

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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

- - -

PROCEEDINGS

before Mr. Gregory Price and Mr. Bryce McKenney,
Hearing Examiners, at the Public Utilities Commission
of Ohio, 180 East Broad Street, Room 11-C, Columbus,
Ohio, called at 10:00 a.m. on Tuesday, June 3, 2014.

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VOLUME I

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Tuesday Morning Session,
June 3, 2014.

- - -

EXAMINER MCKENNEY: Good morning. The Public Utilities Commission of Ohio calls for hearing at this time and place, Case No. 12-3062-EL-RDR, being In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service Restoration Costs. My name is Bryce McKenney, with me is Greg Price, we are the attorney examiners assigned by the Public Utilities Commission to hear this case.

At this time we'd like to take the appearances of the parties. Start with the Company and work our way around the table.

MR. SHARKEY: Thank you, Your Honor. Jeff Sharkey from the law firm Faruki Ireland & Cox, appearing on behalf of The Dayton Power and Light Company.

EXAMINER MCKENNEY: Thank you.

MR. STRINES: Good morning, Your Honor. Joe Strines, entering an appearance on behalf of myself and for Judi Sobecki as counsel for The Dayton Power and Light Company.

EXAMINER MCKENNEY: Thank you.

1 MR. O'ROURKE: Thank you, Your Honor.

2 Ryan O'Rourke, representing staff today.

3 EXAMINER MCKENNEY: Thank you.

4 MS. KILGARD: Celia Kilgard, representing
5 Kroger and for the firm Taft Stettinius & Hollister.

6 EXAMINER MCKENNEY: Thank you.

7 MS. YOST: Good morning. Melissa Yost,
8 Larry Sauer, and Mike Schuler, representing the
9 Office of the Ohio Consumers' Counsel.

10 EXAMINER MCKENNEY: Thank you.

11 At this time we have a couple of
12 housekeeping matters we'd like to take care of on the
13 record before we proceed. The first one is filed, I
14 believe last year, was a motion to dismiss by OCC. I
15 believe that motion is now moot. We're no longer
16 going to rule on that motion. I believe it is denied
17 under mootness.

18 We also have a motion for a protective
19 order filed by OCC for the testimony of Yankel, filed
20 on January 31st. A memorandum contra to that motion
21 was filed. That motion will be granted.

22 We also have a motion for public hearing
23 by OCC on February 19th. The motion is also denied.

24 At this time, Mr. Sharkey.

25 MR. SHARKEY: Yes. Thank you, Your

Honor. I would like to offer the Stipulation and Recommendation that's been previously filed in this matter as Joint Exhibit 1. I understand from communication off the record with counsel for staff and counsel for Kroger that I can offer it as Joint Exhibit 1 on behalf of those three parties. I'd like to offer it into evidence and move that it be admitted.

EXAMINER MCKENNEY: Thank you, Mr. Sharkey. It will be so marked Joint Exhibit 1.

(EXHIBIT MARKED FOR IDENTIFICATION.)

EXAMINER MCKENNEY: Any objection to Joint Exhibit 1, the Stipulation?

It will be so admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER PRICE: Mr. Sharkey, call your first witness.

MR. SHARKEY: Thank you, Your Honor. Dayton Power and Light would call Bryce Nickel to the stand.

(Witness sworn.)

EXAMINER PRICE: Please be seated and state your name and business address for the record.

THE WITNESS: My name is Bryce Nickel. My business address is 985 Gardenwood Place,

1 Centerville, Ohio 45458.

2 EXAMINER PRICE: Thank you.

3 Mr. Sharkey, please proceed.

4 MR. SHARKEY: Thank you, Your Honor.

5 - - -

6 BRYCE W. NICKEL

7 being first duly sworn, as prescribed by law, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 By Mr. Sharkey:

11 Q. Mr. Nickel, do you have before you the
12 direct testimony of Bryce Nickel that was previously
13 filed in this case?

14 A. I do.

15 Q. Do you have any corrections or changes to
16 make to that testimony?

17 A. I do not.

18 Q. Do you also have before you the
19 supplemental testimony of Bryce Nickel that was
20 previously filed in this case?

21 A. I do.

22 Q. And do you have any corrections or
23 changes to that testimony?

24 A. I do not.

25 MR. SHARKEY: Your Honor, I'd like to

1 designate Bryce Nickel's direct testimony as DP&L
2 Exhibit 1, and the supplemental testimony as DP&L
3 Exhibit 2, and I'd move for admission of them at the
4 conclusion of his testimony.

5 (EXHIBITS MARKED FOR IDENTIFICATION.)

6 Q. Before I finish my direct examination,
7 Mr. Nickel, I'd ask, with Your Honor's indulgence, if
8 you could spend a few moments describing what's in
9 the four poster boards that we've brought here in
10 terms of damage to DP&L's service territory as a
11 result of some storms that are at issue in this case.

12 A. Absolutely.

13 THE WITNESS: Care if I get up?

14 EXAMINER PRICE: You may.

15 A. What we brought were some pictures of the
16 damage associated with three of the major storms that
17 we're talking about in the case here today.

18 The first set of pictures here on the
19 first two poster boards are damage associated with
20 Hurricane Ike which occurred in September of 2008 and
21 really just trying to give an example of the
22 devastation which occurred in our service territory.

23 This photograph here is taken between --
24 in a rural area between Bellbrook and Waynesville,
25 down in Greene County, in our service territory.

1 This is a line of transmission poles with
2 distribution underbuild on these poles. In this
3 particular situation the wind took down -- took down
4 a line of about 15 of these transmission and
5 distribution poles.

6 These poles are very beefy poles. You
7 could barely get your arms around the base of these
8 poles. They're about 4 feet in circumference. They
9 go about 60 to 70 feet high. As you can see, nothing
10 other than the wind took these down. There are no
11 trees which caused these poles to snap; it was just
12 purely wind.

13 Also included on this line, and I'll flip
14 over to this picture over here, this pole, which we
15 had put because there was a slight curve in the line
16 so we used a cement pole that was reinforced with
17 rebar. As you can see, the winds also snapped off
18 the cement pole. So it was just an illustration of
19 the damage and the magnitude of the wind.

20 This picture is actually in the same
21 area. I included this because of just really the
22 unusual nature of it. This pole was not only snapped
23 off, it was upside down and blown into a tree.
24 Usually we have trees blown into our lines; in this
25 case our lines were blown into a tree and it flipped

1 the pole completely upside down. The top of the pole
2 was at the bottom of the tree.

3 This photograph here, illustration again
4 of Hurricane Ike and the winds that we saw. This
5 happened to be out in Washington Court House. Some
6 of you may be familiar with State Route 35, the
7 bypass around Washington Court House. This, again,
8 was a line of about over 10 poles, actually the same
9 size kind of poles that were snapped off. This is
10 out in the middle of a corn field. Again, just from
11 the heavy winds.

12 Over to -- moving over to the
13 distribution damage that we saw, purely distribution
14 system. This was simply an illustration of trees
15 down in our distribution system. As you can see, we
16 have a pole here, a tree well off the right-of-way,
17 snapped off mid-trunk down into the distribution
18 system there.

19 This is just a picture of some guy --
20 these wires were actually de-energized, and I think
21 that guy is me trying to get underneath them.

22 So, again, Hurricane Ike, by far, the
23 biggest storm that has ever hit The Dayton Power and
24 Light service territory, and I would say most of
25 west-central Ohio, as well as there were obviously

1 other utilities impacted by it. It was quite a
2 couple weeks worth of work.

3 This poster, this is just an illustration
4 of the damage that we saw in 2011. Part of the case
5 here is to talk about storm damage in 2011. We led
6 off the year with an ice storm that occurred at the
7 end of January 2011 where we had up to an inch of ice
8 which built up on our lines and trees. It caused
9 massive damage to our system. It was the second-most
10 damaging storm that we've had in at least the recent
11 history of Dayton Power and Light.

12 And the unique thing about this storm is
13 it accumulated ice right in the center of our service
14 territory, right in downtown Dayton and the
15 surrounding suburban areas where there is lots of
16 vegetation that ice accumulated on and it came down.

17 The other photographs are the
18 thunderstorms that we saw in the middle part of the
19 year, May, July, and then in September. Again, just
20 illustrating damage associated with those. We had
21 tornadoes and then severe thunderstorms and
22 straight-line winds. This is a picture of a
23 straight-line wind. That was a straight-line wind
24 that took down that massive tree and damaged that
25 home.

1 Then in 2012, the end of June in 2012, we
2 had something that came through Ohio that we had
3 never heard of before, something called a "derecho."
4 And this derecho is a windstorm that basically
5 started up in northern Indiana, came off Lake
6 Michigan. It was a compact area of very, very high
7 winds, came down through Indiana, hit our service
8 territory directly, came over and hit the AEP service
9 territory, and then went on through West Virginia,
10 Virginia, Maryland, and then out to the Atlantic
11 Ocean. It lead a path of devastation all the way
12 through kind of the east-central United States.

13 The pictures just illustrate the kind of
14 damage here. Again, this is transmission system with
15 distribution underbuild. These were steel poles that
16 were broken off. Again, nothing bringing those down
17 other than the wind. This happened to be out at
18 the -- in the area around Wright Patterson Air Force
19 Base and Wright State University which was, you know,
20 was obviously a very, very high priority job for us.
21 This is just another view of the same job site.

22 And again, here we're looking at this is
23 purely on the distribution system. Trees that are
24 broken off. Not only our facilities, but facilities
25 for the various municipalities with street lights and

1 things like that. Again, way outside the
2 right-of-way, it came across the road and damaged our
3 lines.

4 So I thought I would just kind of refresh
5 everyone's memory on just how devastating the amount
6 of damage that was done by these storms.

7 Any questions?

8 Q. I only have one more question for you --
9 well, actually -- strike -- no, strike that. I have
10 no more questions for you.

11 A. Okay.

12 MR. SHARKEY: So, Your Honor, we would
13 tender Mr. Nickel for cross-examination.

14 EXAMINER PRICE: Thank you.

15 Kroger, any cross?

16 MS. KILGARD: No.

17 EXAMINER PRICE: Consumers' Counsel?

18 MR. SAUER: Thank you, Your Honor.

19 - - -

20 CROSS-EXAMINATION

21 By Mr. Sauer:

22 Q. Good morning, Mr. Nickel.

23 A. Good morning.

24 Q. My name is Larry Sauer. I'm an attorney
25 with the Office of the Ohio Consumers' Counsel. I

1 believe we met --

2 A. Good to see you again.

3 Q. -- late January, to do your deposition.

4 A. Yes, sir.

5 Q. Nice to see you again.

6 When you are confronting a major event
7 such as, say, the 2008 Ike storm, how long after that
8 event does it take your company to identify it as a
9 major storm?

10 A. We go through -- let me step back. To
11 reach the -- to reach the status of a major storm,
12 what we term a "major storm," under current Ohio
13 utility practice it has to meet a statistical
14 criteria using something called the "2.5 beta test."

15 And so, to examine storm data, to see if
16 it meets that criteria, we would, after the storm is
17 completed, all customers are restored obviously being
18 our first priority, we would review all the outage
19 data, make sure that all the data entries were made
20 correctly, that usually happens in the first few
21 days. Then we give it another review for
22 reasonableness after that. So, typically, within a
23 week or two we would have enough information that we
24 would be able to indicate whether it was a major
25 storm or not.

Obviously, in a situation like 2008 or any of the storms that we just spoke about, there's very little doubt about whether, but you have to go through and confirm it statistically which is what we do.

Q. Is it your -- well, let's take a step back. What's your position with the company?

A. I currently no longer have a position with the company. I retired in January. Before I retired --

EXAMINER PRICE: Congratulations.

(Laughter.)

THE WITNESS: Thank you.

A. Before I retired, I was Senior Vice President of Transmission and Distribution Operations.

Q. And would it be the Transmission Operations or Distribution Operations Group that would be responsible for identifying an event as a major storm?

A. Yes.

Q. So it's your group that would make that determination within a week or two of the event?

A. Yes. And I would go on to say that it was our normal practice that, at the end of every

1 month, we would again review the data to make sure
2 that everything was -- everything was done correctly,
3 but, yes, within a very reasonably short period of
4 time.

5 Q. And once you make that determination, do
6 you hand that information off to the accounting folks
7 so they can make a determination whether those costs
8 should be deferred or do you hand it off to the
9 regulatory folks and they make the determination
10 whether the costs should be deferred?

11 A. We would be primarily in communication
12 with the regulatory group not so much for cost
13 deferral purposes because that's really not part of
14 what us in operations were involved with, but really
15 more from a reliability statistic standpoint,
16 because, as you probably know, when storms are
17 declared major storms, the data from those storms are
18 excluded from your reliability statistics, and so,
19 and, you know, we report those on a regular basis,
20 and we want to make sure everybody understands what's
21 in the numbers.

22 Q. And in your direct testimony, I believe
23 it was page 3, it's been marked DP&L Exhibit No. 1, I
24 think page 3 of 15, you list several major events in
25 2011. The first one being a February 1st ice storm,

1 and then, in the box below, after line 13, there's
 2 four other storms listed: May 22nd, July 11th, July
 3 24th, and September 3rd. Do you see those?

4 A. Yes, I do.

5 Q. According to your 2.5 beta statistical
 6 analysis, those were all major storms?

7 A. They were.

8 Q. And they would have all been evaluated
 9 and then a determination made within a couple weeks
 10 of each of those events?

11 A. Yeah, I would say that would be a
 12 reasonable estimate. I don't remember directly, but
 13 it seems reasonable.

14 Q. There was no reason why those events
 15 weren't identified as major storms in a timely
 16 manner?

17 A. No. Nothing particular about those
 18 storms.

19 MR. SAUER: May I approach, Your Honor?

20 EXAMINER PRICE: You may.

21 MR. SAUER: I have a 10-page document I'd
 22 like to have marked as OCC Exhibit No. 1.

23 EXAMINER PRICE: So marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

25 MR. SAUER: It is the Audit Report

Submitted by the Staff of the Public Utilities
Commission of Ohio.

Q. Mr. Nickel, the document I just handed
you that was marked OCC Exhibit No. 1, are you
familiar with that document?

A. I am.

Q. And your supplemental testimony
essentially addresses some of the issues that staff
took with various costs that DP&L incurred in
restoring service in the various 2008, 2011, and 2012
storms; is that correct?

A. Yes, it is correct.

Q. Your supplemental testimony -- well, let
me direct you, first of all, to page 4 of this
document and --

MR. SHARKEY: Sorry, Larry. Page 4 of
which document?

MR. SAUER: Page 4 of OCC Exhibit No. 1.

MR. SHARKEY: Thank you.

A. Excuse me. That's the staff audit?

Q. The staff audit report, yes.

A. Okay. Thank you.

Q. On page 4 there's a schedule where
they've made various adjustments to 2008 storms, 2011
storms, and 2012 storms, correct?

1 A. Yes.

2 Q. And at the very top, they start with a
3 total company request of \$64,646,644, correct?

4 A. Correct.

5 Q. And then they remove capital expenditures
6 of 27.6 million, correct?

7 A. Yes.

8 Q. And your testimony doesn't address the
9 capital adjustment they made.

10 A. It does not.

11 Q. It does not.

12 And then, under 2008, 2011, and 2012,
13 they also make an adjustment for the three-year
14 average. Do you see that?

15 A. I do.

16 Q. And your supplemental testimony does not
17 address the three-year average adjustment.

18 A. It does not. I believe that's
19 Ms. Seger-Lawson.

20 Q. Under the 2008 adjustments, the first
21 adjustment is to -- let's start with the third
22 adjustment down, the union straight time, \$396,941.
23 Do you see that adjustment?

24 A. I do.

25 Q. And you do not take exception to that

1 adjustment, do you?

2 A. I do.

3 Q. Can you point me in your testimony where
4 you take exception to the union straight time
5 adjustment?

6 A. I believe I addressed that in my direct
7 testimony.

8 Q. Mr. Nickel, your direct testimony was
9 filed on -- what date did you file this?

10 EXAMINER PRICE: Excuse me. Where are
11 you on your direct testimony?

12 THE WITNESS: I believe on page 10. The
13 question is: "Why is it appropriate to include
14 internal labor as part of storm costs?"

15 EXAMINER PRICE: Okay. Thank you.

16 Thank you, Mr. Sauer.

17 Q. Mr. Nickel, do you recall what date you
18 filed the direct testimony in this case?

19 A. I do not.

20 Q. Was it filed prior to the staff audit
21 report that was filed --

22 A. Yes, I believe it was.

23 Q. -- on January 4th, I believe.
24 January 3rd of 2014?

25 A. It was filed before that, yes.

1 Q. So it isn't specifically addressing the
2 adjustment that staff made in the audit report, is
3 it?

4 A. It doesn't specifically address the
5 numbers that the staff adjustment is, but it does
6 address the issue of adjustment.

7 Q. And would it be true that union straight
8 time labor is the initial 40 hours that an employee
9 would work, an union employee would work in a pay
10 period?

11 A. That's the straight time, yes.

12 Q. And those costs would essentially be
13 included within the company's base rates, would they
14 not?

15 A. Yes, essentially they would, I would say.
16 But the --

17 Q. There's also another adjustment.

18 EXAMINER PRICE: Excuse me. Were you
19 finished with your answer?

20 THE WITNESS: No, I wasn't. Thank you.

21 EXAMINER PRICE: Go ahead.

22 A. The point of my disagreement with the
23 adjustment is not that those dollars would not be
24 included in base rates, but that when our employees
25 are working on service restoration, the work that

1 they normally do is being put aside as being deferred
2 until all of our customers are back in service.

3 Once our customers are back in service,
4 that work then has to be -- that has to be completed,
5 we have to go do our maintenance on lines, we have to
6 go do our maintenance to our substations, we have to
7 go hook customers up who might have had their service
8 delayed because of the service restoration. That
9 work is often done on overtime premium rates. So I
10 think the work associated with the union straight
11 time labor that we're talking about here is truly
12 incremental and I think the cost ought to be
13 included.

14 Q. Has the Company performed any study or
15 analysis to conclude that indeed the work that
16 follows up after a storm like this is done on an
17 overtime or premium basis?

