents residential consumers. OCC opposes the  
13          Stipulation. Residential customers are by far the largest group of customers to be  
14          impacted by the results of this case, and the residential customers who will absorb  
15          the lion’s share of any associated revenue requirement. OCC urges the PUCO to  
16          reject the Stipulation and, instead, implement the recommendations identified in  
17          OCC’s testimony aimed at protecting the interests of residential consumers.  
18

19       ***Q15.   DOES THE STIPULATION, AS A PACKAGE, BENEFIT CUSTOMERS AND***  
20       ***THE PUBLIC INTEREST AS REQUIRED BY THE SECOND PRONG OF***  
21       ***THE TEST?***

22       ***A15.*** No. DP&L, the PUCO Staff, and Kroger have agreed that the Utility should  
23          collect \$22.3 million for 2008, 2011 and 2012 major storm restoration costs from

1 DP&L's customers. Charging DP&L's customers \$22.3 million for the 2008,  
2 2011, and 2012 storm damages is unjust and unreasonable.

3  
4 ***Q16. WHY DO YOU CONSIDER THE COLLECTION OF \$22.3 MILLION FROM***  
5 ***CUSTOMERS FOR 2008, 2011, AND 2012 STORM COSTS TO BE UNJUST***  
6 ***AND UNREASONABLE?***

7 ***A16.*** Based on the findings included in the PUCO Staff's January 3, 2014 Audit  
8 Report, comments, and analysis, and OCC's testimony, comments, and analysis,  
9 DP&L's customers should pay no more than \$1 million (plus carrying costs) for  
10 the 2008, 2011, and 2012 storm restoration expenses requested in DP&L's  
11 Application.

12  
13 The customers of DP&L are likely to get a better outcome (that is paying much  
14 less than the amount of \$22.3 million agreed upon in the Stipulation) if this case is  
15 fully litigated. Specifically, as further discussed earlier, the PUCO Staff  
16 recommended a total collection of \$1 million (\$1,010,600) plus associated  
17 carrying costs in the Audit Report.<sup>36</sup> The OCC recommends that customers pay  
18 less than \$1 million.<sup>37</sup>

19  
20 Furthermore, as stated above, even if the PUCO allows DP&L to collect from  
21 customers the total amount described in DP&L's Application, less the PUCO

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<sup>36</sup> Audit Report at 3.

<sup>37</sup> Yankel Direct Testimony 14-30.

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Staff's adjustments (discussed in the Audit Report) plus associated historical carrying costs, DP&L would collect no more than the \$20 million (\$20,048,167), which was the secondary position found in the Audit Report. Consequently, ignoring any issues with the Stipulation associated with regulatory practice and principles, even under the most generous terms for DP&L, the proposed Stipulation will result in customers paying over \$2 million in excess of the amount that the PUCO Staff determined (in the Audit Report) to be prudently incurred (\$20,048,167), and \$21.3 million in excess of the amount that the PUCO Staff recommended (in the Audit Report) to be collected from customers (\$1,010,600).

***Q17. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?***

***A17.*** Yes it does. The proposed Stipulation violates several PUCO orders and important regulatory principles. Specifically, Paragraph II. (1.) of the proposed Stipulation reads:

**“DP&L’s recovery for storms in 2008, 2011, and 2012 as  
identified in its Application shall be \$22.3 million.”**

The proposed Stipulation does not provide the break-down of the 2008, 2011, and 2012 storm-related O&M costs that make up the \$22.3 million that DP&L may charge its customers. However, the Stipulation clearly states that it does include dollars for the 2011 major storms in the amount to be collected from DP&L's customers.

1 The inclusion of any 2011 major storms costs does not comport with the PUCO's  
2 prior decisions authorizing the deferral of the 2008 and 2012 storm-related O&M  
3 costs.<sup>38</sup> DP&L sought deferral authority for its 2011 storm restoration expenses  
4 in December, 2012, but has not yet received PUCO approval to defer 2011 major  
5 storm-related costs. That approval should not be granted. And absent PUCO  
6 approval, any 2011 major storm-related costs should not receive PUCO authority  
7 for collection from customers.

8  
9 ***Q18. DO YOU HAVE CONCERNS WITH THE SETTLEMENT STRUCTURE OF***  
10 ***THIS PROPOSED STIPULATION?***

11 ***A18.*** Yes, the proposed Stipulation reaches a settlement that includes insufficient  
12 information regarding how the Stipulating parties reached agreement with regard  
13 to the dollar amount of DP&L's collection from customers for all three storm  
14 years (2008, 2011 and 2012). Because of this, it is impossible to determine what  
15 specifically has been settled with regards to any of the storm years individually,  
16 whether any PUCO Orders have been violated, or if any important regulatory  
17 principles have been ignored. There is nothing wrong with a "Black Box"  
18 settlement if it first ensures that such an agreement does not violate any PUCO  
19 order and/or regulatory principles.

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<sup>38</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order, (January 14, 2009); see also, *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Finding and Order (October 19, 2012).