18 A. My experience would indicate that it is
19 done that way. I don't have a study. Just 31 years
20 of experience.

21 Q. But there's no specific analysis to
22 document that.

23 A. No.

24 Q. The next adjustment I see is an incentive
25 payment for vice president of \$5,000. There was no

1 exception taken in your supplemental testimony for
2 that adjustment, was there?

3 A. There was not.

4 Q. The next adjustment for 2008, there are
5 adjustments for nonmajor or non-Ike major storms. Do
6 you see that adjustment?

7 A. I do.

8 Q. \$3.6 million roughly?

9 A. Roughly, yes.

10 Q. You do take exception to that in your
11 supplemental testimony, do you not?

12 A. Yes. In the supplemental testimony, if
13 you recall, we performed an analysis that basically
14 retroactively applied the 2.5 beta methodology to the
15 2008 storms to separate out what would be major
16 storms in 2008 under current criteria versus those
17 that would not be major storms under current
18 criteria. And we then indicated what the O&M cost
19 associated with the 2008 major storms would be using
20 current criteria. I believe -- I'll show that to you
21 in the supplemental testimony.

22 Q. I believe page 8 of your supplemental
23 testimony.

24 A. Yes. Line 18 is where that analysis is
25 indicated.

1 Q. And if I understand what you're telling
2 me, the staff adjustment for almost \$3.6 million
3 would have adjusted out all storms under your
4 previous methodology.

5 A. Yes.

6 Q. And your excepting or your adjustment to
7 their adjustment of \$2.3 million, is that under the
8 2.5 beta statistical analysis you have fewer storms
9 and, thus, less restoration costs?

10 A. Yes. If one were to retroactively apply
11 that analysis, we would have had three major storms
12 using current criteria, versus I believe there were
13 eight in the previous, in 2008, that we filed for.

14 Q. So that the difference between what the
15 staff adjusted, the 3.6 million, and your restoration
16 costs for the three storms of \$2.3 million, so
17 roughly \$1.2 million would be costs associated with
18 the other five storms that wouldn't be major storms
19 under the 2.5 beta methodology.

20 A. That's correct.

21 Q. The other adjustments that I see, the
22 CWGLLC adjustment of \$10,000, the Serco invoices, you
23 aren't taking exception to those in the 2008
24 adjustments, are you?

25 A. We are not.

1 Q. Under 2011, again the three-year average,
2 you don't take exception to that adjustment; that's
3 in someone else's testimony?

4 A. Right. I'm not testifying to that.

5 Q. The too many hours on a time sheet for
6 employee 4667 and union straight time, again, your
7 supplemental testimony doesn't specifically address
8 that issue.

9 MR. SHARKEY: I object. It's compound.

10 EXAMINER PRICE: Sustained.

11 Q. Your supplemental testimony, sir, does it
12 address the too many hours on time sheet for employee
13 4667?

14 A. It does not.

15 Q. Does your supplemental testimony address
16 the union straight time adjustment that staff made to
17 2011 storms?

18 A. It does not, but similarly to 2008, the
19 issue was addressed in my direct testimony.

20 Q. And under the 2012, again there's a
21 three-year average adjustment. You don't take
22 exception to that; that's in Ms. Seger-Lawson's
23 testimony?

24 A. That's correct.

25 Q. And the straight time adjustment is not

1 addressed in your supplemental testimony.

2 A. Correct.

3 Q. And Henkels & McCoy, the overtime the
4 OT/DT adjustment of \$4,301 -- I'm sorry, \$16,441, is
5 not taken exception to in your testimony.

6 A. It is not.

7 Q. Staff made some adjustments to management
8 labor for 2008, 2011, and 2012. Do you see those
9 adjustments?

10 A. I do.

11 Q. And, for all three years, I think the
12 total adjustment would be \$831,361; is that correct?

13 A. Yes.

14 Q. And you addressed that in your
15 supplemental testimony, do you not?

16 A. I did on page 5. I believe at the top of
17 page 5.

18 Q. And on the top of page 5, you're
19 essentially suggesting that the staff's adjustment of
20 831,361 is too high and that it's comprised of two
21 pieces. Is that what I understand?

22 A. Yes.

23 Q. Part of it is straight time management
24 labor cost and part of it is management incentive
25 program?

1 A. Yeah. Part of it is -- part of it is
2 normal salaries which, when people work on storm
3 restoration, their time is essentially assigned to
4 those project numbers for storm restoration. So
5 that's what part of it is.

6 And then the second part of it is the
7 Storm Team Compensation Program that is in place at
8 Dayton Power and Light that pays participants a
9 premium for their participation on storm teams.

10 Q. And I believe you've done an analysis and
11 determined that of the \$831,000, \$494,124 pertains to
12 the storm incentive program?

13 A. Yes.

14 Q. And the difference, \$332,237, would be
15 the straight time management labor costs that you're
16 taking exception to as part of staff's adjustment?

17 A. I'm not -- it's not my testimony to adopt
18 staff's adjustment. I provided the analysis to break
19 the two pieces of the \$831,000 apart. I believe it's
20 all prudently incurred and assigned, but I thought it
21 would be helpful to have done the analysis to break
22 them apart.

23 Q. And again, the costs associated with
24 straight time management labor costs would be the
25 type of costs that are routinely recovered within

1 DP&L's base rates, correct?

2 A. Yes.

3 Q. The Storm Team Incentive Compensation
4 Program, that is -- how long has DP&L had that
5 program in place?

6 A. If my memory serves me correct, at least
7 six years. It was in place for the 2008 Hurricane
8 Ike, I know for sure.

9 Q. You say it was in place?

10 A. It was in place for that. So at least
11 six years.

12 Q. So this would be the first case where
13 DP&L had attempted to recover costs, storm-related
14 restoration costs associated with that program?

15 A. I believe so. I don't follow all the
16 cases, but this is the first time I've ever talked
17 about it.

18 Q. And is it your testimony that that
19 program is useful in accomplishing restoration in a
20 more efficient and expedited basis?

21 A. Oh, absolutely it is my testimony. I
22 talk about that a little bit in my supplemental
23 testimony. I think it's important to note, as it
24 relates to that program, that the work that
25 participants in the program do is way outside the

1 normal course of their management responsibilities.

2 It's a completely different job. Drastically

3 different than what they normally do.

4 What we -- what people in the program do

5 is commit to being available, 100 percent of the

6 time, for one week every month. And no matter what

7 time of day or what day of week it is, if we're

8 having restoration -- have a restoration issue and

9 their team is called, they come in. No questions

10 asked. So they are completely committed to that.

11 The work that they do is absolutely vital

12 to the safe and cost-effective restoration of power.

13 It makes our restoration total team more effective,

14 it quickens restoration for our customers which I

15 think is in our customers' best interest, and I

16 believe it is the lowest cost alternative to getting

17 that work done. It's work that has to be done in a

18 restoration somehow. Okay? I believe this is the

19 lowest-cost option for making that happen.

20 I guess the last point if I might make

21 about that is given the extraordinary hours that

22 people put in, and the one week out of every month

23 that they completely dedicate their lives to being on

24 call, no matter what, to come in, I think it's fair

25 to compensate them for it.

1 Q. Would you agree that the Company also has
2 an interest in restoring service as quickly as
3 possible?

4 A. Absolutely.

5 Q. During an outage, the customer is not
6 using electricity and the meter is not spinning, is
7 it?

8 A. Nope, they do not.

9 Q. So revenues are down as a result of
10 customers not using service?

11 A. Yes. Absolutely revenues would be down
12 as a result of customers not using service. But I
13 would also tell you that in my experience that has
14 never entered the equation in terms of restoring
15 power. The goal in restoring power is to get the
16 community back up and operating so that everyone can
17 return to their normal lives and to do that in a safe
18 and efficient manner.

19 Q. But the Company's proposing that these
20 charges associated with the storm team incentive
21 compensation be charged fully to customers, correct?

22 A. Yes. For these major storms. Let me
23 just clarify: For these major storms. There are
24 times when folks are compensated for storm work that
25 aren't major storms and would not be included here.

1 Q. Have you seen any analysis where the
2 Company's identified how much revenue may have been
3 lost by -- let me take a step back.

4 Do you know how many customers were out
5 of service during the Hurricane Ike outage?

6 A. Over 300,000.

7 Q. And did the Company do any analysis as to
8 how much revenue may have been lost during that
9 period of time when 300,000 customers weren't using
10 service?

11 A. I've never seen such an analysis.

12 Q. An analysis in 2011 when storms hit or
13 2012?

14 A. No.

15 Q. But you agree there is a financial hit to
16 the Company when their revenues are down, and getting
17 service back up is beneficial to the Company.

18 A. Sure. Absolutely. When the meters
19 aren't spinning, we aren't selling any power.

20 Q. Okay. Now, are you familiar with the
21 stipulation that's been entered in this proceeding?

22 A. I am not.

23 Q. Do you know how much was settled for the
24 2008, 2011, and 2012 storm years?

25 A. I don't know specifically. I've heard

1 that's in the neighborhood of \$23 million, but I'm
2 not exactly sure.

3 Q. Subject to check would you --

4 A. Subject to check --

5 Q. -- agree 23.2 million?

6 A. I think Dona Seger-Lawson is your better
7 witness on that.

8 Q. Do you have any -- we went through
9 various adjustments that the staff made in their
10 audit. Have you done any analysis in terms of what
11 was settled in this case to identify what adjustments
12 may or may not be recovered --

13 A. No.

14 Q. -- as a result of this settlement?

15 A. No, I have not.

16 MR. SAUER: May I approach again, Your
17 Honor?

18 EXAMINER PRICE: You may.

19 MR. SAUER: I'm handing the witness a
20 packet of documents that were received in discovery.
21 Some of the pages were marked confidential. Prior to
22 the hearing we conferred with the Company and they've
23 agreed that nothing in here is confidential.

24 EXAMINER PRICE: Mr. Sharkey?

25 MR. SHARKEY: That's correct, Your Honor.

1 (EXHIBIT MARKED FOR IDENTIFICATION.)

2 Q. What I've handed you, Mr. Nickel, is a
3 packet of information that was received through
4 discovery. The first two pages are an e-mail to Jeff
5 Hecker from Claire Hale, where she has identified
6 various events and dollars associated with storm
7 costs. This all has to do with DP&L involvement in
8 mutual assistance programs. And could you describe
9 for me what agreements DP&L's entered in terms of
10 mutual assistance?

11 A. Sure. DP&L is a member of two mutual
12 assistance groups. These groups are regional in
13 nature, all across the country, made up primarily of
14 investor-owned utilities.

15 The two that Dayton Power and Light has
16 become a member of are the Great Lakes Mutual
17 Assistance Group. As its name would indicate, those
18 are investor-owned utilities kind of surrounding the
19 Great Lakes region. So you have all the Ohio
20 utilities included, the Michigan utilities, the
21 utility that serves the Chicago area, I think two of
22 the Wisconsin utilities, Indiana utilities, Kentucky
23 utilities. I think that's about it. Some of the
24 Pennsylvania utilities. So that's the Great Lakes
25 Mutual Assistance Group.

1 Then we also belong to the Southeastern
2 Electric Exchange, and that group, while not
3 exclusively dedicated to mutual assistance, has a
4 very strong mutual assistance program, that's why we
5 joined it. And that is made up of investor-owned
6 utilities throughout the southeast, ranging from
7 Maryland and Virginia, down through the southern
8 states, Carolinas, Florida, Georgia, Alabama
9 Mississippi, all the way over to Texas, and we are a
10 member of that as well.

11 Q. And how long has DP&L participated in
12 mutual assistance programs?

13 A. We've -- like most utilities, we've
14 participated in mutual assistance throughout our
15 history, but the formal programs, the more formal
16 programs that we entered into, we were an original
17 member of the Great Lakes group, which I believe was
18 formulated in the 2004, 2005 era. And then we became
19 a member of the Southeastern Electric Exchange in, I
20 believe, 2009.

21 Q. Prior to 2004, were you involved, on a
22 more informal basis, in mutual assistance activities?

23 A. Sure. Sure. And as part of the -- as
24 part of the history of utilities throughout the
25 country, that when devastating weather hits an area

1 and you can -- you can, on a temporary basis, afford
2 to give up resources to try to go get people back in
3 power, that's what you do. And it's a system that's
4 worked extraordinarily well.

5 Q. Would you describe it as, like, a quid
6 pro quo system where if you need assistance you can
7 reach out to these other utilities and they'll come
8 in to help with your restoration efforts in DP&L's
9 service territory, and if there's devastation
10 somewhere else you'll send your crews to help restore
11 service somewhere else. Is that the tenet of the
12 program?

13 A. Yes, that's the very nature of the
14 program.

15 Q. And did DP&L utilize mutual assistance
16 crews to help restore service, for example, in 2008,
17 when Hurricane Ike hit?

18 A. Yes, absolutely we did.

19 Q. And the derecho in 2012 --

20 A. Yes.

21 Q. -- did you reach out and use mutual
22 assistance crews --

23 A. Yes.

24 Q. -- to help restore service in DP&L's
25 service territory?

1 A. Yes. Our availability of external
2 resources is made up of both mutual assistance crews
3 as well as a network of contractors that we can call
4 on and utilize in mutual assistance -- in storm
5 situations, excuse me. And in the storms that we're
6 talking about here, we used both.

7 Q. And when you use those mutual assistance
8 crews to help restore service in DP&L's service
9 territory, those companies that provide the service
10 invoice DP&L for the costs associated with them
11 sending crews to DP&L's service territory?

12 A. Yes.

13 Q. And you've included those costs in what
14 you're asking customers to pay for in the restoration
15 for the 2008 and 2012 storm costs?

16 A. Yes. Absolutely.

17 Q. And I believe the packet that I've handed
18 you, what Claire Hale has put together in the e-mail,
19 dated December 18th, 2013, are six incidents in 2011
20 and 2012 where DP&L actually sent crews --

21 EXAMINER PRICE: Mr. Sauer, he's supposed
22 to lay the foundation. You're laying the foundation
23 for your own documents. I understand you are trying
24 to summarize it, but you need to ask him the
25 questions, not tell us what the documents are.

1 MR. SAUER: Thank you.

2 Q. Is it true that the e-mail from Ms. Hale
3 has set out six incidents where DP&L served --
4 provided restoration service crews to various
5 utilities?

6 A. Yes.

7 Q. And can you describe for me which
8 utilities were provided service during the various
9 events that were identified here?

10 A. Sure. In 2011, in November of 2011, a
11 snowstorm hit the east coast, and we were requested
12 to provide mutual assistance. We provided it to PPL
13 and Metropolitan-Ed, Met-Ed. Those invoices are
14 detailed here.

15 We provided mutual assistance for a
16 severe thunderstorm which hit Indianapolis in August
17 of 2012.

18 And then the devastation of Hurricane
19 Sandy we provided mutual assistance to three
20 utilities: The Illuminating Company here in Ohio;
21 Public Service Gas and Electric in New Jersey, I
22 believe that was in Hoboken, New Jersey; and then
23 Jersey Central Power in New Jersey as well, and this
24 is a summary of those charges.

25 Q. If you would turn for me to what's been

1 marked DP&L Storm 000274 and 000275, the Bates stamps
2 are at the bottom right-hand corner. Do you see
3 those?

4 A. Yes.

5 Q. Those two pages represent invoices that
6 -- can you tell me what those documents are?

7 A. The two documents you asked me about
8 would be invoices which were prepared by Dayton Power
9 and Light, and sent to Met-Ed in Reading,
10 Pennsylvania, for restoration services for November
11 of 2011.

12 Q. Okay.

13 A. The second page would just be more
14 detail. The first page would simply be a summary of
15 the charges.

16 Q. And as you turn, flip through the next
17 two documents, 0002056 and 0002057, are those similar
18 supporting invoices --

19 A. Yes.

20 Q. -- and documentation for --

21 A. Yes.

22 Q. -- mutual assistance?

23 A. They would appear to be the same format,
24 but this time sent to PPL in Allentown, Pennsylvania,
25 for mutual aid charges for restoration. Again, I

1 think for that 2011 snowstorm.

2 Q. And if we turn back to the front page,
3 would you agree with me that it appears that Ms. Hale
4 may have transposed the Company's receiving the aid
5 in that the \$165,493 invoice was sent to Met-Ed and
6 not PPL?

7 A. It would be hard for me to believe that
8 Ms. Hale would make a mistake, but it appears that
9 this transposition did take place.

10 Q. Okay. But the storms that she's
11 identified and the services being provided are the
12 same on the invoices.

13 A. Yes. The invoices are the original
14 documents -- or, copies of the original documents.

15 Q. If you would turn then to 0001674 and
16 0001675, what would that document -- what would those
17 two documents look to be?

18 A. Again, this would be our standard format
19 for invoicing other utilities. This time we were
20 invoicing Indianapolis Power and Light for
21 restoration in August of 2012.

22 Q. Okay. And the next two, 0001648 and
23 0001649?

24 A. Again, same format. This time invoicing
25 the Illuminating Company for work in Hurricane Sandy

1 in 2012.

2 Q. And would you agree then that the final
3 four documents are similarly formatted and similar
4 documents supporting the billings to Public Service
5 Electric and Gas, and Jersey Central Power and Light,
6 similar --

7 A. Yes.

8 Q. -- mutual assistance that DP&L provided
9 to those two utilities?

10 A. Yes. Yes, they are.

11 Q. And if you would look initially at the
12 DP&L 0002075, there's additional cost category
13 breakdowns on that document; is that correct?

14 A. Yes. Our invoicing format breaks down
15 labor, transportation which would be the equipment
16 that the crews take with them, travel expenses,
17 meals, hotels, et cetera, and then overhead expenses.

18 Q. Now, the labor that is shown is broken
19 down into detail between four man line crews and
20 supervisors; is that correct?

21 A. Yes.

22 Q. And the four man line crews, would those
23 be union employees?

24 A. Yes.

25 Q. And so the -- what appears on the line

beyond the four man line crews, 70,432.43, were the labor costs that were paid to those employees while they were providing the restoration service for Met-Ed?

A. Yes. Part of our -- part of the agreement that all the utilities sign on to, which is an EEI agreement, indicates that labor charges from the time that people leave their home office until the time that they get back to their home office are billed to the host company. So that's what those represent.