1    ***Q19. DOES THE STRUCTURE OF THIS SETTLEMENT VIOLATE ANY***  
2            ***IMPORTANT REGULATORY PRINCIPLES?***

3    ***A19.*** Yes. The Stipulating Parties have the burden of proof to establish that the terms  
4           of the Stipulation are just and reasonable and can pass the PUCO's three-prong  
5           test. However, because this is a Stipulation which lacks sufficient information—  
6           regarding specifically what has been settled and whether the PUCO's orders  
7           and/or regulatory principles have been followed—it is impossible for the  
8           Stipulating Parties to meet this burden.

9  
10   ***Q20. WHAT ADJUSTMENTS TO THE ORIGINAL APPLICATION MUST BE***  
11           ***MADE SO THAT IMPORTANT REGULATORY PRINCIPLES ARE NOT***  
12           ***VIOLATED IN REGARD TO THE 2008 STORM COSTS?***

13   ***A20.*** When DP&L sought authority to defer major storm restoration costs in 2008,  
14           DP&L specifically sought authority to defer costs associated with Hurricane Ike,  
15           as well as numerous other smaller storms.<sup>39</sup> However, when the PUCO issued its  
16           Order, DP&L was only granted authority to defer restoration costs associated with  
17           Hurricane Ike.<sup>40</sup> DP&L did not seek rehearing on this issue, but deferred  
18           restoration costs associated with the smaller storms anyway. DP&L's actions in  
19           this regard are contrary to the PUCO's Order. The Settlement, however, makes it

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<sup>39</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Application, (December 26, 2008) at paragraph 3.

<sup>40</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 08-1332-EL-AAM, Finding and Order, (January 14, 2009) at paragraph 4.



1 impossible to determine if the smaller storm restoration costs have been removed.

2 It would be unjust and unreasonable for the PUCO to approve the proposed  
3 Stipulation to the extent the \$22.3 million includes any restoration costs for these  
4 smaller storms that the PUCO specifically disallowed.

5  
6 In order to ensure that these costs are not in the Stipulation, \$3,574,934 of 2008  
7 small-storm cost must be removed from the original \$29,695,078 request.

8  
9 ***Q21. DO YOU HAVE ANY OTHER CONCERNS REGARDING THE***  
10 ***SETTLEMENT OF 2008 STORM RESTORATION COST COLLECTION***  
11 ***FROM CUSTOMERS?***

12 ***A21.*** Yes. In the PUCO's Order authorizing DP&L to defer its restoration costs  
13 associated with Hurricane Ike, the PUCO specifically ordered DP&L to defer  
14 such restoration costs less the three-year average cost of major storms (i.e., the  
15 three-year average). When DP&L deferred its 2008 restoration costs it reduced  
16 these costs by \$2.3 million, which represented the average of major storm  
17 restoration costs from 2005, 2006 and 2007. However, this adjustment has been  
18 challenged by both the PUCO Staff and OCC, based upon the Utility's own  
19 documents.<sup>41</sup>

20  

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<sup>41</sup> Case No. 12-2281-EL-AAM DP&L's 6<sup>th</sup> Supplemental response to OCC int. 2(e).

1 In order to ensure that these costs are not in the Stipulation, \$554,503 of  
2 additional three-year average storm costs for 2008 must be removed from the  
3 original \$29,695,078 request.

4  
5 ***Q22. WHY IS THIS OF CONCERN?***

6 ***A22.*** First of all, it is a PUCO decision and requirement upon which the Utility must  
7 comply. Second, it is the rationale for the PUCO to require the reduction in  
8 restoration costs by the three-year average that is important. As the PUCO stated  
9 in its decision, if the restoration costs are not reduced by the three-year average,  
10 then the Utility could be double-recovering such costs from its customers.<sup>42</sup>  
11 Without addressing the appropriate three-year average, DP&L's customers could  
12 be charged twice for storm restoration costs.

13  
14 ***Q23. WHAT OTHER ADJUSTMENTS TO THE ORIGINAL APPLICATION***  
15 ***SHOULD BE MADE SO THAT IMPORTANT REGULATORY PRACTICES***  
16 ***AND PRINCIPLES ARE NOT VIOLATED IN REGARD TO 2011 STORM***  
17 ***RESTORATION COST COLLECTION FROM CUSTOMERS?***

18 ***A23.*** DP&L seeks authority to collect \$10,035,297 in O&M expenses related to five  
19 major storms that occurred in 2011.<sup>43</sup> DP&L failed to seek authority to defer  
20 2011 Major Storm restoration costs in a timely manner. At best, DP&L waited

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<sup>42</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Entry on Rehearing at 4 (February 13, 2013).

<sup>43</sup> Application Schedule C-1.

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1       nearly 15 months (at worst, 22 months) to seek permission to defer the costs  
2       associated with those storms. Despite having an opportunity to review its 2011  
3       accounting records, and time to prepare and reflect upon its 2011 financial  
4       statements/financial performance, DP&L inexplicably waited almost another  
5       calendar year before filing its application seeking authority to defer the 2011 storm  
6       costs. Such a delay in receiving PUCO authorization to defer these costs should  
7       call into question the Utility management's decision-making regarding the  
8       probability of future collection of this deferral. The probability of future  
9       collection of a deferral is a key aspect to a Utility's decision-making when  
10      initially creating a regulatory asset. Therefore, to the extent that the Settlement  
11      includes the collection for any of the 2011 major storm restoration expenses from  
12      customers, the Stipulation violates important regulatory practice and principles.  
13      Because the PUCO has not ruled on the appropriateness of the DP&L's very  
14      untimely request for deferrals related to the 2011 storms and in order to make my  
15      arguments very conservative, I have not removed the full cost of these 2011  
16      storms from the original 2011 storm costs. However, I do propose an adjustment  
17      below, based upon applying the three-year average to the 2011 storm costs.

***Q24. IS THERE AN OTHER ADJUSTMENT TO THE ORIGINAL APPLICATION  
THAT MUST BE MADE SO THAT NO IMPORTANT REGULATORY  
PRACTICE OR PRINCIPLE IS VIOLATED IN REGARD TO 2011 STORM  
RESTORATION COST COLLECTION FROM CUSTOMERS?***

***A24.*** Yes. Although, the PUCO has not granted DP&L deferral authority, if that authority were granted, it is reasonable to expect that the PUCO would require DP&L's 2011 major storm restoration expenses to be reduced by the three-year average. Again, the PUCO has consistently required the reduction in restoration costs by the three-year average. Without knowing how the three-year average was treated in the Settlement, there is a possibility that DP&L's customers are being charged twice for the 2011 storm restoration costs.

As pointed out by the PUCO Staff and OCC, no adjustment has been made in DP&L's filing to remove a three-year average cost for the 2011 storms. In order to ensure that these three-year average costs are not in the Stipulation, \$4,193,617 of additional three-year average storm costs for 2011 must be removed from the original \$29,695,078 request.

**Q25. WHAT ADJUSTMENT TO THE ORIGINAL APPLICATION MUST BE  
MADE SO THAT NO IMPORTANT REGULATORY PRACTICE OR  
PRINCIPLE IS VIOLATED IN REGARD TO 2012 STORM RESTORATION  
COST COLLECTION FROM CUSTOMERS?**

**A25.** DP&L requested recovery of \$4,763,244 from customers for 2012 distribution-related O&M expenses for restoring electric service as a result of a major storm that occurred in June of 2012.<sup>44</sup> In its original Application in that deferral case, the Utility reduced its restoration costs by the three-year average.<sup>45</sup> However, DP&L subsequently filed an Amended Application seeking deferral of all restoration costs.<sup>46</sup> In the Finding and Order authorizing DP&L to defer its restoration costs associated with 2012 major storms, the PUCO specifically ordered DP&L to defer such restoration costs less the three-year average cost of major storms.<sup>47</sup> DP&L filed an Application for Rehearing challenging the PUCO's Entry as it related to the requirement to reduce its storm restoration costs by the three-year average.<sup>48</sup> However, that Application for Rehearing was

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<sup>44</sup> Application Schedule C-1.

<sup>45</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs*, Case No. 12-2281-EL-AAM, Application at 1 (August 10, 2012).

<sup>46</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Amended Application at 1-2 (October 19, 2012).

<sup>47</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Finding and Order at 4 (October 19, 2012).

<sup>48</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Application for Rehearing at 1 (January 18, 2013).

*Testimony of Anthony J. Yankel  
in Opposition to Stipulation and Recommendation  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 12-3062-EL-RDR et al.*

1 denied.<sup>49</sup> Nevertheless, when DP&L filed for recovery of its 2012 major storm  
2 restoration costs it failed to reduce these costs by the average of major storm  
3 restoration costs from 2009, 2010, and 2011 in direct conflict with the PUCO's  
4 Finding and Order, and Entry on Rehearing in that case.

5  
6 The Settlement number lacks specificity such that it is impossible to know if or to  
7 what extent the 2012 three-year average was resolved. Therefore, there is a  
8 possibility that DP&L's customers are being charged twice for 2012 storm  
9 restoration costs.

10  
11 As pointed out by the PUCO Staff and OCC, no adjustment has been made in  
12 DP&L's filing to remove a three-year average cost for the 2012 storms. In order  
13 to ensure that these three-year average costs are not in the Stipulation, \$3,482,366  
14 of additional three-year average storm costs for 2012 must be removed from the  
15 original \$29,695,078 request.

16  
17 ***Q26. CAN YOU SUMMARIZE YOUR CONCERNS WITH THE SETTLEMENT***  
18 ***REACHED IN THIS STIPULATION?***

19 ***A26.*** Yes. Because of the nature of the Settlement, there is insufficient information  
20 regarding the specifics of what has been settled such that it is impossible to  
21 determine what is included in or excluded from the \$22.3 million settlement.