Q. And they're paid at DP&L prevailing rates?

A. They are paid at DP&L prevailing rates.

Q. There could be straight time; there could be overtime?

A. Yes.

Q. The three supervisors that are listed there under "Labor," out to the side it says 11,402.28, that would be the labor costs associated with the supervisors that were sent along --

A. Yes.

Q. -- to provide restoration service to Met-Ed? Is that just direct and straight time only?

A. Yes, it's direct labor charges.

1 Q. "Transportation," that's the next
2 category that's listed on the invoice. Do you see
3 that?

4 A. Yes.

5 Q. It looks like there were nine bucket
6 trucks sent and three supervisor vehicles?

7 A. Yes.

8 Q. And the cost associated with that was
9 \$3,968.03?

10 A. Right. Those are using DP&L's prevailing
11 rates for those specific types of vehicles.

12 Q. And is that just charged on a per-day
13 basis or do you know how the --

14 A. It is charged on a per-hour basis.

15 Q. Per hour?

16 A. Yeah. Those are the same rates that we
17 use to charge, for example, equipment time to various
18 jobs if we're working in our home territory.

19 Q. And these -- the four man line crews and
20 the supervisors, those are all DP&L employees; you're
21 not sending contract crews out?

22 A. We only invoice for DP&L employees and
23 DP&L equipment. With the exception of the next line
24 item that you're going to get to which is the
25 mechanic and vehicle, that is a contracted employee,

1 but everyone else is a DP&L employee.

2 As part of mutual assistance, we do a
3 process where we release our contractor crews.
4 Contractor crews that are normally working under a
5 contract with us, we will release them from mutual
6 assistance, but the billing and work associated with
7 that is between the contract crew and the host
8 utility. So this, we only bill for DP&L.

9 Q. Okay. Would the mechanic and vehicle
10 that you just alluded to, that's under a separate
11 purchase contract?

12 A. Yes. That's with the Serco Company.

13 Q. How long has that contract service been
14 utilized by DP&L?

15 A. We have utilized -- DP&L has utilized
16 contract services for its fleet maintenance and
17 management for a number of years. Serco has probably
18 been our vendor for at least half a dozen years, but
19 we have had other fleet management companies that
20 we've utilized.

21 Q. When you brought this fleet management
22 service on, did it replace internal DP&L employees
23 who had been performing this service previously?

24 A. Originally, yes.

25 Q. And brought on because they were deemed

1 to be more efficient and more cost effective than
2 internal employees?

3 A. Yes. Basically the philosophy around
4 outsourcing that particular service is you bring in
5 people who are specialists in fleet management and in
6 fleet maintenance and you can lower your cost and
7 improve your efficiency by doing so.

8 Q. Now, as far as the labor and
9 transportation piece of the invoice, would it be safe
10 to say that to the extent that these people are
11 working straight time hours doing this mutual
12 assistance work, it would be essentially costs that
13 DP&L would have been incurring for the performance of
14 work in DP&L 's service territory.

15 MR. SHARKEY: I'm going to object, Your
16 Honor. It's compound. It's about both labor and
17 transportation.

18 EXAMINER PRICE: Let's break it up,
19 Mr. Sauer.

20 MR. SAUER: Thanks.

21 Q. Looking at the labor piece of the
22 invoice. Four man line crews that are listed here.
23 If they were not sent out to do mutual assistance
24 work, they would have been doing work in DP&L's
25 service territory, correct?

1 A. Correct.

2 Q. And the same with the supervisors, if
3 they were not sent out to do mutual assistance work
4 for Met-Ed in this case, they would be in DP&L's
5 service territory.

6 A. Yes, they would be doing their normal
7 jobs.

8 Q. The vehicles that are identified under
9 "Transportation," would be in DP&L's service
10 territory performing work for DP&L customers had they
11 not been sent to restore service for Met-Ed at this
12 time, correct?

13 A. Yes, that's absolutely correct.

14 Q. I'm going to skip to the "Overheads" for
15 a second. Can you explain for me what the "A&G
16 Overhead" is?

17 A. "A&G" stands for "Administrative and
18 General." And I will leave any further explanation
19 of the overheads to Mr. Campbell.

20 Q. The overheads, to the extent you know,
21 are they a rate that is applied to the labor, is it a
22 function of the direct company labor?

23 A. Yes. It goes back to -- it goes back to
24 the agreement that all the utilities sign that I
25 described earlier, the EEI agreement, which

1 prescribes how billing is to be done among utilities
2 in mutual aid situations, and the agreement calls for
3 various overhead rates like this to be charged at the
4 Company prevailing rate, and it is based on the
5 number of hours worked, the per hour rate.

6 Q. For example, but for these four man line
7 crews being assigned to provide restoration service
8 for Met-Ed, those overheads would have been absorbed
9 and appeared on DP&L's books as a charge to DP&L,
10 correct?

11 A. Yes. But, like, the labor and the
12 transportation, you have to realize that there's --
13 even though we send, in this case, 16 line men to
14 Met-Ed to help out, the work that those 16 line men
15 would have been doing at Dayton Power and Light for
16 Dayton Power and Light customers is being done by
17 somebody else and it's being done at principally
18 premium rates, overtime rates back at home. We have
19 shifts we have to fill; we have maintenance that has
20 to be done.

21 So even though these folks go on mutual
22 assistance, there's the same work that has to be done
23 at Dayton Power and Light is being done, it's being
24 done either through additional contracting that we do
25 to bring in resources to complete that work or

1 through overtime. So our customers don't expect that
2 their work, the work that they demand from Dayton
3 Power and Light, would be put on hold because we're
4 sending folks to mutual assistance. So we have to
5 stretch our workforce.

6 Q. Can you describe the next item, the
7 "Employee Bonus," what that is? Under the
8 "Overheads" category.

9 A. I see what you're referring to. I
10 believe that this relates to our union contract where
11 employees are paid an incentive for a certain number
12 of hours worked if certain goals are met. It doesn't
13 matter, under our contract, under our union contract,
14 whether those hours are worked on Dayton Power and
15 Light property or in mutual assistance, if they work
16 the hours, if it came through our payroll system,
17 they're awarded those incentive dollars if those
18 goals are met, and I think that's what that is.

19 Q. Okay. And so, it's not a special line
20 item associated with the fact they went out to do
21 mutual assistance.

22 A. No. It's part of our union contract.

23 Q. This would be a cost that would appear if
24 they were in DP&L's service territory or doing the
25 work somewhere else?

1 A. Yes. They would be achieving a lot more
2 hours when they go on mutual assistance than they
3 would if they were working on DP&L property.

4 Q. The next item is a "Payroll Overhead."
5 Are you familiar with that overhead?

6 A. No. Mr. Campbell could provide you more
7 insight on that.

8 Q. So to the extent you know, is it an
9 overhead that, again, follows the labor?

10 A. I would assume so since it's part of this
11 invoice. Really, all we're charging for here is
12 labor, so yes.

13 Q. It's not a special charge that would
14 appear because they're doing mutual assistance.

15 A. No.

16 Q. This is part of your payroll system --

17 A. Right.

18 Q. -- and they're billed identically to how
19 the billing would take place if they were doing that
20 work in DP&L's service territory.

21 A. Yes.

22 Q. Similarly with the "S&E Overhead?"

23 A. Yes. "S&E" stands for "Supervision and
24 Engineering," I believe. And I believe it would be
25 the same way, again I would refer you to Mr. Campbell

1 for details.

2 Q. But, to the extent you know, there's no
3 separate charge associated with the fact they're on
4 mutual assistance --

5 A. No.

6 Q. -- that's being captured here that
7 wouldn't be captured under the normal payroll system.

8 A. No, there's not.

9 Q. I skipped over the "Travel Expenses,
10 Meals, Fuels," which is that category. Do you see
11 that one?

12 A. Yes.

13 Q. Can you explain what that is?

14 A. Yes. Again, part of the prescribed
15 billing under the EEI agreement is for reimbursement
16 of the cost of meals and hotels for employees as they
17 are on mutual assistance. So that's what this is.

18 Now sometimes, you may recall from our
19 deposition, sometimes meal -- sometimes meals are
20 provided by host utilities in restoration situations;
21 often they are not. Sometimes hotel rooms are set up
22 and paid for by the host company; often they are not.
23 So if we had to pay out-of-pocket costs to feed and
24 house the employees in question, then that's what
25 these charges are.

1 Q. As I look at these, these would seem to
2 be more incremental costs to the Company. You don't
3 incur -- or, you tell me, do you incur meal expense
4 when an employee is working for service -- to restore
5 service in DP&L's service territory?

6 A. We have meal expense for our employees as
7 part of our labor contract. There is a meal expense
8 allotment as part of our labor contract. This is not
9 what this is. These would be incremental costs.

10 Q. Similar with hotel?

11 A. Yes.

12 Q. You don't put an employee up in a motel
13 if they're doing restoration service in DP&L's
14 service territory.

15 A. Typically, they want to go home.

16 Q. And as we flip through these, they were
17 all formatted the same, the cost categories were the
18 same. Did you notice any differences between the
19 billings for the other mutual assistance that was
20 provided in 2011 or 2012?

21 A. They all look similar.

22 MR. SAUER: Can we go off the record for
23 a minute, Your Honor?

24 EXAMINER PRICE: Let's go off the record.

25 (Recess taken.)

1 Q. (By Mr. Sauer) Just a couple questions,
2 Mr. Nickel.

3 A. Okay.

4 Q. In your supplemental testimony we went
5 through various adjustments that you were discussing.
6 Of the adjustments you were specifically taking an
7 exception to, the staff adjustments I'm speaking to,
8 are you aware of any of those that would be in the
9 settlement amount of 22.3 million in this case?

10 A. No, I would not have any knowledge of
11 that.

12 Q. Similarly, in your supplemental
13 testimony, there is some adjustments that you don't
14 take exception to. Do you know specifically whether
15 any of those are included within the settlement
16 amount of 22.3 million?

17 A. No, I have no knowledge of that.

18 MR. SAUER: I have no further questions,
19 Your Honor.

20 EXAMINER PRICE: Thank you.

21 Mr. Sharkey, redirect?

22 MR. SHARKEY: Yes, Your Honor. Briefly.

23 - - -

24 REDIRECT EXAMINATION

25 By Mr. Sharkey:

1 Q. Mr. Nickel, at one point, towards the
2 beginning of your testimony, you were discussing
3 different standards for determining whether a storm
4 was a major storm. Can you describe the different
5 standards and describe when it was that the standards
6 were changed?

7 A. Sure. Before 2010 -- the new standards
8 went in place in 2010 to answer the second part of
9 your question, beginning in 2010.

10 During 2009, the PUCO staff and
11 investor-owned utilities in the state worked together
12 to adopt a standard referred to as the "IEEE 2.5 beta
13 standard" for determining major events in a utility's
14 reliability indices.

15 Prior to developing that criteria and
16 that standard, DP&L used a standard which was
17 actually pretty simple in that it said if a storm
18 exceeded 25,000 weighted outage hours from customers
19 impacted from a storm, we called it a major storm.

20 The adoption of the new standard, the 2.5
21 beta standard, resulted in a more strenuous, I guess,
22 test of whether a storm was indeed a major event.
23 But the thing it really did for all the Ohio
24 utilities is put us all on the same page in terms of
25 what a major event criteria was and it made us

1 consistent with most of the utilities around the
2 country.

3 Q. Thank you.

4 Can you, within the binders behind you,
5 pull out Volume II of DP&L's exhibits, the black
6 binders behind you.

7 A. Volume II, okay.

8 Q. And turn to a document that's behind
9 tab 3 and would be designated as DP&L Exhibit 23.

10 (EXHIBIT MARKED FOR IDENTIFICATION.)

11 A. I think I have the right one.

12 Q. Okay. Can you describe what that
13 document is?

14 A. Yes. This is -- this is the document
15 which describes the Service Restoration Management
16 Team Incentive Compensation Plan that I talked about
17 earlier in my testimony. This is a document that
18 laid out the original plan and kind of defined how it
19 was going to work.

20 And then, in addition to that, is an
21 acknowledgment document that employees, who volunteer
22 for the program, would sign, indicating their
23 acceptance of the conditions of the plan.

24 EXAMINER PRICE: Let's go off the record
25 real fast.

1 (Discussion off the record.)

2 Q. The next question I had for you

3 Mr. Nickel --

4 EXAMINER PRICE: Mr. Sharkey, before you
5 move on.

6 MR. SHARKEY: Absolutely.

7 EXAMINER PRICE: Mr. Nickel, you had
8 actually, I think, received a question from OCC about
9 when this policy was adopted. There's a date on this
10 exhibit, isn't there?

11 THE WITNESS: There is. Thank you.

12 EXAMINER PRICE: What date is that?

13 THE WITNESS: That date is August 22nd,
14 2007.

15 EXAMINER PRICE: And is that your
16 understanding of when the policy was adopted?

17 THE WITNESS: Yes. I believe I said it
18 was about six years. So I wasn't too far off.

19 EXAMINER PRICE: Pretty close.

20 THE WITNESS: Yeah. Given that I signed
21 it.

22 (Laughter.)

23 EXAMINER PRICE: Thank you, Mr. Sharkey.

24 MR. SHARKEY: Thank you, Your Honor.

25 Q. (By Mr. Sharkey) Mr. Nickel, during your

1 cross-examination by Mr. Sauer, he asked you about
2 questions about what costs were or were not included
3 within DP&L's base rates. Do you recall those
4 questions?

5 A. I do.

6 Q. Have you ever worked in DP&L's rates
7 department?

8 A. I have not.

9 Q. Have you ever participated in putting a
10 rate case together?

11 A. I have not.

12 Q. Is this your first time testifying as a
13 witness on behalf of The Dayton Power and Light
14 Company?

15 A. It is.

16 Q. Okay. Who in the room, on behalf of
17 DP&L, is responsible for putting together DP&L's
18 rates?

19 A. That would be Ms. Seger-Lawson.

20 Q. Finally, Mr. Sauer asked you about mutual
21 assistance dollars. And the first thing I want to
22 talk about is when DP&L is providing mutual
23 assistance to neighboring utilities. You recall he
24 asked you some questions about that subject?

25 A. I do.

1 Q. Is DP&L seeking to recover any of the
2 costs that Mr. Sauer asked you about in this case?

3 A. Not that I'm aware of.

4 Q. And, finally, do you believe it would be
5 bad precedent to disallow or to somehow credit mutual
6 assistance dollars so that DP&L wasn't able to
7 recover its expenses in providing mutual assistance
8 to neighboring utilities?

9 A. Yes, I really do. Based on my years of
10 experience in the business, the mutual assistance
11 program is absolutely critical to restoring service
12 throughout the country. And I think for Ohio to
13 adopt a policy, a practice to, in a sense, penalize
14 utilities for offering mutual assistance is going to
15 ultimately, over time, lead people who are in
16 positions like the one I used to hold, to think twice
17 about whether you're offering up mutual assistance to
18 other companies outside your service territory.

19 And once you begin to think twice and are
20 not as receptive to helping in that program, I think
21 the consequences are that other companies, when you
22 need help, are not going to be quite as receptive to
23 coming in to helping you, which is going to cause
24 additional damage to the economy of the state of Ohio
25 from power outages associated with major storms.

1 So I think we have to, from a policy
2 standpoint, think twice about adopting anything which
3 would cause people to curtail their activities around
4 mutual assistance. I think it's a wonderful program.
5 It works well for -- it works well for the customers,
6 it works very well for the economy of the state, and
7 it works very, very well for the utilities as well.

8 MR. SHARKEY: Thank you, Mr. Nickel.

9 Your Honors, I have no further questions.

10 EXAMINER PRICE: Thank you.

11 Recross?

12 MR. SAUER: Thank you, Your Honor.

13 - - -

14 RE CROSS-EXAMINATION

15 By Mr. Sauer:

16 Q. Mr. Nickel, I believe you suggested that
17 there should not be any adjustment for mutual
18 assistance that DP&L provides to other utilities,
19 correct? Is that what Mr. Sharkey was just asking
20 you about?

21 A. Yes.

22 Q. And you suggested that would penalize the
23 Company, is that -- were those your words?

24 A. Yes, they were my words.

25 Q. In what way do you suggest that penalizes

1 the Company?

2 A. I'm not exactly sure what the OCC would
3 be proposing or if you're proposing anything in
4 regard to this, but the direction of your questions
5 would lead me to believe that potentially a credit
6 should be -- should be utilized against those mutual
7 aid costs. And I don't think that's correct.

8 I think those costs are completely
9 incremental and I think that if we adopt a practice
10 of crediting incremental costs that I think that
11 could be -- that could be dangerous as I explained.

12 Q. When you say "incremental," what do you
13 mean by "incremental"?

14 A. The costs that are associated with
15 sending crews to outside areas are truly incremental
16 costs and the host utility appropriately pays those
17 costs.

18 Q. By "incremental," do you mean they're not
19 in base rates? Is that what you're suggesting?

20 A. I'm not here to testify what's in base
21 rates, but they're incremental work that the company
22 is endeavoring to do on behalf of the host utility.

23 Q. But you're sending resources that
24 otherwise would be providing service to DP&L
25 customers, correct?

1 A. Yes. And service continues to be
2 provided to DP&L customers while those resources are
3 away.

4 Q. And have you done any analysis to
5 demonstrate that the cost of the replacement crews
6 that you're using while other crews are off on mutual
7 assistance is being incurred?

8 A. As I said earlier in my testimony, I know
9 that it is because when we send, when we send people
10 away, I know that we do things like fill shifts on
11 premium pay. Line men will work double shifts
12 because their buddy has gone to New Jersey to help
13 with Hurricane Sandy. That second shift will be on
14 premium pay. That is not billed to the host
15 utility -- not billed to Jersey Central; that cost is
16 the absorbed at Dayton Power and Light. So I know
17 there are additional costs that are incurred at DP&L.
18 I know that when Cleveland or anyone else sends crews
19 away, they incur additional costs.

20 It's well known, within the mutual
21 assistance community, that you do incur some
22 additional costs at home, but it's part of our
23 practice of helping each other out.

24 Q. But it's not been quantified.

25 A. No, I don't have a specific study to

1 quantify it. I know it occurs through my experience.

2 MR. SAUER: No further questions, Your
3 Honor.

4 EXAMINER PRICE: Mr. McKenney, any
5 questions for the witness?

6 EXAMINER MCKENNEY: I don't have any.

7 EXAMINER PRICE: Thank you, sir. You're
8 excused.

9 THE WITNESS: Thank you.

10 EXAMINER PRICE: Mr. Sharkey.

11 MR. SHARKEY: Yes, Your Honor. Dayton
12 Power and Light would move to admit into the record
13 DP&L 1, 2, and 23.

14 EXAMINER PRICE: Any objections to the
15 admission of DP&L Exhibits 1, 2, and 23?

16 Seeing none, they will be admitted.

17 (EXHIBITS ADMITTED INTO EVIDENCE.)