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<sup>49</sup> *In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedure for Certain Storm-Related Services Restoration Costs* Case No. 12-2281-EL-AAM, Entry on Rehearing at 6 (February 13, 2013).

*Testimony of Anthony J. Yankel  
in Opposition to Stipulation and Recommendation  
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PUCO Case No. 12-3062-EL-RDR et al.*

1 Therefore, the Stipulating Parties cannot meet their burden of proof that the  
2 settlement is just and reasonable and that it meets the PUCO's three-prong test.

3  
4 However, it can be shown that the \$22.3 million settlement figure equates to a  
5 little more than the original requested figure of \$29,695,078, less the four  
6 adjustments I listed above to reflect PUCO's Orders and important regulatory  
7 practices and principles. From Attachment AJY-2, it can be seen that the simple  
8 removal of the four items for which the PUCO has already ruled, bringing down  
9 the Application figure of \$29,695,078 of O&M storm costs down to a starting  
10 figure of \$17,889,658. Adding 24.67% for carrying charges (both historic and  
11 during recovery) to that amount (\$17,889,658) results in a starting point of \$22.3  
12 million.

13  
14 However, this is a starting point where the Utility's filing should have been made,  
15 not a final settlement agreement. To make matters worse, the \$22.3 million  
16 settlement figure does not reflect carrying charges during the recovery period,  
17 while the essentially same \$22.3 million starting figure I have calculated includes  
18 both the historic as well as future carrying costs. In other words, the Settlement  
19 figure had to be higher than the appropriate starting figure because it would  
20 include fewer carrying charges. It is unjust and unreasonable that a Settlement  
21 amount would be equal to, and in fact more than, what should have been the most  
22 that DP&L could have requested in its Application had DP&L just addressed the  
23 minimum requirements of recent PUCO rulings.

1   **VI.   CONCLUSION**

2

3   ***Q27.   WHAT IS YOUR RECOMMENDATION?***

4   **A27.**   The PUCO should not approve the proposed Stipulation for the reasons explained  
5           in my testimony and the testimony of other OCC witnesses.  Instead, the PUCO  
6           should find that DP&L incurred no more than \$1 million in storm costs (plus  
7           carrying costs) in 2012.

8

9   ***Q28.   DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

10   **A28.**   Yes.  However, I reserve the right to incorporate new information that may  
11           subsequently become available.



## **CERTIFICATE OF SERVICE**

I hereby certified that a true copy of the foregoing *Testimony of Anthony J. Yankel, on behalf of the Office of the Ohio Consumers' Counsel*, was served via electronic service to the persons listed below, on this 23rd day of May, 2014.

/s/ Melissa R. Yost

Melissa R. Yost  
Deputy Consumers' Counsel

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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**AUDIT REPORT SUBMITTED ON BEHALF OF THE STAFF  
OF THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**Summary of Application and Staff's June 17, 2013 Comments**

On December 21, 2012, The Dayton Power and Light Company (or "Company") filed an application for approval to recover \$64,646,644 in capital and O&M expenses, including carrying charges, for storm repairs in 2008 and 2012, and to defer and recover storm repair expenses for 2011. The Company requests authority to include capitalized costs incurred during storm repairs for each year. For the 2012 storms, the Company requests to recover all of the expenses incurred for repairs, not only the amount over a three-year average that the Commission previously approved. The Company also requests recovery of O&M expenses for all major storms going forward.

**2008 Storms Background**

The Company incurred \$13,661,050 in O&M expenses for repairs as a result of Hurricane Ike on September 14, 2008. The Company also incurred another \$3.6 million in O&M expenses as a result of damage from 11 other storms in 2008. The Company filed an application in Case No. 08-1332-EL-AAM to defer these expenses, less the average amount of major storm repair expenses for the years 2005-2007, for recovery at a later date. In its Order on January 14, 2009, the Commission ruled that the Company may defer Hurricane Ike-related service restoration expenses less the three-year average expenses associated with major storms.

In its June 17, 2013 Comments, Staff recommended that the Company not be allowed to recover expenses for the repair of damage associated with Hurricane Ike because the Company had spent approximately \$149.4 million less than the amount allowed in base rates from the year 2000 until 2011. Additionally, the Company's rate of return has been substantially higher than that which was allowed in the last rate case in 1991. Staff also recommended disallowance of the expenses associated with storm recovery for the other storms in 2008 because the Commission's Order in Case No. 08-1332-EL-AAM only approved deferral of Hurricane Ike expenses.

### **2011 Storms Background**

The Company is requesting deferral authority and recovery of expenses related to repairs for five major storms, including an ice storm on February 1-3, 2011. The total amount of O&M expenses for which recovery is requested is approximately \$10 million.

In its June 17, 2013 Comments, Staff recommended that deferral of 2011 storm repair expenditures is not appropriate because the storms occurred in 2011 and the Company is asking for deferral at the end of 2012 and, as mentioned above, because the Company had been under-spending the allowed O&M and had high equity rates of return over most of the last several years.

### **2012 Derecho Background**

The Company is also requesting recovery of capital and O&M expenses incurred from repairs due to the damage from the June 29, 2012 derecho. The Company incurred approximately \$4.8 million in O&M expenses to repair the damage. In Case No. 12-2281-EL-AAM, the Company requested deferral authority of these O&M expenses for recovery at a later date. On December 19, 2012, the Commission approved deferral of the amount requested, less the three-year average of major storm repair expenses, along with carrying costs. In this Application, the Company is requesting authority to defer and recover the entire amount of O&M expenses.

In its June 17, 2013 Comments, Staff recommended that 2012 major storm expenses that were previously deferred, less the three-year average of major storm expenses, may be recovered pending the outcome of a detailed Staff audit of these expenditures.

Staff also recommended that no revenue requirement for capital expenditures for any of the years is appropriate for recovery in this case.

### **Commission's October 23, 2013 Entry**

In its October 23, 2013 Entry in this case, the Commission ruled that this is not the appropriate proceeding for it to authorize DP&L to establish a charge to recover capital expenses related to storm expenses. Recovery of capital costs was determined by the

Commission to be more appropriately recoverable through a distribution rate case and denied its inclusion for recovery in this case. The Commission also ruled that Staff should conduct a full audit of O&M expenses related to storm repair expenditures incurred in the years in which DP&L requested recovery in this proceeding.

### **Staff Review of O&M Expenses**

Through various data requests, email correspondence, and meetings with Company personnel, Staff received and reviewed union contracts and service contracts with the major contractors used, Company policies and procedures regarding overtime, capitalization of expenditures, and storm response procedures. Staff also requested and received a file of all the transactions recorded relative to the storms in this Application. The file was quite voluminous with thousands of lines of data.

The lines of data included transactions related to Company labor, outside contractors, material requisitions, internal expense reports, etc. Using a statistical sampling method to determine an appropriate sample size, Staff calculated that of the over 16,000 lines of data, 579 samples were necessary in order to achieve a 95% confidence level, plus or minus 4%. Staff requested that the Company provide supporting documentation, such as invoices and timesheets, in order to audit and verify the 579 sample transactions that were selected.

In addition, Staff requested copies of contractor invoices over \$50,000, which included 192 invoices and credits, which amounts to over half of the total amount requested by the Company. Included with the invoices were thousands of pages of support for the invoices. Staff also reviewed an additional sampling of timesheets, invoices and support related to potential issues related to items found in the random samples.

### **Staff Recommendations**

Staff reiterates to the Commission that the 2008 and 2011 expenses should not be recovered as referenced and recommended in its June 17, 2013 Comments. If the Commission rules that the Company is allowed to recover expenses from all storms described in its application, Staff, who has performed a detailed audit of the expenses for which the Company has requested recovery, recommends the following adjustments, which would result in a recovery of \$23,407,216:

Description	Amount	Reason for Adjustment
<b>Company Request:</b>	<b>64,646,644</b>	
Capital expenditures not allowed for recovery		
<b>Less: (including carrying charges)</b>	<b>27,624,990</b>	<b>Per Commission Entry in this Proceeding</b>
<b>O&amp;M Cost Request:</b>	<b>37,021,654</b>	
<b>2008 O&amp;M Adjustments:</b>		
Three-year average adjustment	554,503	Application included \$2,339,446; Staff using \$2,893,949
Management Labor	377,581	Should not be recoverable
Incentive payment for Vice President	5,000	Should not be recoverable
Union straight time	396,941	Amount that should be in base rates
Cost of non-major storms during 2008	3,574,934	
Labor incurred for storm work done well after storm, including carrying charges	60,392	Staff believes this should have been normal O&M; too long after storm to be charged to storm repairs.
CWGLLC	10,003	Invoice shows that work was done in December 2008 for September 2008 storm
Asplundh rate ad on invoice 402502	16,602	Rates on invoice do not match contract
Serco Invoices diff between 12 and 13% markup	128	Contract calls for 12% markup; invoices showed 13%
Serco Invoice for maintenance	4,855	Invoice for generator maintenance, not to be charged to storm
NESCO invoice well after storm	702	Work performed week of 11/14/08 two months after storm
NESCO invoice well after storm	578	Work performed week of 11/14/08 two months after storm
<b>2011 O&amp;M Adjustments:</b>		
Three year average adjustment	4,193,617	Staff believes 3-yr avg should be used
Too many hours on timesheet for employee 4667	726	Timesheet error, adjusted down from 24 to 16 hours a day
Management Labor	309,169	Should not be recoverable
Union straight time	318,813	Amount that should be in base rates
Twenty-first Century Communications	6,358	Monthly fee charged to storm, not incremental; fee would have been incurred anyway 6/2011
Twenty-first Century Communications	6,358	Monthly fee charged to storm, not incremental; fee would have been incurred anyway 8/2011
Labor incurred for storm work done well after storm, including carrying charges	24,534	Staff believes that this is normal O&M; too long after storm
<b>2012 O&amp;M Adjustments:</b>		
Three year average adjustment	3,482,366	Staff believes 3-yr avg should be used
Management Labor	144,611	Should not be recoverable
Union straight time	104,925	Amount that should be in base rates
DUSLLC	4,301	Sept work done for June derecho
Henkels & McCoy OT/DT Adj	16,441	Adjust to reduce pay from DT to OT per contract
<b>Total O&amp;M Adjustments (not including carrying cost adjustment)</b>	<b>13,614,438</b>	
<b>Recoverable Amount</b>	<b>23,407,216</b>	