18 EXAMINER PRICE: Mr. Sauer.

19 MR. SAUER: Your Honor, OCC would move
20 for the admission of OCC Exhibits 1 and 2.

21 EXAMINER PRICE: Any objection to the
22 admission of OCC Exhibits 1 and 2?

23 Seeing none, they will be admitted.

24 (EXHIBITS ADMITTED INTO EVIDENCE.)

25 EXAMINER MCKENNEY: Mr. Sharkey, are you

1 ready to call your next witness?

2 MR. SHARKEY: Yes, Your Honor. The
3 Dayton Power and Light Company would like to call
4 Greg Campbell to the stand.

5 EXAMINER PRICE: Let's go off the record.

6 (Discussion off the record.)

7 EXAMINER MCKENNEY: Mr. Campbell, please
8 raise your right hand.

9 (Witness sworn.)

10 EXAMINER MCKENNEY: Please be seated.
11 Would you please state your name for the
12 record.

13 THE WITNESS: My name is Gregory Scott
14 Campbell.

15 EXAMINER MCKENNEY: Mr. Sharkey.

16 - - -

17 GREGORY S. CAMPBELL

18 being first duly sworn, as prescribed by law, was
19 examined and testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Sharkey:

22 Q. Mr. Campbell, do you have before you a
23 copy of the document titled "Direct Testimony of
24 Gregory S. Campbell"?

25 A. Yes, I do.

1 MR. SHARKEY: Your Honor, we designate
2 that as DP&L Exhibit 3.

3 EXAMINER MCKENNEY: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Campbell, do you have any corrections
6 or changes to make to your direct testimony?

7 A. Yes, I do.

8 Q. Can you identify those, please?

9 A. On page 1 of my testimony, line 3 and 4,
10 I would like to strike "1065 Woodman Drive, Dayton,
11 Ohio" and put "3426 Sasse," S-a-s-s-e, "Way,
12 Louisville, Kentucky 40245." So that the sentence
13 would read: "My name is Gregory S. Campbell. My
14 business address is 3426 Sasse Way, Louisville
15 Kentucky."

16 On line 7, I would like to strike line 7
17 which indicates "Vice President and Controller" and
18 substitute "a consultant." So that line 6 and 7
19 together would read: "I am employed by The Dayton
20 Power and Light Company ('DP&L' or 'Company') as a
21 consultant."

22 On line 9, I would like to strike
23 "July 2012" and replace that with "September 2013."
24 And then, immediately after that, add a sentence
25 "from July 2012 through August 2013. I was the Vice

1 President and Controller of DP&L." So that that line
2 would now read: "I assumed my present position in
3 September 2013. From July 2012 through August 2013,
4 I was the Vice President and Controller of DP&L" and
5 then it continues on as before.

6 And then I would like to strike the
7 question and answer on lines 13 through 16
8 completely.

9 On page 2 of my testimony, the question
10 in the middle of the page asks if I had provided
11 testimony before the PUCO. I would like to add,
12 towards the end of line 11, right after EL-FAC, "I
13 also sponsored testimony in DP&L Case No.
14 13-1495-EL-UNC," and that was filed after the
15 testimony was originally prepared.

16 That would be the end of the changes I
17 would have for this portion of my testimony.

18 Q. With those changes, if I asked you the
19 same questions that are contained in your direct
20 testimony, would you give me the same answers?

21 A. Yes, I would.

22 Q. Turn then, if you would, to your rebuttal
23 testimony. Do you have a copy of that available to
24 you?

25 A. I do.

1 MR. SHARKEY: Your Honor, we ask that
2 Mr. Campbell's rebuttal testimony be designated as
3 DP&L Exhibit 4.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Campbell, if I asked you the same
6 questions contained within your rebuttal testimony
7 would you give me the same answers?

8 A. I would like to make a change to one of
9 the answers on that testimony.

10 Q. Please identify it.

11 A. On page 2 of 7, on line 8, I would like
12 to change the answer and add, after the word "was,"
13 add the word "either." And then after "accounting
14 policy and reporting," add the words "or the Vice
15 President and Controller." So that the second
16 sentence would read, starting in line 8: "At the
17 time I was either the Director of Accounting Policy
18 and Reporting or the Vice President and Controller
19 for DP&L and was involved in those accounting
20 decisions."

21 Q. Is the reason for the "either/or" because
22 the accounting decisions occurred over a span of time
23 and your positions changed over that span of time?

24 A. That is correct.

25 Q. With that change, if I asked you the same

1 questions contained in your rebuttal testimony, would
2 you give me the same answers?

3 A. Yes, indeed.

4 MR. SHARKEY: Thank you, Mr. Campbell.

5 Your Honors, I have no further questions
6 for Mr. Campbell. I would offer him for cross.

7 EXAMINER MCKENNEY: Thank you,
8 Mr. Sharkey.

9 Kroger, do you have any questions on
10 cross?

11 MR. KRAVITZ: No, Your Honor.

12 EXAMINER MCKENNEY: Ms. Yost, will you be
13 starting?

14 MS. YOST: Yes. Thank you, Your Honor.

15 I do have a motion to strike in regard to
16 Mr. Campbell's direct testimony which has been marked
17 Dayton Power and Light Exhibit 3. Would you like to
18 entertain that at this time?

19 EXAMINER MCKENNEY: I would.

20 MS. YOST: Your Honor, this is an oral
21 motion, but because I'm moving to strike so many
22 portions of the testimony, I've provided a little
23 cheat sheet which indicates -- may I approach, Your
24 Honor?

25 EXAMINER MCKENNEY: You may.

1 MS. YOST: -- what I'm moving to strike.

2 Your Honor, at this time, OCC would like
3 to make an oral motion to strike portions of the
4 testimony of Gregory S. Campbell and some of the
5 schedules and workpapers that he is sponsoring.

6 The motion to strike is based on the
7 Commission's October 23rd, 2013, entry. Specifically
8 in paragraph 14 of that entry, the Commission found
9 that DP&L's request to recover capital expenditures
10 from customers, as a result of storm restoration
11 efforts, should be denied. That October 23rd, 2013,
12 entry essentially ruled on the application in regard
13 to Dayton Power and Light's request for recovery of
14 capital expenditures related to the storms at issue
15 in this case.

16 OCC's motion to strike is in regard again
17 to the direct testimony, specifically column (C) in
18 Schedule A-4, Schedule B-2, Schedule B-3, Schedule
19 B-4, Schedule C-3, Schedule C-4, Schedule C-5,
20 Schedule D-2, WPB-1, WPB-2, WPC-4, WPC-5, WPC-6,
21 WPC-7, WPC-8.

22 In regard to the direct testimony, move
23 to strike page 7, lines 18 through 20; page 4, lines
24 1 through 13; page 4, lines 16 through 17; page 4,
25 line 20; page 5, lines 11 through 22; page 6 in its

entirety; page 7, lines 1 through 21; page 8, lines 7 through 9; page 8, lines 13 through 21; page 9, lines 1 through 2; and page 9, lines 11 through 21.

And in regard to the schedules and workpapers, during the deposition of Mr. Campbell, he identified, under oath, all workpapers and schedules that would not be required for the Commission to determine the appropriate amount of O&M expenses for the storms that are -- that are requested in this case. Thank you, Your Honor.

EXAMINER MCKENNEY: Mr. Sharkey, are you prepared to respond?

MR. SHARKEY: Three things I'd like to say, Your Honor.

First of all, as you're well aware, Joint Exhibit 1, the stipulation in this case has been signed by staff, DP&L, and Kroger. Within that stipulation, DP&L has agreed not to seek the recovery of capital costs within this case. DP&L is not giving up any rights it may have; it may seek to recover them in a future distribution rate case. So capital costs are not at issue in this case. That's the first point to make.

Secondarily, though, nonetheless, we believe that the potential ability of The Dayton

1 Power and Light Company to recover capital costs, and
2 the fact that The Dayton Power and Light Company has
3 given up its arguments in this case as to the
4 recovery of capital costs, is one of several items
5 that demonstrate the reasonableness of the
6 stipulation and how the stipulation benefits
7 customers in light of the fact that DP&L has given up
8 that request.

9 Regarding the Commission's prior order
10 that Ms. Yost mentioned. She's correct that the
11 Commission did previously issue an order that DP&L
12 would not recover capital costs. But, as Your Honors
13 know, the Commission is free to reconsider its prior
14 orders at any time.

15 And there is Commission precedent, in a
16 prior DP&L storm case, the 2008 storm case, Your
17 Honor, in which the Commission specifically
18 authorized Dayton Power and Light to recover capital
19 costs associated with the storm.

20 So there was at least -- the issue, at
21 least, remained potentially pending and subject to
22 reconsideration by the Commission, and DP&L's
23 decision to give up that issue was, we believe, a
24 benefit to customers.

25 Then the third and final point, Your

Honor, is that Ms. Yost has identified a large number of schedules, workpapers, and pieces of testimony that she's represented relate to the capital costs.

Even if you're going to grant her motion, I can't tell you right now that I've been able to go through and check each schedule and each workpaper to determine if they specifically relate to capital costs and could be struck either in part or in their entirety.

I can tell you my notes from Mr. Campbell's deposition may or may not be right, but at least when she was covering the pieces of Mr. Campbell's testimony that she said should be struck, I had some pieces that she said should be struck that I believed did not relate to capital.

So, you know, even if you were to grant the motion, the scope of the motion would require more than, you know, Ms. Yost's recitation. I would have to look, schedule by schedule, and confirm with the witness that even in fact that schedule related solely to capital.

EXAMINER PRICE: Do you have any qualms with the testimony she moved to strike?

MR. SHARKEY: Your Honor, my, for example, on page 4 of Mr. Campbell's testimony, she

1 had moved to strike lines 1 through 13. My notes,
2 which may or may not be accurate, suggested that
3 lines 1 through 3 did not relate to capital. I may
4 not understand the issue precisely right, my notes
5 may be inaccurate, but my point just is we would need
6 to go and ask Mr. Campbell, I believe, as to the
7 pieces of his testimony, if any of it, were still
8 relevant if the motion were to be granted as to which
9 pieces specifically would be eliminated and which
10 pieces would not.

11 EXAMINER PRICE: I understand that you
12 want to be able to argue on brief that this is a
13 compromise and you asked for X and settled on Y,
14 isn't that number, I mean you really need the top
15 line number. Isn't that already in the application
16 and she's not moved to strike that number from the
17 application?

18 MR. SHARKEY: I believe that's correct,
19 Your Honor. It sounds like a reasonable approach to
20 me. As I said, since the stipulation says that DP&L
21 is not seeking to recover it in this case, it doesn't
22 particularly matter to our record, from my
23 perspective, that all this testimony gets in. I do
24 want to get in that it was a request, we had a viable
25 argument that we may have been able to recover those,

1 and it was a concession by The Dayton Power and Light
2 Company.

3 EXAMINER MCKENNEY: We're going to grant
4 the motion to strike, but, Mr. Sharkey, we'll ask if
5 you would like to come back and inform us which ones
6 you agree with, we'll allow you to do that.

7 MR. SHARKEY: Thank you, Your Honors.

8 EXAMINER PRICE: In light of the ruling.
9 Whether you agree with ruling or not, in light of the
10 ruling, rather than spending the witness's time going
11 through every single schedule, if you just want to
12 come back and say we agree, in light of the ruling,
13 these should be struck.

14 MR. SHARKEY: Okay. Thank you, Your
15 Honors. We'll do that over the lunch break.

16 EXAMINER MCKENNEY: All right. Thank
17 you.

18 MS. YOST: Thank you, Your Honor.

19 EXAMINER MCKENNEY: Ms. Yost.

20 - - -

21 CROSS-EXAMINATION

22 By Ms. Yost:

23 Q. Hello, Mr. Campbell.

24 A. Hello.

25 Q. We've met before. My name is Melissa

1 Yost. I'm with the Office of the Ohio Consumers'
2 Counsel. You have -- do you have both pieces of
3 testimony in front of you, sir?

4 A. Give me a moment to get them both open in
5 front of me. Yes, I have them now.

6 Q. You have a pretty large notebook in front
7 of you. Could you please identify what other
8 documents you have today?

9 A. Yes, ma'am.

10 Q. Thank you.

11 A. I have a number of responses to
12 interrogatories in this case. I have a couple
13 chapters, Chapter 11, Chapter 12, and Chapter 13 that
14 came from the Ohio Consumers' Counsel, which are
15 excerpts from a book from Bob Hahney, H-a-h-n-e-y,
16 and Greg Aliff, A-l-i-f-f. And I don't have the
17 title in front of me, but I think it's "Accounting
18 for Public Utilities" possibly.

19 Q. Thank you.

20 A. I have the original filing made in this
21 case, including all the schedules and exhibits. I
22 have the stipulation in this case, filed May 1, 2014.

23 I have the testimony of witness Dona
24 Seger-Lawson regarding the stipulation in this case
25 that was also filed on May 1, 2014. I have

1 supplemental testimony of Dona Seger-Lawson in this
2 case, filed January 17, 2014.

3 I have rebuttal testimony of Dona
4 Seger-Lawson filed in association with a prior ESP
5 case. The case has several numbers. It starts Case
6 No. 12-426-EL-SSO and there are four other numbers in
7 addition to that.

8 Q. Thank you.

9 A. I have the supplemental testimony of
10 Bryce Nickel, filed January 17th, 2014, in this case.

11 I have the testimony of Michael E.
12 Barrett, filed January 17th, 2014, in this case.

13 I have the original request to defer --
14 or, excuse me, to ask for accounting permission to
15 defer costs associated with the derecho,
16 d-e-r-e-c-h-o. This is Case No. 12-2281-EL-AAM. In
17 that same request, I have the revised derecho
18 deferral request. I have the Finding and Order in
19 that case that is dated December 19th, 2012.

20 I have a copy of the application for
21 rehearing from Dayton Power and Light in that case,
22 and it was indicating that it was served
23 electronically on the 18th of January 2013.

24 I have the entry on rehearing on this
25 case, dated February 13, 2013.

1 I have the request to get an accounting
2 order for the Hurricane Ike and related 2008 storms
3 in Case No. 08-1332-EL-AAM. I have the deferral
4 order from the Commission in that same case that is
5 dated January 14th, 2009.

6 I have a section of the Internal Revenue
7 Code which is Section 162. I have another section of
8 the Internal Revenue Code which is 263A.

9 I have a document from the Ohio website
10 that talks about local property taxes for electric
11 utilities.

12 I have an audit report submitted on
13 behalf of the staff of the Public Utilities
14 Commission, dated January 3, 2014. I believe that
15 might be the second copy of that that I've got.

16 I have the testimony of David Effron of
17 the Ohio Consumers' Counsel, dated May 27th, 2014.

18 I have comments by the Office of the Ohio
19 Consumers' Counsel in Case No. 12-2281-EL-AAM, but I
20 do not see a date on that.

21 I have a couple pages of my work history
22 and spelling of names that I may use in the course of
23 this afternoon.

24 I have a copy of the transcript of myself
25 from January 31st, 2014.

1 I have a copy of the transcript from
2 Michael Barrett from his deposition on January 30th,
3 2014.

4 And not included in the binder, but I
5 brought it up here with me -- oh, excuse me. I also
6 have my rebuttal testimony which I pulled out
7 separately and that was in this case. It was filed
8 May 30th, 2014.

9 I also have some papers that were handed
10 out, associated with billings of mutual assistance,
11 that was handed out earlier this morning because I
12 heard I will be answering some questions on those.

13 Q. Thank you, sir.

14 In all those documents, I didn't hear you
15 say, do you have a copy of the application with you?

16 A. The original request?

17 Q. Yes.

18 A. Yes, I do.

19 Q. Okay. And all the schedules?

20 A. Yes, I do.

21 Q. Thank you.

22 You stated earlier that you retired from
23 Dayton Power and Light at the end of August 2013,
24 correct?

25 A. That's correct.

1 EXAMINER PRICE: Congratulations.

2 THE WITNESS: Thank you.

3 (Laughter.)

4 Q. Seems to be a trend with Dayton Power and
5 Light.

6 You're acting as a consultant today for
7 Dayton Power and Light under contract, correct?

8 A. That is correct.

9 Q. And you are paid an hourly rate for your
10 testimony today and your work on this case, correct?

11 A. That is correct.

12 Q. And the consulting contract and the work
13 you do for Dayton Power and Light currently is not
14 limited to just this case, correct?

15 A. That is correct.

16 Q. What kind of other matters do you consult
17 on?

18 A. In the beginning of the contract, I
19 consulted on bringing the accounting operations
20 together of the Texas operations of AES and
21 Indianapolis Power and Light which is a sister
22 company owned by AES. And they were going to move
23 and have moved a number of accounting operations to
24 Indianapolis, Indiana. So I consulted on that.

25 I have also been assisting on SEC

1 reporting, both the quarterly and annual reports.

2 I have assisted in the FERC Form 1 and
3 the equivalent quarterly report, which is a FERC Form
4 3, reviews. And I've also assisted in IT, setting up
5 IT accounting systems and other duties.

6 Q. Thank you.

7 And your employment with Dayton Power and
8 Light began in 2008, correct?

9 A. Yes, that's correct.

10 Q. A majority of your work in the utility
11 industry has been with American Electric Power; is
12 that correct?

13 A. That's correct. I worked for American
14 Electric Power for 27 years.

15 Q. What kind of work did you do for American
16 Electric Power?

17 A. I did a number of tasks for them. A lot
18 of things related to accounting, financial matters,
19 budgeting, worked on foreign operations, derivative
20 accounting, which is -- derivative accounting is
21 related to trades of future purchases or sales of
22 energy in coal and gas.

23 I also worked on the sale of some power
24 plants in Texas. I worked on the buying and selling
25 of operations both in the United States and outside

1 of the United States that were nonregulated. I
2 worked on a fiberoptic business of American Electric
3 Power both on the regulated portion of it and the
4 nonregulated portion of it.