Note: Carrying charges on the recoverable amount due to these adjustments need to be revised in accordance with the Commission's Opinion and Order in this Case.

The following is a description of each of the above recommended adjustments:

### Capital expenditures

As stated above, in the October 23, 2013, Commission Entry in this case, the Commission ruled that the recovery of capital expenditures incurred as a result of storm damage is more appropriately an issue for a distribution rate case and not a storm recovery rider. Therefore,

Staff recommends an adjustment of the total requested amount of capital-related expenditures in the amount of \$27,624,990, including carrying charges

### Three-year Average Adjustment

Staff believes that base rates have minor storm repair expenditures and some element of major storm expenditures included in them. Per the Commission's Entry on Rehearing in Case No. 12-2281-EL-AAM, the Commission stated, "The Commission finds that it would be inconsistent with Commission precedent to allow DP&L to defer the full amount, and that deferral of the full amount may result in double recovery of O&M expenses."<sup>1</sup> Therefore, a three-year average of major storm repair expenses should be deducted from the total. Staff has recalculated the three-year averages for each year of the storms expenses requested in this case to account for the other adjustments recommended for each year above.

Using DP&L's Data Request Response to OCC Interrogatory 2D and 2E in Case No. 12-2281-EL-AAM, Staff has calculated the three-year averages that should be reduced from the recovery of the 2008, 2011, and 2012 storms. From the amounts shown on the responses, Staff adjusted the yearly expenses by the amounts recommended in these comments to calculate the averages as shown in the following chart:

	<b>Major Storm O&amp;M Expenses</b>	<b>3-Year Avg for 2008</b>	<b>3-Year Avg for 2011</b>	<b>3-Year Avg for 2012</b>
<b>2005</b>	6,094,093			
<b>2006</b>	872,528			
<b>2007</b>	1,715,226			
<b>2008</b>	15,950,806			
<b>Adjusted 2008 per Staff Audit Findings</b>	11,503,090	2,893,949		
<b>2009</b>	774,841			
<b>2010</b>	302,919			
<b>2011</b>	10,035,297			
<b>Adjusted 2011 per Staff Audit Findings</b>	9,369,339		4,193,617	
<b>2012</b>				3,482,366

### Management Labor

Management's regular work hours are built into base rates. To include them in the total cost of the rider would mean that customers would be paying twice for the same labor. Therefore, it is inappropriate to include management's regular labor in the rider.

Regarding management overtime, management employees are typically paid a salary for performing a job and are generally not compensated for working a specific number of hours a

<sup>1</sup> Case No. 12-2281-EL-AAM, Entry on Rehearing, February 13, 2013, at 4.

week. Recovery should not include management labor paid in excess of 40 hours. While Staff understands that during a storm restoration period, as the need arises, some exempt employees are asked to work more than 40 hours per week, but Staff believes that customers should not have to pay for this management overtime. Therefore, Staff recommends a total adjustment of \$831,361 for management labor.

### **Incentive Payment**

The Company's Vice President of Operations received an award of \$10,000--\$5,000 of which was charged to O&M and \$5,000 was charged to capital<sup>2</sup>--for his management of all facets of the storm restoration. Staff recognizes that some employees may be expected to work extra hours in support of the Company's restoration efforts, but believes that employees of this level have a responsibility to direct this work without receiving an extra benefit that should be borne by the ratepayers. Staff recommends an adjustment of \$5,000.

### **Union Straight-time Labor**

The Company's employees who work on storm repairs are instructed to record all of their time to the proper project code for the storm for which they are performing repairs. Due to union contracts, the majority of Company labor for storm repairs is paid at minimum time and a half rates. However, in any given week, the first 40 hours of each employee's straight-time labor is already being paid for by customers in the Company's base rates. Therefore, Staff recommends a total adjustment of \$820,679 to exclude the amount already recovered in base rates.

The overtime portion of the employees' hourly rates and the pay for the extra hours are truly incremental labor for which Staff is not making an adjustment.