5 Give me a minute and let me think if
6 there's other things.

7 I had extensive work with the FERC
8 auditors, the Securities and Exchange Commission
9 reports. I forgot rate cases. I've testified in a
10 quite a number of rate cases and worked in the
11 preparation of a number of rate cases at AEP.

12 Accounting for income taxes, accounting
13 for unusual transactions. I was involved in the sale
14 leaseback of Rockport Plant Unit 2 which was a
15 \$1.9 billion transaction. A lot of work on
16 accounting policies; a lot of work on computer
17 systems. So a lot of work in accounting and
18 financial areas and general management of the company
19 if I had to summarize.

20 Q. Any work, while you were with AEP,
21 specific to receiving authority to defer expenses or
22 other matters involving deferrals?

23 A. Yes. For the first three years I was
24 with American Electric Power, I worked for one of the
25 subsidiaries called Appalachian Power, which is

1 headquartered in Roanoke, Virginia, or was at that
2 time, and worked on rate cases and fuel cases there,
3 and worked on deferral accounting.

4 Also worked on income tax normalization
5 which was a rate matter way back then. I worked on
6 deferral accounting in a number of instances at
7 American Electric Power subsequent to that. I was 14
8 years on what they call the accounting policy staff,
9 and a lot of accounting for utilities is determined
10 by the ratemaking because the ratemaking is the
11 primary guide for doing the accounting.

12 Q. Thank you.

13 You're familiar with the Uniform System
14 of Accounts for Electric Utilities, correct?

15 A. Yes, I am.

16 Q. And I don't recall if you brought them
17 today, but I know that you had brought the Uniform
18 System of Accounts during your deposition back in
19 January.

20 A. I had it then, but I did not bring it
21 today, because you didn't ask me a question on it
22 back then.

23 Q. But you're familiar, as you said, with
24 the Uniform System of Accounts, correct?

25 A. Yes, I am.

1 Q. Would you agree that the overriding
2 purpose of the Uniform System of Accounts are
3 two-fold: Uniformity and consistency?

4 A. Yes, I would, but I would probably add a
5 third thing: It's the basis for the reports that go
6 to the Federal Energy Regulatory Commission which in
7 the annual report is called the FERC Form 1.

8 And there's a similar form to the State
9 of Ohio that is based on the FERC Form 1 that's a
10 State of Ohio annual report. So it's a basis for
11 doing the accounting using the same accounts for the
12 same types of expenses.

13 Q. Would you agree that uniformity and
14 consistency are important for utility management?

15 A. I think they're important, but there are
16 other things important for utility management.

17 Q. One of many important things. Is that
18 fair to say?

19 A. Yes.

20 Q. Would you agree that uniformity and
21 consistency are important for shareholders and
22 creditors?

23 A. Yes, I would agree with that, among other
24 things, such as the cash flow of the company.

25 Q. Earlier today -- or, actually, I believe

1 it was yesterday, you referenced the fact that OCC
2 provided you some chapters, Chapters 11, 12, and 13
3 out of a publication, "Accounting for Public
4 Utilities"?

5 A. Yes, I indicated I brought those with me.

6 Q. And you're familiar with that treatise,
7 right?

8 A. I have a copy at my house.

9 Q. Do you rely on it often?

10 A. Not often.

11 Q. When you have a question about
12 accounting, do you sometimes turn to that for
13 authoritative information?

14 A. I have in the past, yes. But I also look
15 at the accounting rules that are published by the
16 Financial Accounting Standards Board and also go to
17 my prior utility experience.

18 Q. Thank you.

19 I do want to apologize if I skip around.
20 There is some confidential stuff I want to discuss
21 with you, but I'm trying to keep that all in one
22 area. So there may be some movement between
23 different topics.

24 You arrived, in 2008, at Dayton Power and
25 Light. You were involved, though, with the decision

1 to seek the deferral of the 2008 storm costs,
2 correct?

3 A. Yes, I was.

4 Q. And you're aware that the Company
5 deferred storm costs for 2008, less a three-year
6 average or a baseline, correct?

7 A. Yes. That is how the accounting was
8 recorded.

9 Q. And just for clarity, what is three-year
10 average or baseline to you, sir?

11 A. It was an average of the prior three
12 years' costs related to, I don't know if there's such
13 a thing as an ordinary storm, but the three prior
14 years' storm costs in the three prior calendar years.

15 Q. Did you finish your answer, sir?

16 A. Yes.

17 Q. Thank you.

18 MS. YOST: Your Honor, may I approach?

19 EXAMINER MCKENNEY: You may.

20 MS. YOST: Your Honor, I'd like to mark
21 this next exhibit as OCC Exhibit 3. It's a Finding
22 and Order. I'm basically marking it as an exhibit
23 for easier recordkeeping purposes. I don't intend to
24 move it into evidence.

25 EXAMINER MCKENNEY: Which order is this?

1 MS. YOST: It is the Finding and Order
2 from the 08-1332-EL-AAM case and that was
3 January 14th, 2009.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 Q. Mr. Campbell, if you could take a few
6 minutes to look at this and let me know when you're
7 ready to proceed.

8 A. I'm ready now.

9 Q. Thank you.

10 Have you seen this document before?

11 A. Yes, I have.

12 Q. If I could have you turn your attention
13 to just the first page of the order. Is it your
14 understanding that in approving the deferral for 2008
15 Hurricane Ike expenses, that the Commission required
16 the Company to reduce those storm expenses by the
17 three-year average service restoration costs?

18 MR. SHARKEY: Objection, Your Honor. The
19 Commission order is not on that page.

20 Q. You can look at whatever page you want.

21 EXAMINER MCKENNEY: Sorry, can you just
22 rephrase the question?

23 MS. YOST: Sure.

24 Q. Is it your understanding that the Company
25 was required to reduce the deferred 2008 Hurricane

1 Ike storm costs by the three-year average storm
2 costs?

3 A. Yes, my understanding is there is a
4 reduction for the three-year average, but I do not
5 believe that I agree that it would be just of the
6 Hurricane Ike expenses. I believe it would be the
7 Hurricane Ike and other 2008 storm expenses. The sum
8 of those would be reduced by the three-year average
9 and that would be the portion that we could defer on
10 the books and request recovery. And that's covered,
11 I believe, by another witness in this proceeding,
12 Dona Seger-Lawson.

13 Q. Fair enough. What I'm -- I understand
14 your clarification, but we do agree that any deferred
15 amounts were to be reduced by the three-year average
16 storm costs, correct?

17 A. In this particular order, yes.

18 Q. Thank you.

19 If I could have you turn to page 2, it's
20 at the bottom of paragraph (3), however, the No. 3 is
21 on the preceding the page. The last sentence, it
22 starts with "Rather, it seeks approval."

23 A. Yes, I see that sentence.

24 Q. Could you read that last sentence,
25 please?

1 A. "Rather, it seeks approval to defer the
2 related O&M expenses with carrying costs, for future
3 recovery under its approved RSP from all customers
4 over a twelve-month period, beginning at a date
5 determined by the Commission in a future proceeding."

6 Q. Thank you.

7 Do you know what "RSP" stands for?

8 A. I don't recall right now.

9 Q. Do you know what the RSP was, in essence,
10 to the Company?

11 A. I don't remember today.

12 Q. Thank you.

13 Could I have you turn to workpaper WPC-1,
14 1 of 1?

15 A. You said WPC-1, page 1 of 1?

16 Q. Yes.

17 A. Yes, I have that.

18 Q. What's the purpose of this workpaper in
19 the application?

20 A. It calculates the carrying costs on the
21 2008 storms that were permitted by the Commission,
22 just give me just a second, I think it might be in
23 that order, yes, it's in page 2 of the order you had
24 just given me, the 08-1332-EL-AAM. I'm looking at
25 the bottom of that page 2.

1 Q. Thank you.

2 WPC-1 of 1 shows that the Company first
3 began calculating carrying costs from the 2008 storm
4 deferral in November 2008; is that correct?

5 A. Yes, that is correct.

6 Q. And OCC Exhibit 3, we just discussed that
7 was a January 14, 2009, Finding and Order that
8 approved the deferral, correct?

9 A. What date did you say of the order?

10 Q. January 14th, 2009.

11 A. Yes, the order is January 14th, 2009.

12 Q. And just so that we're clear, when I say
13 that the Company began calculating accruing charges,
14 what does that mean to you?

15 A. The Company incurred cash outlays to
16 restore power related to Hurricane Ike and other
17 storms, and the cash outlays have a cost of money
18 associated with them. And the Commission, in its
19 order, was kind enough to allow us to defer a
20 carrying cost on that time value of money which, as
21 you indicate on this schedule, we began on November
22 of 2008.

23 Q. So the Company began calculating carrying
24 costs on deferred amounts before it received approval
25 to defer the 2008 storm costs, correct?

1 A. That is correct. But I would like to add
2 that we actually incurred the cash outlays of a lot
3 of these expenses prior to that time and we're
4 actually incurring the cost of money.

5 Q. Are these carrying costs actually
6 recorded on the books of account of the Company?

7 A. They were recorded on the books. And the
8 reason I was taking a while on my answer is we
9 actually have booked an expense on the Company's
10 books to reflect the settlement agreement or
11 stipulation agreement between the Company and the
12 PUCO staff and the Kroger Company. So whether a
13 portion of these was included in that write-down or
14 writeoff or whether a portion of them was not,
15 depends on people's opinion.

16 Q. So how much was written off of the
17 Company's books because of the settlement agreement
18 in regard to deferrals for 2008?

19 A. It's hard to answer that specifically. I
20 can tell you that we left, only as a
21 regulatory asset, the amount that we think is
22 probable of recovery, which is the amount of O&M and
23 carrying costs included in the settlement agreement.
24 Let me make sure I have the exact number.
25 \$22.3 million. So we wrote off anything greater than

1 that from the regulatory assets because we did not
2 think it was probable of recovery anymore.

3 Q. So you're indicating that you can't speak
4 to the specific amount that was written off for the
5 2008 deferral and carrying costs?

6 A. An amount was written off. It's a
7 question of whether you think the last costs should
8 be written off or the first costs should be written
9 or an average of all the costs, or some people could
10 say maybe it was just the return that was disallowed.

11 It's a black-box settlement so we know
12 the total amount that we're expecting to get or we
13 believe is probable of recovery, but we don't know
14 which specific item or items were included in the
15 settlement.

16 Q. When you say "or the return was written
17 off," do you mean carrying costs?

18 A. Carrying costs. I frequently use
19 "return" and "carrying costs" in the same phrase.

20 Q. Do you know the total amount that the
21 Company wrote off for all deferrals in regard to
22 2008, 2011, and 2012 storm costs?

23 A. I do not know the exact amount.

24 Q. Can you give me a ballpark?

25 A. It's over \$3 million.

1 Q. Can you speak to what was the highest
2 amount for a 2008 deferral for storms in carrying
3 costs that the Company ever had on its books?

4 A. I do not have that number here with me;
5 so no, I cannot speak to that.

6 Q. Was each storm kept in a separate
7 regulatory account, each deferral for storm year?

8 A. I don't know specifically, but we did
9 keep records of them separately. I don't know if it
10 was actually in a separate subaccount, but we did
11 have a track of it on an accounting worksheet.

12 Q. Were you involved in preparing the
13 appropriate paperwork to update the books after the
14 settlement that you just discussed? What was your
15 involvement in that, sir?

16 A. I was in a number of discussions on the
17 probability of recovery of the storm regulatory
18 assets, and was in a discussion where the people in
19 the discussion agreed, myself included, that the
20 22.3 million, after the settlement was agreed to,
21 would be the proper amount that would be probable of
22 recovery on the financial records of the Company.

23 Q. And you said that, I don't mean to
24 misspeak, but just over 3 million was written off,
25 somewhere in that range?

1 A. It was greater than 3 million, and less
2 than 4 million, and I don't have the exact number in
3 front of me.

4 Q. I appreciate the range.

5 These updates, you have to update it and
6 determine whether deferrals are probable for recovery
7 every quarter, correct?

8 A. My own personal experience, we did them
9 at least every quarter. If an event came out from a
10 Commission order, we would even update them sooner
11 than the calendar quarter. But it was a joint job of
12 the accounting department, the rate department, and
13 the senior management of the company to look at the
14 probability of recovery of the regulatory assets as
15 required by the accounting rules.

16 Q. So the update that you just spoke of,
17 that was not a regular quarterly update. Is that
18 fair to say? This quarter we're in is not over yet.

19 A. This was actually done in March of 2014.
20 So during the quarter ending March is when the
21 writeoff occurred.

22 Q. It was in March 2014?

23 A. Yes, that's correct.

24 Q. Are you aware that the stipulation was
25 not filed with the Commission until May 1st, 2014?

1 A. Yeah, I'm aware of it. But, when I said
2 "March," it was written off in the books in March.
3 That doesn't necessarily mean it was in the month of
4 March, because we still keep the books open, because
5 we file a quarterly report with the SEC after March.
6 So we would have made the entry in March to reflect
7 the expected settlement after we had made a deal with
8 the different parties, a settlement agreement.

9 Q. But those books would have been closed by
10 the end of April.

11 A. No. It would have only been closed when
12 we actually filed with the SEC, and I don't remember
13 the exact date that we filed, but it might have been
14 the end of April, it might have been early May.

15 Q. Would that be public -- could I find that
16 out publicly, that information?

17 A. Yes, you would look on SEC's website and
18 look for the 10Q report which is the quarterly
19 report.

20 Q. Thank you.

21 Are you aware of how much the Company
22 requested in O&M expenses plus carrying costs in its
23 application?

24 A. Yes, I am. The amount is \$37,021,645.

25 Q. What are you reading to get that number,

1 sir?

2 A. I was looking on Schedule B-1 of the
3 original application and summing line 29, column (C),
4 column (E), and column (G). But it's also included
5 as part of the PUCO staff audit report.

6 Q. Thank you.

7 So although the Company was requesting
8 over \$37 million, the Company had only deferred
9 probably less than 26.3 million?

10 A. No, I disagree.

11 Q. Well, if they -- I assume they wrote off
12 4 million, then I added the settlement amount of
13 22.3 million, I got 26.3 million.

14 A. I thought you said -- did you say "23.3"?

15 Q. I meant to say 26.3. I'm sorry if I said
16 it opposite. 26.3 million or less was on the books
17 for the deferrals of storms for 2008, '11, and
18 '12; is that correct?

19 A. Yes, that is correct.

20 Q. And so, out of all the storm costs that
21 the Company incurred in 2008, '11, and '12, the
22 Company had only determined that no more than
23 26.3 million was probable for recovery, correct?

24 A. That's correct. But let me explain that
25 the request in a case does not necessarily equal the

1 amount that's deferred on the books of the Company.

2 We had talked, briefly this morning, about the

3 three-year average for the 2008 storms.

4 In the deferral order for the 2012 storm,
5 there was a similar three-year average deduction or
6 reduction that the Company did not agree with, and
7 when they did the filing, did the filing without that
8 three-year reduction.

9 However, since the Commission order was
10 still out there with that three-year reduction, we
11 did not think, for an accounting purpose, that it was
12 necessarily probable of recovery, which is a very
13 high test, but we thought it was very reasonable and
14 likely, more likely than not, that we would get the
15 money, but not a high-enough standard to meet that
16 test.

17 In a similar manner, the 2011 storm
18 costs, we did a three-year average reduction on the
19 books, but we, as you know, have not yet received a
20 deferral order on that. But the accounting that we
21 did was to defer with the three-year reduction, but
22 the request that we filed in December 2012 was for
23 the entire amount which we think is -- we think is
24 fair.

25 (Lights turn off in the hearing room.)

1 EXAMINER PRICE: Energy efficiency.

2 (Laughter.)

3 EXAMINER PRICE: Nobody has moved in this
4 room for 20 minutes.

5 (Laughter.)

6 Q. Well, I think we can agree that the
7 Company can ask for whatever they want in an
8 application. Is that fair to say? They're not
9 limited by anything in regards to what they can
10 request.

11 A. Well, I don't agree with that at all. I
12 think the Company is limited to only asking for
13 prudent and reasonable costs in any request and for
14 costs that they have a chance of getting. I don't
15 think you can just ask for any costs.

16 And, as an example, I can remember a
17 utility that had requested massage treatments for a
18 storm, which fortunately was not Dayton Power and
19 Light, and I read that and was very surprised.

20 MS. YOST: Your Honor, I want the witness
21 to finish his answer, but I would ask -- I've given
22 him some leeway, but at some point he be instructed
23 to finish his answer.

24 EXAMINER MCKENNEY: Try and keep it
25 short. Keep it to the point.

1 THE WITNESS: Yes. Sorry.

2 EXAMINER MCKENNEY: Ms. Yost.

3 Let's go off the record real quick.

4 (Discussion off the record.)

5 (At 12:40 p.m. a lunch recess was taken
6 until 1:40 p.m.)

7 - - -

8 EXAMINER MCKENNEY: Mr. Sharkey, you
9 indicated, while we were off the record, that you've
10 reviewed the items listed in Ms. Yost's motion to
11 strike. Would you like to address that now?

12 MR. SHARKEY: Yes, Your Honor. We
13 reviewed the items in Ms. Yost's motion to strike; in
14 fact, Mr. Campbell reviewed them. In light of the
15 court's ruling, we agree that her listing is correct.

16 The second point I'd like to cover with
17 you, Your Honors, when we were engaging in an
18 argument on her motion, I had referred to a 2008 case
19 as precedent to establishing that capital is
20 recoverable in a storm case. I had misspoke. It was
21 a 2005 case. It's actually Case No. 05-1090 and it's
22 a DP&L case.

23 And then the third point I mentioned to
24 you off the record is, while we were off the record,
25 Mr. Campbell engaged in an additional check to

1 determine when DP&L made the filing with the SEC to
2 determine -- to establish the March writeoff that he
3 was talking about. So he's now capable of answering
4 that question if Ms. Yost wishes to. I just want you
5 to know that we did do an additional check while we
6 were off the record.

7 EXAMINER MCKENNEY: Thank you,
8 Mr. Sharkey.

9 MR. SHARKEY: Thank you.

10 EXAMINER MCKENNEY: Before we proceed,
11 Ms. Yost, you'd indicated that we may be heading into
12 confidential territory.

13 MS. YOST: If we stayed on 2008, but I'm
14 still okay with public. If I move on to other storm
15 years --

16 EXAMINER MCKENNEY: So we'll stay in the
17 public.

18 MS. YOST: Public for now. Yes. Thank
19 you.

20 EXAMINER MCKENNEY: Public for now. And
21 then when we need to go confidential, just let me
22 know, and we can go into the confidential transcript
23 and move in that direction.