### **Costs for Non-Major Storms in 2008**

The Company's application includes, along with Hurricane Ike repair costs, repair costs associated with non-major storms in 2008. The Application to defer 2008 costs (Case No. 08-1332-EL-AAM) includes "other" storms; however, per the Commission's Finding and Order, only Hurricane Ike expenses were approved for deferral:

"The Commission finds that the application seeking authority to modify the Company's accounting procedures to defer incremental O&M expenses associated with the September 14, 2008, wind storm, with carrying costs, is reasonable and should be approved."<sup>3</sup>

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<sup>2</sup> Company Response to Staff Data Request No. 10.

<sup>3</sup> Case No. 08-1332-EL-AAM, Finding and Order, January 14, 2009, at 2.

Also, the Company has stated that the cost of repairs from non major storms is embedded in the Company's O&M expenses recovered through base rates. Therefore, for these reasons, Staff believes an adjustment of \$3,574,934 to remove the minor storm repair expenses is appropriate.

### **Out-of-Period Labor Charges**

In 2008 and 2012, some labor was charged to storm projects for work done months after the storms occurred for which the projects were charged. Staff believes that these charges should have been charged to regular O&M and recommends an adjustment of \$84,926.

### **Specific Invoice Deductions**

Staff recommends the following adjustments for specific invoice charges. Some are for work that was done either before or well after the arrival of the storm as referenced in the invoices, prompting Staff to believe that they should have been charged to normal (non-storm) O&M:

CWG LLC: An invoice shows work being done on in December 2008 for a September storm. As a result, Staff recommends an adjustment of \$10,003.

Asplundh: On invoice number 402502, the rates charged do not match the contract. Staff calculated the difference and recommends an adjustment of \$16,602.

Serco: An invoice shows a 13% markup for food, hotels, and other expenses; however, the contract calls for a 12% markup. Therefore, Staff recommends an adjustment of \$128 to account for the 1% difference. Another invoice showed charges for generator maintenance that would have been incurred absent any storms or should have been incorporated into its rates charged to the Company and Staff recommends an adjustment of \$4,855.

NESCO: Two invoices were for work done the week of 11/14/08, which was two months after Hurricane Ike occurred. Therefore, the total of two invoices, \$1,280, should be adjusted.

Twenty First Century Communications: Invoices for June 2011 and August 2011 include a monthly fee for the company's services. Staff believes these charges would have been incurred absent any storm and believes they are not incremental, resulting in a recommended adjustment of \$12,716.

IJUS, LLC: An invoice for work done in September 2012 says it was related to the June derecho. Staff believes that this should have been charged to regular O&M and recommends an adjustment of \$4,301.

Henkels & McCoy: The contract calls for employees to be paid overtime rates at time and a half; however, the Company paid double-time rates for many hours, resulting in a recommended adjustment of \$16,441.



## **Other Recommendations**

Along with the above adjustments, Staff recommends the following:

1. The recoverable amount should be recovered over one year.
2. This amount should be recovered on a per customer bill, not per kWh or kW.
3. If the Company has any additional requests for deferral and/or recovery of storm repair expenses before its next base rate case, Staff recommends that the total expenses be reduced by the three-year average.
4. In the Company's next base rate case, Staff recommends that the Company apply for a tracker and a baseline level of expenses for repairs related to major storms for inclusion in base rates. Then each subsequent yearly request for recovery would be net of the baseline amount.
5. In the audit of expenses for this case, Staff discovered many invoices and receipts for meals that appear to be for amounts considerably more than should be reasonably expected to be recovered from customers, including receipts for numerous snacks and refreshments. Currently, neither the Company nor the Commission have rules in place regarding the reasonableness of expenditures during storm restoration. Staff recommends that the Company implement a "per diem" or maximum amount (such as \$50 a day) for food allowances for internal employees and contractors involved in storm repair.

Respectfully submitted,

**Michael DeWine**  
Ohio Attorney General

**William L. Wright**  
Section Chief

/s/ Ryan P. O'Rourke

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## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Staff's Audit Report** was served by electronic mail, upon the following parties of record, this 3<sup>rd</sup> day of January, 2014.

/s/ Ryan P. O'Rourke

**Ryan P. O'Rourke**

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**Case No(s). 12-3062-EL-RDR, 12-3266-EL-AAM**

**Summary: Audit electronically filed by Mrs. Tonneta Y Scott on behalf of PUCO**

## Calculation of Appropriate Starting Point Per Commission Past Orders

1	DP&L Originally Filed O&M Cost	\$29,695,078
	Less Adjustments:	
2	2008 Three-Year Average	\$554,503
3	2008 Non-major Storms	\$3,574,934
4	2011 Three-Year Average	\$4,193,617
5	2012 Three-Year Average	<u>\$3,482,366</u>
6	Total per Commission Orders	\$11,805,420
7	Appropriate O&M Starting Point	\$17,889,658
8	Carrying Charge % (historic + recovery period)	24.67%
9	Carrying Charge \$ (historic + recovery period)	\$4,413,379
	Appropriate O&M plus Carrying Charge \$ Starting Point	
10	(historic + recovery period)	\$22,303,037

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The	)	
Dayton Power and Light Company for	)	Case No. 12-2281-EL-AAM
Authority to Modify its Accounting	)	
Procedures For Certain Storm-Related	)	
Service Restoration Costs.	)	

**THE DAYTON POWER & LIGHT COMPANY'S SIXTH SUPPLEMENTAL  
RESPONSE TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

The Dayton Power and Light Company ("DP&L") provides this sixth supplemental response to the Office of the Ohio Consumers' Counsel's Interrogatories and Requests for Production of Documents ("OCC's First Set"). DP&L hereby incorporates by reference as if fully rewritten herein, each and every one of the General Objections advanced in DP&L's initial response to the OCC's First Set.

**SUPPLEMENTAL RESPONSE TO INTERROGATORIES**

2. Referring to the Application at paragraph 2, for the "three-year average service restoration O&M expenses associated with non-major events":
  - A. Will this average be determined on a calendar year basis?
  - B. If the response to (a) is negative, what "year" periods will be used to determine the average?
  - C. What is the dollar amount of the three-year average, and the annual amounts used to calculate that average?

D. By calendar year, what are the dollar amounts of “service restoration O&M expenses associated with non-major events” for the past 10 years?

E. By calendar year, what are the dollar amounts of “service restoration O&M expenses” associated with major events for the past 10 years?

**Supplemental Response:**

C. General Objection Nos. 1 and 2. Without waiving objection:

Year	Non-Major Event O&M
2009	\$ 741,626
2010	\$ 1,728,304
2011	\$ 1,228,529
<b>Three-Year Average</b>	<b>\$ 1,232,820</b>

*Prepared by Emily Rabb.*

D. See attachment titled “Supplemental Response to Interrogatory 2D & 2E”.

*Prepared by Mark Vest.*

E. See attachment titled “Supplemental Response to Interrogatory 2D & 2E”.

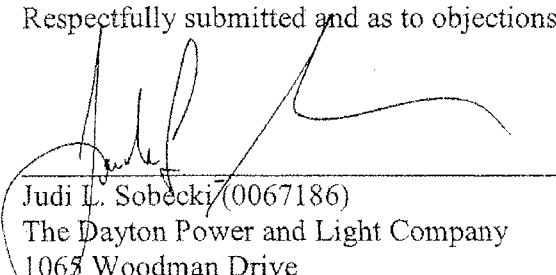
*Prepared by Mark Vest.*

### REQUESTS FOR PRODUCTION OF DOCUMENTS

1. Please provide a copy of all formal and informal requests (e.g. interrogatories, data requests) made by the Commission, the PUCO Staff and the PUCO's Attorneys General in this proceeding to the Company and the responses to those requests provided by the Company.

**RESPONSE:** DP&L will produce responsive documents.

Respectfully submitted and as to objections:



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Company

### Supplemental Response to Interrogatory 2D & 2E

<u>Year</u>	<u>Major Events</u> <u>O&amp;M</u>	<u>Non-Major</u> <u>Events O&amp;M</u>	<u>Total O&amp;M</u>
2002	\$ 926,958	\$ 315,272	\$ 1,242,230
2003	\$ 1,386,639	\$ 134,632	\$ 1,521,270
2004	\$ 1,717,105	\$ 482,516	\$ 2,199,622
2005	\$ 6,094,093	\$ 924,015	\$ 7,018,108
2006	\$ 872,528	\$ 1,690,965	\$ 2,563,493
2007	\$ 1,715,226	\$ 1,165,959	\$ 2,881,184
2008	\$ 15,950,806	\$ 1,285,178	\$ 17,235,984
2009	\$ 774,841	\$ 741,626	\$ 1,516,467
2010	\$ 302,919	\$ 1,728,304	\$ 2,031,223
2011	\$ 10,035,297	\$ 1,228,529	\$ 11,263,825
<b>Total</b>	<b>\$ 39,776,412</b>	<b>\$ 9,696,995</b>	<b>\$ 49,473,407</b>



**Irda H Hinders**

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**From:** Emily W Rabb  
**Sent:** Wednesday, November 14, 2012 7:55 AM  
**To:** 'Hecker, Jeffrey'  
**Cc:** Liphtratt, David; Turkenton, Tammy; Dona R Seger-Lawson; Irda H Hinders  
**Subject:** - Supplemental Storm Response

Jeff,

Please see the table below which includes a couple one-time, minor updates to the 2009 and 2010 non-major O&M numbers since we last provided this to you on September 18<sup>th</sup>.

Year	Non-Major Event O&M
2009	\$ 741,626
2010	\$ 1,728,304
2011	\$ 1,228,529
Three-Year Average	\$ 1,232,820

Thanks,  
Emily

**Emily Rabb**

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**5/23/2014 4:15:56 PM**

**in**

**Case No(s). 12-3026-EL-WVR, 12-3266-EL-AAM**

Summary: Testimony Testimony of Anthony J. Yankel in Opposition to the Stipulation and Recommendation on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Yost, Melissa Ms.