24 MS. YOST: I'm trying to keep it all
25 together. Thank you.

1 EXAMINER MCKENNEY: Thank you.

2 Mr. Campbell, I remind you that you are
3 still under oath.

4 THE WITNESS: Yes, sir.

5 EXAMINER MCKENNEY: Ms. Yost, you may
6 continue.

7 MS. YOST: Thank you, Your Honor.

8 Q. (By Ms. Yost) Mr. Campbell, during the
9 break you had an opportunity to confirm a date for
10 the most recent SEC filing that was made in response
11 to Dayton Power and Light, and the PUCO staff, and
12 Kroger reaching a settlement in this case. Could you
13 identify what date that filing was made?

14 A. Yes. The SEC filing for the first
15 quarter of 2014, which would cover through
16 March 2014, was filed with the SEC on May 8th, 2014.

17 Q. And were you able to confirm the specific
18 amount of the writeoff in that filing?

19 A. I don't believe the specific amount is in
20 the filing, but it does discuss the fact that the
21 regulatory asset is \$22.3 million going forward.

22 Q. Going forward. And do you know what the
23 amount of the regulatory asset was? Was that
24 indicated? Did you refresh your recollection in that
25 regard?

1 A. The amount at December of 2013 was
2 indicated in the filing we just discussed, and I
3 wrote it down on a piece of paper here. So give me a
4 minute, please.

5 The balance at December 31, 2013, was
6 \$25.6 million, but that would not have included any
7 carrying costs booked in the first quarter of 2014.

8 Q. Thank you.

9 So if my lawyer math skills are correct,
10 the Company wrote off approximately \$3.3 million; is
11 that correct?

12 A. I would say a little over \$3.3 million
13 because they would have had carrying costs recorded
14 at least in January and February, prior to making the
15 decision to write it off. They might have booked
16 carrying costs in March; I don't know to date.

17 Q. And the Company was applying carrying
18 costs to that total deferred amount that was on the
19 books of December 2013, is that correct, 25.6, there
20 would have been carrying costs for the entire amount?

21 A. No, that's not correct. They would have
22 been booking a return on the 2008 series of storms
23 and the 2012 derecho storm, but no return has ever
24 been booked on the 2011 series of storms.

25 Q. Thank you.

1 Why did the Company not defer -- book
2 deferred carrying costs for the storms in 2011?

3 A. Because we were awaiting the Commission
4 order to give us the accounting order to do a
5 deferral and book a carrying cost return.

6 Q. I know I have an exhibit that indicates
7 the amount of the deferral for 2011. Mr. Campbell,
8 if you'll give me just a minute because I want to
9 make sure it's not confidential.

10 A. You might be looking at Schedule C-1 in
11 the prefiled testimony in December of '12, possibly?

12 Q. I have another exhibit, but what does
13 that schedule indicate is the amount?

14 A. In the initial request its total, 2011
15 major storms, 10,035,297.

16 Q. Thank you for that. And that's in the
17 application, correct?

18 A. That's correct. So that would have been
19 in December of 2012.

20 MS. YOST: Your Honors, may I approach?

21 EXAMINER MCKENNEY: You may.

22 MS. YOST: At this time I would like to
23 mark as OCC Exhibit No. 4, a series of e-mails that
24 were produced during discovery. Probably best
25 identified by the Bates stamps and these will be

1 Bates stamped e-mails 2831 through 2836.

2 EXAMINER MCKENNEY: They will be marked
3 OCC 4.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 MS. YOST: Yes, thank you, Your Honor.

6 Q. Mr. Campbell, if you will take a few
7 minutes and familiarize yourself with this.

8 Mr. Campbell, I know it's several e-mails
9 there, but when you're ready to proceed, I'll give
10 you time, if I can direct you to a specific e-mail.

11 A. I'm ready to proceed.

12 Q. If you could take a look at the Bates
13 stamped e-mail, it looks like it has a No. 3, but
14 it's Bates stamped 2833.

15 A. I have that page.

16 Q. At the top, very top of it, do you see an
17 e-mail from David Lipthratt and it's addressed to
18 Claire. Do you see that, sir?

19 A. Yes, I do.

20 Q. It's dated March 17th, 2014. You just
21 indicated the amount of the major storm costs from
22 the application was 10.035 million, thereabouts?

23 A. Yes, I did.

24 Q. And that's indicated in that e-mail that
25 is to Claire. Do you see that there, that number?

1 A. It's on the second full line on the Bates
2 stamp 2833.

3 Q. And that was the total amount of major
4 storm costs for 2011 in regard to O&M that the
5 Company seeks, correct?

6 A. Yes, that is correct.

7 Q. But the amount that the Company actually
8 deferred on the books was the 4,359,108.08, correct?

9 A. Yes, that is correct.

10 Q. So out of the total amount we just
11 discussed, that amount, the 4.3 was the amount that
12 was not accruing carrying costs in regard to the
13 deferral, correct?

14 A. No, that's not correct, because I believe
15 I stated earlier that the 2011 costs do not have
16 carrying costs on them.

17 Q. That's correct?

18 A. And these are 2011 costs.

19 Q. That's right. So the 4.3 amount did not
20 accrue carrying costs.

21 A. No amount related to the 2011 storm
22 accrued carrying costs.

23 Q. And on the books was the \$4.3 million,
24 correct?

25 A. Let me go back and say yes, the

1 \$4.3 million is the regulatory asset on the books,
2 but the regulatory asset set up on the books is a
3 result of an accounting and rate determination of
4 what would be the amount that's probable of recovery.
5 And probable is a high-test to meet. It would have
6 to be a likelihood of occurring 75 percent to
7 85 percent or higher, and that's why we did not defer
8 the entire \$10.0 million that we are requesting.

9 Q. What was removed from the \$10.035 million
10 to get to the 4.3 that was determined to be probable
11 for recovery?

12 A. A little over \$6 million.

13 Q. What was that \$6 million attributed to?

14 A. It was attributed to an average of
15 historical storm costs.

16 Q. Otherwise known as baseline or three-year
17 average?

18 A. I have heard it called both.

19 Q. Thank you.

20 Is that the only thing that was removed
21 from the 10.035 million?

22 A. That's the only thing I recall at this
23 moment in time.

24 Q. Thank you.

25 MS. YOST: Sorry, Your Honor. Just

1 having difficulty locating an exhibit here.

2 EXAMINER MCKENNEY: That's all right.

3 Take your time.

4 MS. YOST: There it is.

5 Your Honor, at this time I'd like to have
6 marked as OCC Exhibit 5, e-mail correspondence that
7 is Bates stamped 2846 through 2848. May I approach
8 the bench, Your Honor?

9 EXAMINER MCKENNEY: You may.

10 It will be marked as OCC 5.

11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 Q. Mr. Campbell, please take a moment to
13 familiarize yourself with that exhibit and let me
14 know when you're ready to proceed.

15 A. I have looked at them and I am ready to
16 proceed.

17 Q. Thank you.

18 If I could have you turn to the second
19 page which is Bates stamped 2847.

20 A. I have that page.

21 Q. It is the second bottom -- the second
22 half of the paper, the bottom half, it's an e-mail
23 from Jeffrey Hecker to several persons. No. 1 has a
24 question and there is a response below. Do you see
25 the blue answer that reads the total amount of 2008

1 storms was \$17.2 million. Do you see that, sir?

2 A. Yes, I see that.

3 Q. Is it your understanding that the total
4 amount of 2008 storm costs was \$17.2 million?

5 A. Yes, that's correct.

6 Q. And then this exhibit says that DP&L
7 subtracted a three-year average from this amount and
8 deferred 14,896,538 and it indicates that's the
9 amount shown on Schedule C-1?

10 A. Yes, that's what it says, and that's the
11 amount on Schedule C-1.

12 Q. And then the 17,235,984, was that the
13 amount of storm costs for the Ike storm only?

14 A. No. That included other storms in 2008.

15 Q. All the storms that DP&L sought recovery
16 of in the application for 2008?

17 A. Just to be clear, are you talking about
18 the December 2012 application?

19 Q. No. Yes. Yes, I am. Yes.

20 A. Okay. Yes, in the December 2012
21 application, we sought recovery of all the 2008
22 storms less the three-year average. In a similar
23 manner, we sought recovery of the 2011 storms and the
24 2012 storms without the three-year average.

25 Q. Thank you for that clarification.

1 So as we read on, as you indicated
2 14,896,538 was actually deferred and that amount
3 accrued carrying costs, and it indicates that amount,
4 as of December 31st, 2012. Do you see that amount,
5 sir?

6 A. Yes, I do.

7 Q. And what was that amount as of December
8 31st, 2012?

9 A. According to the e-mail it's \$18,930,217.

10 Q. Thank you.

11 EXAMINER PRICE: You said "according to
12 the e-mail." Does that mean you have no independent
13 recollection of that number?

14 THE WITNESS: I personally do not know
15 today if that's the exact number at December of '12
16 because I don't have the records here in front of me.

17 EXAMINER PRICE: Based on your
18 experience, does that number seem reasonable?

19 THE WITNESS: It does seem reasonable to
20 me today.

21 MS. YOST: Thank you.

22 Q. (By Ms. Yost) Were you involved in the
23 calculation of the 2008 three-year average or
24 baseline that was deducted from the total 2008 storm
25 costs?

1 A. Yes, I was.

2 Q. We'll actually save that discussion for a
3 little later because it involves some confidential
4 information, but I'll get back to that.

5 And you're aware that the Company
6 received approval to defer storm costs related to the
7 late June, early July storm in 2012?

8 A. Give me just a moment.

9 Yes, that is correct.

10 MS. YOST: Your Honors, for purposes of
11 identification, I would like marked as OCC Exhibit 6,
12 the Finding and Order, dated December 19th, 2012, in
13 PUCO Case No. 12-2281-EL-AAM.

14 EXAMINER MCKENNEY: It will be so marked,
15 OCC 6.

16 (EXHIBIT MARKED FOR IDENTIFICATION.)

17 MS. YOST: Thank you, Your Honor.

18 May I approach?

19 EXAMINER MCKENNEY: You may.

20 Q. Please let me know when you're ready to
21 proceed.

22 A. Yes, I'm ready.

23 Q. Thank you.

24 You've seen this Finding and Order
25 before, Mr. Campbell?

1 A. Yes, I have.

2 Q. And do you recognize this Finding and
3 Order as the Commission order approving DP&L's
4 request to defer 2012 major storm costs?

5 A. Yes, it is.

6 Q. And on page 3 of that order, specifically
7 paragraph 8, the last sentence of that paragraph 8,
8 could you please read it? It starts with "The
9 Commission...."

10 A. "The Commission finds that DP&L's
11 deferred O&M expenses should be reduced by the
12 three-year average of O&M expenses associated with
13 major storms."

14 Q. Were you aware of the Commission's
15 Finding and Order indicating that the deferral of O&M
16 expenses should be reduced by the three-year average
17 of O&M expenses associated with major storms for
18 2012?

19 A. It's on the next page of this same
20 handout. But the Company appealed the order and
21 asked for a rehearing, and the Company respectfully
22 disagrees with the order and would think that the
23 proper recovery would be the entire amount.

24 Q. But you recognize that, when you spoke
25 that the Company filed an application for rehearing,

1 does that sound familiar?

2 A. Yes, it does.

3 Q. And you realize the Commission denied
4 that application.

5 A. Yes, it did.

6 Q. So in regard to the December 2012
7 application, the Company sought all 2012 O&M storm
8 costs; isn't that correct?

9 A. The Company -- yes, the Company sought
10 for all of the costs in the deferral order, but then
11 the next step would be to go in and file a request
12 for actually getting rates increased at some later
13 point in time.

14 Q. But the Company did not defer on its
15 books the total amount of 2012 storm costs, did it?

16 A. We did not defer the total amount because
17 from an accounting, ratemaking, and management
18 decision we determined that it was not meeting the
19 high-probable test from the accounting rules of the
20 likelihood of recovery being 75 percent or 85 percent
21 or higher, but we still thought it was more likely
22 than not that we would get that money in a proceeding
23 before the full Commission.

24 Q. Why didn't the Company -- strike that.

25 Do you know how much the Company deferred

1 on the books in regard to the 2012 storm costs?

2 A. I don't have the exact number here in
3 front of me, but I believe it's about \$1.1 million
4 deferred as a regulatory asset.

5 Q. Do you agree that deferrals do not
6 constitute ratemaking?

7 A. I think deferrals are a professional
8 judgment process on estimating what the ratemaking
9 will be in the future, and there are many things that
10 go into that decision, and there are many groups that
11 are involved in making that decision.

12 Q. Have you ever been involved in a case --
13 strike that.

14 Can a company seek to recover O&M costs
15 when the Commission denied them authority to defer
16 those costs?

17 A. Certainly. It's in this case right
18 before us.

19 Q. And excepting this case, have you ever
20 been involved in another case where a company sought
21 to collect money in regard to O&M expenses where a
22 deferral request was denied?

23 A. I cannot think of one sitting here at
24 this moment in time.

25 Q. Thank you.

1 If I could have you turn to your
2 workpaper WPC-3, page 1 of 1.

3 A. You said WPC-3, page 1 of 1?

4 Q. Yes. Thank you.

5 A. And you said my workpaper, but that's
6 actually Dona Seger-Lawson's workpaper.

7 Q. I apologize. I was on 1, but WPC-3 is
8 where I'd like you to be.

9 A. I have that paper.

10 Q. I know you're not sponsoring it, but you
11 have knowledge of this workpaper, correct?

12 A. Yes, I've seen it before.

13 Q. The Company first began accruing costs on
14 the 2012 storm deferral in December of 2012, correct,
15 as indicated by WPC-3?

16 A. Yes, that is correct.

17 Q. And I know I've given you several papers,
18 but the 12-2281 Finding and Order we just discussed,
19 OCC Exhibit No. 6, which is dated December 19th,
20 2012, but authorized the 2012 deferral, looking at
21 WPC-3, the Company started accruing carrying costs
22 from the day that the Commission approved the
23 requested deferral going forward, correct?

24 A. We started recording it in the same month
25 as the referral order. I think you might have said

1 "day."

2 Q. Thank you.

3 So in regard to the 2012 deferral, the
4 Company's workpapers indicate that they began
5 accruing costs the same month that the deferral was
6 approved, correct?

7 A. That's correct.

8 Q. And that's unlike what we discussed
9 earlier, the 2008 storm costs, where the Company
10 began calculating carrying costs on deferred amounts
11 before it received approval to defer those costs,
12 correct?

13 A. That is correct.

14 Q. And when I asked you, during your
15 deposition, why the accrual of carrying costs was
16 treated differently in regard to 2008 versus 2012,
17 you didn't know, correct?

18 A. I believe I indicated I did not remember,
19 yes.

20 Q. Have you had a chance to refresh your
21 recollection?

22 A. I do not remember.

23 Q. So, today, you cannot testify why the
24 accrual of carrying costs was treated differently in
25 regard to 2008 versus 2012, correct?

1 A. I cannot testify today, but I think it's
2 reasonable to accrue earlier in 2008 because the cash
3 outlay was made earlier by the Company than the
4 Commission order was received.

5 Q. And workpaper WPC-3 shows that, as you've
6 indicated, the Company in its application sought to
7 collect all of the 2012 storm costs not reduced by
8 the three-year average, correct?

9 A. Yes, that is correct.

10 Q. Why even request permission or authority
11 to defer costs if the Company later comes in and
12 seeks to recover more than they were authorized to
13 defer?

14 A. Can you repeat the question? I don't
15 know if I understood it.

16 MS. YOST: Can you read it back?

17 (Record read.)

18 A. Well, I think the Company does a request
19 to defer costs because that mechanism exists within
20 the state of Ohio as part of the PUCO's processes,
21 and it's good evidence to me, as an accountant, to
22 have a Commission order that permits deferral
23 authority because it's, I think, a good sign that
24 would increase the chances of probability of
25 collection of the money from an accounting

1 perspective. So I think asking for that would be a
2 good thing to do in general.

3 Q. Would you also agree that it's a good
4 sign, from an accounting perspective, that if the
5 Commission denies a request to defer costs that it's
6 going to be unlikely that those costs are recovered?

7 A. I don't think that's necessarily a
8 definitive answer because the Commission had not had
9 the opportunity for witnesses and depositions and
10 getting the full case presented before it because, as
11 you know, there has been a period of discussion on
12 even how to measure the three-year average and what's
13 includable in a three-year average or excludable in a
14 three-year average, and the definition of major
15 storms changed during the periods of time that we're
16 talking about in this case.

17 Q. I think we can agree that the parties
18 have disagreed about the amount of the three-year
19 average, but it's DP&L's position that there is no
20 three-year average, correct?

21 A. For the 2011 and 2012 storms, we do not
22 believe the three-year average is appropriate. The
23 filing that we made in the 2008 series of storms
24 excluded the three-year average.

25 Q. Excepting the recent SEC filing, where

1 the Company wrote off a little over \$3.3 million
2 because of the settlement in regard to the 2012
3 deferral, did the Company write off any amount that
4 would be attributed to the three-year average that
5 they do not believe should be applied?

6 A. The last part of your question dropped
7 off. So I'm going to have to ask you to repeat it,
8 please.

9 MS. YOST: Can you read it back?

10 (Record read.)

11 A. The answer would be no, and I believe I
12 indicated previously that we didn't defer as a
13 regulatory asset on the financial books but amounts
14 greater than the three-year average for 2012.

15 Q. Because that would have been wrong?

16 A. It would have been wrong accounting
17 because it was not probable of recovery from an
18 accounting sense which, as I indicated, is a very
19 high standard, but I think it's, in my belief, likely
20 to be recovered in a ratemaking sense, but that's a
21 different standard.

22 Q. If you didn't write off those costs and
23 they're not part of the deferral, where are those
24 costs captured at, before the recent filing?

25 A. Let me go back, because I may have misled

1 you. When you said "write off," I thought you meant
2 write off a deferred regulatory asset, which is what
3 we were talking about related to the
4 three-point-something million dollars in March of
5 '14.

6 We expensed costs related to storms and
7 they would have been expensed on the books when those
8 costs were incurred and we would have only deferred a
9 regulatory asset to the extent that we thought it was
10 probable of recovery in the quarter that we thought
11 it was probable of recovery.

12 Q. I apologize if I confused you.

13 (Lights turn off in the hearing room.)

14 THE WITNESS: The lights didn't turn off
15 on the prior witness's testimony.

16 (Laughter.)

17 Q. I'm going to move on now to 2011 storm
18 costs. If I could have you go to WPC-3. Workpaper
19 WPC-3, 1 of 1.

20 A. Yes, I have that.

21 Q. And this workpaper also shows the storm
22 costs incurred in 2011, correct?

23 A. Yes, it does.

24 Q. And that would be seen in column (D) as
25 in dog, the fourth line, 10,035,297; is that correct?

1 A. Yes, that is correct.

2 Q. And if you look at this exhibit, it shows
3 that the Company started calculating carrying
4 charges, at least for the purpose of this proceeding,
5 in March 2013, correct?

6 A. That's correct. But you have to remember
7 that this was filed in December of 2012 and we
8 thought we would receive an order earlier than today.
9 So we assumed that there would be carrying costs
10 allowed. We also asked for a deferral order in the
11 2012 filing that we thought we would get prior to
12 today.

13 EXAMINER PRICE: You're not going to get
14 it today either.

15 (Laughter.)

16 A. As I mentioned before, we actually have
17 not booked a carrying cost on the 2011 storms through
18 today.

19 Q. Earlier we talked about purposes of the
20 Uniform System of Accounts. Do you recall that
21 discussion this morning?

22 A. Yes, I remember that.

23 Q. We talked about uniformity and
24 consistency?

25 A. Yes, we talked about that.

1 Q. So, in regard to the 2008 storm costs,
2 the Company began calculating carrying costs on
3 deferred amounts before it received approval to defer
4 those costs, correct?

5 A. That's correct.

6 Q. In regard to the 2012 deferral, the
7 Company began calculating carrying costs on storm
8 amounts from 2011 in the same month and year that it
9 received approval to defer storm costs, correct?

10 A. No, that's not correct.

11 Q. Sorry. The Company started accruing
12 carrying charges from the date that the Commission
13 approved the requested deferral going forward.

14 A. The 2011 storms is what you mentioned,
15 and we haven't gotten that order through today and
16 will not get it today either.

17 Q. I'm sorry. I was meaning '12. If I
18 misspoke, I apologize.

19 For the 2012 storm costs, the Company
20 started accruing carrying charges from the month and
21 year that the Commission approved the deferral and
22 forward.

23 A. That's correct, with the 2012 storms --
24 or, storm.

25 Q. And in regard to 2011, the Company

1 started calculating carrying costs three months after
2 it filed its application seeking approval to defer
3 those costs, correct?

4 A. That's correct. And we thought we'd have
5 the deferral order by then.

6 Q. You were not involved in the final
7 decision made in regard to when the Company should
8 seek deferral of the 2011 storm costs, correct?

9 A. Can you tell me which year you're asking?

10 Q. 2011. I'll repeat the question.

11 You were not involved in the final
12 decision made in regard to when the Company should
13 seek deferral of the 2011 storm costs, correct?

14 A. I was not involved in the final decision
15 in seeking them, but I was involved in the decision
16 of the accounting for them as a regulatory asset.

17 MS. YOST: I'm sorry. Could you read
18 back his answer, please?

19 (Record read.)

20 Q. What does that mean you "were involved in
21 the decision of the accounting for them as a
22 regulatory asset"?

23 A. Once I heard that we were going to file
24 in December of 2012 to request the recovery of these
25 2011 costs, and the filing was actually made or going

1 to be made, I thought that it might be probable of
2 recovery and, therefore, had discussions with the
3 rate people and management and Ernst & Young, our
4 external auditors, as to whether they thought
5 deferral of those costs as a regulatory asset would
6 be appropriate and required by the accounting rules.

7 Q. When you were with AEP, AEP would not
8 record an accounting deferral without Commission
9 order, correct?

10 A. I would say no, because AEP operated in
11 multiple states. I would say yes, within the state
12 of Ohio, generally.

13 Q. Can you think of an instance when AEP, in
14 Ohio, recorded an accounting deferral without PUCO
15 order?

16 A. I can't think of an instance right at
17 this time, but I was involved in many deferrals so I
18 may not know.

19 Q. Absent the treatment of the 2011 costs,
20 DP&L has never recorded an accounting deferral
21 without a PUCO order, correct, to your knowledge,
22 sir?

23 A. Well, there's some regulatory assets
24 associated with the Federal Energy Regulatory
25 Commission that are transmission related.

1 Q. But those wouldn't need PUCO order,
2 correct?

3 A. They would not.

4 Q. So excepting the treatment of the 2011
5 storm costs, DP&L has not recorded an accounting
6 deferral without a PUCO order to your knowledge,
7 correct?

8 A. That's not correct, because I can think
9 of regulatory assets we set up on fuel deferrals when
10 the fuel cost recovery mechanisms began again with
11 Dayton Power and Light.

12 Q. Were there riders in place for those, for
13 those costs that was trued up quarterly and there was
14 a review process?

15 A. It was beginning, but it took a while for
16 it to work its way through.

17 Q. Do you recall what case number that would
18 have been in?

19 A. I don't offhand.

20 Q. What year would that have been in?

21 A. It would have been in 2008, I believe, or
22 early 2009 that the filing would have been made.

23 And I'm thinking about that again, so let
24 me continue. I may have -- we may have actually
25 asked for an accounting deferral order on the fuel

1 costs.

2 EXAMINER PRICE: If you did it, if you
3 had, when the fuel costs came back, wouldn't that
4 have been part of your Electric Security Plan?

5 THE WITNESS: Yes, and I believe it was a
6 associated with the ESP filing.

7 EXAMINER PRICE: So that would have been
8 a large application with many different facets and,
9 sitting here today, you can't remember whether there
10 was or was not an accounting facet to that
11 application.

12 THE WITNESS: That would be a better
13 answer, because I'm not sure thinking about it again.

14 So I don't know of a specific example
15 today where we have deferred without an accounting
16 order.

17 Q. You can't think of an example, other than
18 the 2011 storm case, where Dayton Power and Light has
19 deferred costs without a PUCO order? Is that what
20 you're saying, sir?

21 A. That's what I know of today.

22 Q. Thank you.

23 When was Dayton Power and Light acquired
24 or purchased by AES?

25 A. November of 2011.

1 Q. And before the purchase by AES, who was
2 the parent company?

3 A. I'm sorry. You'll have to repeat the
4 question. I don't understand it.

5 Q. Before the purchase by AES -- actually,
6 strike that.

7 Before the purchase by AES -- I'm going
8 to hold off on that. I want to make sure I'm not
9 going into anything that's confidential. Let me
10 check real quick.

11 I have an exhibit that is a public one.
12 If you could look at what's been marked as OCC 5.

13 A. Do you have a Bates number?

14 Q. Yes. 2848. Third page of the document.

15 A. I have Bates 2848.

16 Q. Thank you.

17 You indicated that you weren't involved
18 -- you clarified, but you said you were not involved
19 with the final decision in regard to when to seek
20 deferral of the 2011 storm costs, correct?

21 A. When to seek recovery of the costs, yes,
22 that's correct.

23 Q. But you also were not involved in the
24 final decision made in regard to when the Company
25 should seek deferral of those storm costs from 2011,

1 correct?

2 A. That's not what I previously said. I
3 said I was involved with the decision on the deferral
4 for accounting purposes on those costs.

5 Q. Do you have a copy of your deposition
6 transcript with you, sir?

7 A. Yes, I do.

8 MS. YOST: Your Honors, I have extra
9 copies if you'd like.

10 EXAMINER MCKENNEY: Please.

11 EXAMINER PRICE: Please.

12 Q. Would you please turn to page 46 in your
13 deposition transcript. Are you at page 46, sir?

14 A. Yes, I am.

15 Q. Would you take a look at the question
16 starting with line 9. Could you please read that
17 question and the answer?

18 A. "Were you involved in the decision when
19 to seek deferral of the 2011 storm costs?"

20 Answer: "I was involved in people asking
21 about it, but I was not involved in the final
22 decision."

23 Q. Thank you. Were you involved in --

24 A. But let me, I guess, elaborate. I think
25 I answered that wrong in the deposition.

1 Q. You'll have an opportunity, your counsel
2 will help you explain if you have any
3 inconsistencies.

4 A. Okay.

5 Q. Were you involved in the final
6 decision-making in regard to when the Company should
7 seek deferral of the 2012 storm costs?

8 A. When we should seek deferral, yes, I was.

9 Q. And I think you indicated earlier that
10 you were also involved in the final decision-making
11 in regard to when the Company should seek deferral of
12 the 2008 storm costs; were you involved in that one?

13 A. Yes, I was.

14 Q. I'm sorry, back to OCC Exhibit 5, Bates
15 stamp page 2848. In regard to the numbered paragraph
16 4, it starts off "In OCC Ninth Set RPD-67, Part 2."
17 Do you see that, sir, where I'm reading?

18 A. Yes, I do.

19 Q. I'll continue on. It says "In OCC Ninth
20 Set RPD-67, Part 2, in an email from Greg Campbell to
21 Karin M. Nyhuis" --

22 A. "Nye-hise."

23 Q. Thank you. -- "and Brendan Sweeney on
24 12/21/12, there is the following statement...." And
25 you could please read that statement, sir?

1 A. "'Prior to our purchase by AES, we would
2 not record an accounting deferral without the PUCO
3 order. I talked with Mike Barrett of EY, and he is
4 agreeable to our changing our policy if we document
5 the reasons for the change and that the deferral will
6 be probable of recovery.'"

7 Q. And that statement is attributed to you?

8 A. Yes, it is.

9 Q. And do you recall that prior to the
10 purchase by AES, Dayton Power and Light would not
11 record an accounting deferral without the PUCO order?

12 A. Yes. And let me add some explanation.
13 The accounting rules have the phrase "probable" and
14 different companies interpret "probable" differently.
15 Our former Chief Financial Officer, Fred Boyle, prior
16 to the purchase by AES, defined "probable" as 80 to
17 85 percent or higher likelihood of collection of the
18 money; whereas, the AES definition of "probable" is
19 75 percent or higher likelihood percent of collecting
20 the money. So, as a result of the purchase, the
21 Company that is bought comports its accounting to the
22 accounting of the new company.

23 EXAMINER PRICE: Is there an AES document
24 that describes that 75 percent threshold?

25 THE WITNESS: I don't recall a specific

1 document, but there may very well be. I can remember
2 many discussions I had with the AES people when we
3 were first acquired.

4 EXAMINER PRICE: Was there a DP&L
5 document that discussed the 85 percent threshold?

6 THE WITNESS: I don't know that we had a
7 specific document that I can recall.

8 EXAMINER PRICE: Thank you.

9 Q. (By Ms. Yost) Mr. Campbell, I know you're
10 also going to be testifying for Mr. Barrett, and I
11 know this e-mail is memorialized in a conversation
12 that you had with him, and you had to -- he indicated
13 that -- or, what was his indication -- I guess you
14 reached out to him about this change. Is that fair
15 to say?

16 A. I can remember calling him and
17 discussing, we had either just filed the application
18 in December of 2012 or were going to file it the next
19 day or two, and asked him, based on the fact pattern
20 that I now believe that it was probable based on the
21 modifications or interpretations of the rules that
22 AES would have had in existence at that time. So I
23 went through the fact patterns. He believed it was
24 reasonable and wanted me to have someone write
25 something up and give it to me which subsequently

1 occurred.

2 Q. So the change that occurred that made the
3 2011 storm costs probable for recovery was the fact
4 that AES had a lower standard for probable of
5 recovery.

6 A. Well, I think it was that, in connection
7 with actually making the filing request. In the
8 prior months, we had never made the filing request
9 and really had not made up our mind as to whether we
10 were going to ask for these costs or not ask for
11 these costs.

12 Q. And you had asked this Karin --

13 A. Nyhuis.

14 Q. Thank you. -- to provide documentation
15 stating the reasons for the change?

16 A. No, I don't believe that's what this
17 says. What I talked to Karin about was recording the
18 deferral, her and Brendan, and then I later asked
19 another person who worked for me at the time named
20 Jared Hoying, J-a-r-e-d H-o-y-i-n-g, to write
21 something up for Michael Barrett.

22 Q. I apologize. I think that last statement
23 is attributed to Mr. Hecker. I apologize. I misread
24 that myself. He's asking for clarification. I
25 apologize. Thank you for that clarification there.

1 THE WITNESS: Let me go back on the
2 spelling. Karin is K-a-r-i-n, and Nyhuis,
3 N-y-h-u-i-s.

4 Q. Mr. Campbell, I can show you the exact
5 e-mail we were just talking about, but it's been
6 marked confidential, but we'll discuss that later
7 just so we can clear up the record.

8 A. That will be fine.

9 MS. YOST: Your Honor, could we go off
10 the record for a second?

11 EXAMINER MCKENNEY: Let's go off the
12 record.

13 (Discussion off the record.)

14 MS. YOST: Your Honor, I'm going to
15 provide this back to Counsel and ask that he read in
16 the Bates stamp numbers and identify, for purposes of
17 recording on the record, that these are not
18 confidential because they are marked, and I want to
19 treat it consistently with our protective agreement
20 unless otherwise noted.

21 MR. SHARKEY: Happy to, Your Honors. The
22 Bates range is DPL Storm 2795 through 2802, and DP&L
23 agrees that those pages of that document are not
24 confidential and would be treated as such by OCC.

25 EXAMINER MCKENNEY: I'm assuming you

1 intend to mark those as OCC 7?

2 MS. YOST: Yes, Your Honor. Thank you.

3 May I approach the bench?

4 EXAMINER MCKENNEY: You may.

5 MS. YOST: OCC Exhibit 7.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 Q. (By Ms. Yost) Mr. Campbell, please take
8 your time, but let me know when you're ready to
9 proceed.

10 A. Yes, please proceed.

11 Q. Thank you.

12 If you could turn to Bates stamp page
13 2799, the bottom of that page. It's an e-mail from
14 you to Craig Jackson, sent December 20th, 2012?

15 A. Yes, I see that.

16 Q. And earlier I just wanted to clear the
17 record that -- well, I think this document speaks for
18 itself, what was actually attributed to you, versus
19 what Mr. Hecker was requesting in his e-mail.

20 A. Yes, it's the e-mail I had written back
21 then.

22 Q. So in regard to Mr. Barrett saying that
23 he was agreeable to the Company changing their policy
24 if the Company could document the reasons for the
25 change, what did you do to document the reasons for

1 the change or what did you ask of others?

2 A. I had asked my employee, Jared Hoying, to
3 write up a discussion paper of the change and
4 demonstrating that the costs were probable of
5 recovery, which he later did.

6 Q. Thank you.

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

9 EXAMINER MCKENNEY: Go off the record.

10 (Discussion off the record.)

11 Q. (By Ms. Yost) If I could have you turn to
12 Bates stamp page 2800.

13 A. Yes, I have that page.

14 Q. And at the very bottom of the page
15 there's an e-mail from Claire Hale and it's sent to
16 you and Don Rennix on December 20th, 2012.

17 A. Yes, it is.

18 Q. Could you read that over just to refresh
19 your recollection, just that portion there of that
20 e-mail?

21 A. Yes, I looked at it again.

22 Q. This e-mail shows three alternative ways
23 that a three-year baseline for years 2008, '9 and '10
24 could be established. Is that fair to say?

25 A. Yes, it is fair to say that, but there

1 would be another option of no baseline.

2 Q. I'm sure there's many ways you can do a
3 baseline, including not doing a baseline.

4 In that regard, what the Company chose
5 for purposes of the 2011 deferral on its books was to
6 incorporate the baseline, the first one, which is
7 under the column titled "2.5 Beta" which is
8 5,676,188.68?

9 A. Yes, that is correct.

10 Q. And if you go to the text below that, the
11 second paragraph starts off "For consistency
12 purposes." Could you please read that out loud?

13 A. "For consistency purposes, I believe it
14 would make the most sense to use the 2.5 Beta storm
15 amounts in 2009 and 2010 and the total storms less
16 the deferred costs in 2008. That is consistent with
17 how we created the 2008 deferral (excluding 2005
18 costs that had been recovered in the storm rider) and
19 what we propose to use going forward (2.5 Beta)."

20 Q. Thank you. That's far enough.

21 So in regard to establishing the
22 three-year average for the 2008 storms, the Company
23 used years -- storm years 2005, 2006, and 2007,
24 correct?

25 A. Let me check. That is correct.

1 Q. But in regard to 2005, the Company
2 excluded all costs that had been recovered from the
3 storm rider, correct?

4 A. I believe that's correct.

5 Q. And can we take a look at OCC Exhibit 3.
6 It's the Finding and Order, dated January 14th, 2009,
7 Case 08-1332.

8 A. Which page on 08-1332?

9 Q. Any page. My question will be: Can you
10 identify anywhere in this Finding and Order that the
11 Commission said to calculate the three-year average
12 by removing costs that had been recovered from the
13 storm rider?

14 A. I don't see it specifically in there, but
15 it would not make sense to me to leave those costs in
16 because they're related to a period 2004, 2005, and
17 those expenses that are recorded in that year have an
18 offsetting collection in revenue. So if you excluded
19 them, you would basically -- or, not, excuse me --
20 included them instead of excluding them, you would
21 actually take the money away that had been granted.

22 Q. Wasn't there a large ice storm in 2005
23 where the Company received approval to collect storm
24 costs through a rider?

25 A. There was a storm in 2004, late in 2004,

1 and in early 2005, one of them was an ice storm, but
2 I don't recall which month it was.

3 Q. So were all the 2005 major storm costs --
4 strike that.

5 Were all 2005 storm costs included in the
6 figure that was used to calculate the 2008 baseline?

7 A. I'm sorry. I was looking something up.

8 THE WITNESS: Could you reread the
9 question?

10 (Record read.)

11 A. I don't believe they were.

12 EXAMINER PRICE: Can I have the question
13 and answer back again?

14 (Record read.)

15 EXAMINER PRICE: Thank you.

16 Q. What was excluded from the figure used
17 for storm year 2005 for calculating the 2008
18 baseline?

19 A. I'm looking at the Bates 2800, at the
20 very bottom of the page, the last line says "That is
21 consistent" -- excuse me, third line from the bottom,
22 "That is consistent with how we created the 2008
23 deferral (excluding 2005 costs that had been
24 recovered in the storm rider) and what we propose to
25 use going forward."

1 Q. So although not indicated in the filing,
2 the Company did calculate a three-year baseline for
3 the 2011 storms which is indicated on 2800 to be the
4 \$5.6 million number, correct? That's the one that
5 the Company ultimately used in regard to the amounts
6 that they deferred on the books?

7 A. That's the amount that we deferred on the
8 books and used the calculation of the \$5.7 million
9 rounded on the bottom of Bates 2800.

10 But if you look at the top of Bates 2800,
11 you'll see, I believe on the e-mail that I had
12 written, it's the second paragraph there, the end of
13 the first line, "To be conservative...."

14 Q. I'm sorry. I'm not there. What page are
15 you on?

16 A. I'm on Bates 2800.

17 Q. Yes.

18 A. The second paragraph.

19 Q. Found it. Thank you.

20 A. End of the first line says "To be
21 conservative, Mike Barrett and I recommend that we
22 would only defer the 4.3 million, since we do not
23 have any definite evidence that the PUCO would allow
24 the exclusion of the Ike costs in the average."

25 But that doesn't necessarily mean that I

1 think that's the proper ratemaking treatment for it.
 2 I, on the contrary, would think you should definitely
 3 exclude extraordinary storms if you were doing a
 4 baseline average, which I don't necessarily agree on
 5 doing baseline averages either.

6 Q. So if I could have you keep 2800 in front
 7 of you, sir, and look at OCC Exhibit No. 5.

8 A. Can you tell me which one OCC Exhibit 5
 9 is?

10 Q. E-mails, Bates stamp 2846. 2846 is the
 11 cover page.

12 A. Okay. I have Bates 2846.

13 Q. Could you turn to page 2847.

14 A. I have 2847.

15 Q. So keeping 2847 and 2800 side-by-side,
 16 looking at the ways that the Company calculated the
 17 \$5.7 million on 2800, the Company reduced the 2008
 18 storm costs approximately \$2.1 million from the
 19 actual amount of 2008 storm costs, indicated on page
 20 2847, of \$17.2 million, correct?

21 A. I'm sorry. You'll have to go over those
 22 again. I'm missing the numbers.

23 Q. I understand. So let's start with 2800
 24 and look at the table that calculates the three ways
 25 that the three-year average can be calculated, and

1 see the years 2008, and if you go over to the 2.5
2 beta calculation, it has \$15.9 million, correct? Do
3 you see that?

4 A. Yes, I see that number.

5 Q. And then if we go over to Bates stamp
6 2847, which is part of OCC Exhibit No. 5, the bottom
7 half of the page, under the answer to No. 1, it
8 starts off the total amount of 2008 storms was
9 \$17.3 million. Do you see that figure, sir?

10 A. Yes, I do.

11 Q. So the Company did not use the full
12 amount of 2008 storm costs when it calculated the
13 three-year average of 5.6, correct?

14 A. Well, if you look back on your Bates
15 2800, you'll notice that that's only the storms in
16 2008 that have the 2.5 beta, and that totals the
17 \$15.6 million. Where the amount on 2847, of
18 \$17.2 million, I believe is many more storms.

19 Q. Nonmajor storms.

20 A. By definition, yes. They would be major
21 and nonmajor on 2847; and on 2800, just 2.5 beta
22 storms.

23 Q. Thank you for that clarification.

24 The 2011 storm costs were fully expensed
25 and reflected in DP&L's 2011 financial statements,

1 correct?

2 A. Yes, that is correct.

3 Q. And when the books were closed in
4 calendar year 2000 -- early 2011, no one at DP&L had
5 indicated at the time that a request was going to be
6 made for recovery of those 2011 costs, correct?

7 A. I think your question said 2000 as
8 opposed to 2011.

9 Q. The one I just stated?

10 MS. YOST: Could you read back the
11 question, please?

12 (Record read.)

13 Q. Let me repeat that so I get the
14 appropriate year in.

15 When the books were closed in calendar
16 year 2011, early 2012, no one at DP&L had indicated
17 at that time that a request was going to be made for
18 recovery of those 2011 costs, correct?

19 A. That's correct. At the time the books
20 were closed, no decision had been made to absolutely
21 ask for those costs.

22 Q. So the Company chose to seek approval to
23 defer 2012 storm costs in the amount of \$4.7 million,
24 before it sought PUCO approval to defer \$10 million
25 in storm costs for 2011, correct?

1 THE WITNESS: Could you please repeat the
2 question?

3 (Record read.)

4 A. Yes, that's correct, but I think when we
5 originally filed the request we weren't sure of the
6 specific amount of the deferral.

7 Q. For which?

8 A. For 2012.

9 Q. When you sought the referral for -- when
10 you sought the deferral for 2012, you said you did
11 not know the specific amount of costs for 2012?

12 A. When we sought the recovery -- or, not,
13 excuse me, the recovery -- when we sought the
14 permission to defer the costs related to 2012 storms,
15 we did not know the final number that would be
16 deferred at that time.

17 Q. For 2012?

18 A. For 2012, yes.

19 EXAMINER PRICE: When did you file for
20 deferrals for the 2012 storms?

21 THE WITNESS: I have the request, but it
22 does not have the date here, but it's Case
23 12-2281-EL-AAM.

24 EXAMINER PRICE: 12-228 --

25 THE WITNESS: Excuse me. I'm looking at

1 the revised request and it says, on the revised
2 request, we filed the original application on
3 August 12th -- excuse me, August 10th, 2012.

4 EXAMINER PRICE: So you filed for
5 deferral of 2012 storm damage before the end of 2012.

6 THE WITNESS: That's correct.

7 EXAMINER PRICE: Is that why you did not
8 know the total amount you would be seeking deferral
9 of because 2012 had not been completed?

10 THE WITNESS: Because the storm had
11 occurred in the summer and we were still getting
12 costs in associated with the storm and did not have
13 the total number, but knew it was going to be a fair
14 amount of money.

15 Q. What were the differences between --
16 strike that.

17 At the time the Company filed for
18 deferral of the 2012 storm costs, which you indicated
19 was August 10th, 2012, at that time the Company had
20 incurred storm costs from the derecho, in addition to
21 that you had clearly incurred all storm costs that
22 you were going to incur from 2011, correct?

23 A. That is correct.

24 Q. What made the 2012 storm costs more
25 probable for recovery August 10th, 2012, than the

1 2011 storm costs?

2 A. Because we filed an application
3 indicating that we were going to ask for recovery of
4 those costs; whereas, the 2011 costs, in August of
5 2012, we still had not made our mind up definitively
6 that we were going to ask for recovery of those
7 costs.

8 Q. Why wouldn't you ask for recovery of
9 those costs if they were probable for recovery?

10 A. I'm saying the management had not made
11 its mind up to ask for them; so it was not probable
12 for recovery. The first decision is really are we
13 going to ask for recovery; and then the second part
14 of the decision is do we believe, in conjunction with
15 the rate, when I say "we," the accounting group, the
16 rate group and management, do we believe it's
17 probable of recovery. So the first step is what is
18 the plan and then are the costs probable or not
19 probable.

20 EXAMINER PRICE: Let me try it this way:
21 What was it about the 2012 storm damages that caused
22 you to come in and file before the end of the
23 calendar year had even occurred, within two months of
24 the event, that differentiated that from the 2012
25 storms where you still were making up your mind as to

1 whether to seek recovery?

2 THE WITNESS: I was not involved in that
3 specific decision. But the 2012 derecho was a sudden
4 burst of wind that was a very bad storm.

5 EXAMINER PRICE: I understand that. But
6 is it the amount -- you don't know, because you
7 weren't involved in the decision, you simply received
8 instructions to go ahead and prepare the filing and
9 you did it. You were not involved in the decision
10 whether to make a filing; you were simply involved in
11 preparing the filing.

12 THE WITNESS: I was involved in preparing
13 the filing and determining, with the other parties,
14 whether I believed it was probable of recovery or
15 not.

16 EXAMINER PRICE: Right.

17 THE WITNESS: So I can't answer your
18 specific question, sir.

19 EXAMINER PRICE: Thank you.

20 Q. (By Ms. Yost) Who did make the decision
21 to file the 2012 application to seek deferral of
22 those storm costs in August 2012?

23 A. I don't know the specific person, but it
24 would have been somebody in DP&L's senior management.

25 Q. Do you know --

1 EXAMINER PRICE: Would Ms. Seger-Lawson
2 know the name of that person, you suspect?

3 THE WITNESS: I don't know.

4 EXAMINER PRICE: Fair enough.

5 Q. Do you know who made the decision to seek
6 the application to defer 2011 storm costs in
7 December 2012?

8 THE WITNESS: Can you repeat the
9 question, please?

10 (Record read.)

11 A. I was certainly involved in that decision
12 to request the accounting order as part of the
13 application. So I believe I was involved, Dona
14 Seger-Lawson, and there may have been others.

15 Q. You're very familiar with ASC 980,
16 correct?

17 A. Yes, I am.

18 Q. When I say "ASC," what do I mean?

19 A. It's Accounting Standards Codification
20 and it's also called Financial Accounting Standards
21 Codification. It's the accounting rules related to
22 utility accounting.

23 Q. And you cite that rule in your rebuttal
24 testimony, correct?

25 A. I quote sections from it and discuss it,

1 yes.

2 Q. Thank you.

3 Just to clarify, you can't tell us today
4 why the Company chose to defer \$4.7 million in storm
5 costs incurred in 2012 before they sought permission
6 to defer \$10 million in storm costs for 2011.

7 A. I would say no is my answer. I can tell
8 you why we deferred the 2012 storm costs, but I can't
9 tell you why we didn't ask for the 2011 storm costs
10 until December of 2012.

11 Q. And can you indicate who would be able to
12 answer that question for us?

13 A. I don't know that I know.

14 Q. Have you ever been involved with a
15 utility that sought costs -- strike that, please.

16 Have you ever been involved with a
17 deferral request where a utility sought to defer
18 costs that they incurred -- strike that. I can't get
19 this out. Sorry.

20 EXAMINER PRICE: Let's go off the record.

21 (Discussion off the record.)

22 Q. (By Ms. Yost) Was there a specific
23 decision made in 2011 not to defer -- seek a deferral
24 of those storm costs? Did someone -- because you
25 expensed those, correct?

1 A. I expensed them and there was a specific
2 decision that was not made to request the costs.

3 MS. YOST: Could you read his answer?

4 (Record read.)

5 A. Let me try to reword that answer more
6 clearly. The Company, in 2011, had not made a
7 decision to ask for the costs and, therefore, did not
8 make a decision to ask for a deferral request
9 associated with those costs.

10 EXAMINER PRICE: And because you had not
11 asked for a deferral, you expensed the costs.

12 THE WITNESS: Correct. We really expense
13 the costs and then, if we do a deferral and we
14 believe it's probable, we would defer the costs as a
15 regulatory asset and reduce the expenses.

16 Q. So the first step is expensing of O&M
17 costs. Is that fair?

18 A. The Company incurs the cost, and records
19 that as an expense in the normal course of events,
20 yes.

21 Q. Was there any fact that -- what fact made
22 the 2011 storm costs not probable for recovery during
23 2011?

24 A. Because the Company had not made up its
25 mind to ask for the costs nor had it requested a

1 deferral. So it did not meet the test of probable
2 under the accounting rules.

3 EXAMINER PRICE: Just for clarification
4 on the record, when you said "not meet the test for
5 probable," at that time were you using the previous
6 DP&L 85 percent probability or were you using the AES
7 75 percent probability?

8 THE WITNESS: In the end of December of
9 2011 we were owned by AES, but I don't know that I
10 personally had heard about the 75 percent until later
11 in 2012. But whether it was 75 percent or
12 80 percent, if we hadn't made our mind up to ask for
13 them, to me it would be 0 percent probability.

14 EXAMINER PRICE: Fair enough. Thank you.

15 MS. YOST: Your Honor, at this time I'd
16 like marked as OCC Exhibit 8, Chapter 12,
17 "Relationship of Rate Regulation to Generally
18 Accepted Accounting Principles."

19 EXAMINER MCKENNEY: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 MS. YOST: May I approach the bench, Your
22 Honor?

23 EXAMINER MCKENNEY: You may.

24 Q. We talked about what you had brought
25 today, that OCC had provided this to you previously,

1 and you've seen this section of Chapter 12 before,
2 Mr. Campbell?

3 A. Yes, I have.

4 Q. And probably have referenced it or taken
5 a look at it during your career?

6 A. Yes, I have.

7 Q. Could I have you turn to page, I believe
8 it's 12-5. It's indicated on the left side, top of
9 the page.

10 MR. SHARKEY: I'm sorry, Melissa, I
11 missed the page number.

12 MS. YOST: 12-5. On the upper left.

13 A. Yes, I have that page.

14 Q. The bottom half of that page, the
15 paragraph that is mid-page, it starts "ASC 980
16 requires a rate-regulated utility...."

17 A. I see that paragraph.

18 Q. It says "ASC 980 requires a
19 rate-regulated utility to capitalize as a regulatory
20 asset an incurred cost that would otherwise be
21 charged to expense if future recovery in rates is
22 probable." Do you see that passage there, sir?

23 A. Yes, I do.

24 Q. When it says that it is to be
25 capitalized, that would otherwise be charged to

1 expense, is that inconsistent with your statement
2 that all O&M costs are expensed first?

3 A. No, I don't believe so. Because if, in
4 the same calendar quarter, we believe that probable
5 of recovery, we would defer those costs as a
6 regulatory asset in the FERC account 182.3,
7 regulatory assets.

8 Q. If you look midway down that same
9 paragraph, on the left-hand side it says "to remain
10 recorded" and then the sentence I'm looking for
11 starts with the word "Evidence that a regulatory
12 asset...." It's toward the bottom. Do you see that
13 sentence that starts "Evidence that a regulatory
14 asset is probable of recovery...."?

15 A. Yes, I see that sentence.

16 Q. "Evidence that a regulatory asset is
17 probable of recovery is a matter of professional
18 judgment based on the facts and circumstances of each
19 case." Do you agree with that statement?

20 A. Yes, I do.

21 Q. "Utility management's positive
22 representation is required that each regulatory asset
23 is probable of recovery in future rates." Do you
24 agree with that statement?

25 A. Yes, I do.

1 Q. And then the next sentence talks about
2 the "Evidence that could support future recovery and
3 corroborates utility's management representation" --
4 excuse me -- "utility management's representation
5 includes" and then there's four specific items. Do
6 you see those?

7 A. Yes, I see them.

8 Q. No. (1) is "Rate orders from the
9 regulators specifically authorizing recovery of the
10 costs in rates. Do you see that sentence there, sir?

11 A. Yes, I do.

12 Q. And when Dayton Power and Light sought to
13 defer the 2011 -- 2012, let me make that clear, 2012
14 storm costs in 2012, did it have a rate order from
15 the regulators specifically authorizing recovery of
16 the costs in rates?

17 A. It did not.

18 Q. When Dayton Power and Light sought storm
19 costs, the deferral of storm costs incurred in 2012
20 again, did Dayton Power and Light have previous rate
21 orders from the regulator allowing recovery for
22 substantially similar costs?

23 A. Yes, they did.

24 Q. Did Dayton Power and Light, when it
25 sought approval to defer 2012 storm costs, did it

1 have written approval from the regulator approving
2 future recovery in rates?

3 A. It didn't have that specifically, but it
4 did have an accounting order.

5 Q. When Dayton Power and Light sought to
6 defer 2012 storm costs, did it have an analysis of
7 recoverability from internal or external legal
8 counsel?

9 MR. SHARKEY: I'm going to object, Your
10 Honor. That seeks privileged information; so I don't
11 think that's an appropriate question.

12 EXAMINER MCKENNEY: Objection sustained.

13 MR. SHARKEY: Thank you, Your Honor.

14 Q. So when we go through factors (1), (2),
15 and (3), when the 2012 storm costs application to
16 defer was applied for in August 2012, you indicated
17 that the Company had No. (2) and something similar to
18 No. (3); is that correct?

19 A. Let me indicate that this is just a book
20 written by two Deloitte employees. This is not
21 authoritative literature and that's not all the
22 support we would look at for determining the
23 probability of recovery of a cost through the
24 ratemaking process.

25 Q. Okay. So my question, in regard to 2012,

1 you answered that you had No. (2) and something
2 similar to No. (3). Is that fair?

3 A. Let me go back and say that this is not
4 authoritative literature and we had more support than
5 the items enumerated in this example from these two
6 utility audit employees.

7 Q. We'll talk about that later because
8 that's confidential, but if you could just answer my
9 question. You'll have an opportunity to discuss
10 those.

11 THE WITNESS: Could you repeat the
12 question?

13 (Record read.)

14 A. No, it's not fair.

15 Q. However, but you can agree you had
16 No. (2), right? You said yes.

17 A. Yes, we had No. (2).

18 Q. How do you want to characterize No. (3)?

19 A. No. (3) is we had a deferral order from
20 the regulator. But then, beyond that, there are
21 other things that we looked at to determine the
22 probability of recovery.

23 Q. My question was when you sought, the
24 Company sought to defer 2012 storm costs, did it have
25 a No. (3)?

1 A. Not specifically as written here.

2 Q. Okay. So let's -- now my questions are
3 going to be about 2011 storm costs, but my date is
4 going to be the date that the Company applied for the
5 2012 storm costs which was August 2012. So in regard
6 to the 2011 storm costs, in August 2012, did the
7 Company have a rate order from the regulator
8 specifically authorizing recovery of the costs in
9 rates?

10 A. No.

11 Q. In regard to 2011 storm costs, in
12 August 2012, did the Company have a previous rate
13 order from the regulator allowing recovery for
14 substantially similar costs?

15 A. Yes.

16 Q. And in regard to No. (3), for 2011 storm
17 costs, in August 2012, did the Company have written
18 approval from the regulator approving future recovery
19 in rates?

20 A. No.

21 Q. Thank you.

22 And at the bottom of that, right below
23 the No. (4), there's a sentence, it says "It should
24 be noted under the FERC accounting guidelines,
25 regulatory assets are recorded for regulatory

1 recording purposes if the incurred cost is 'expected'
2 to be authorized for future rate recovery - a lower
3 standard than under GAAP." Do you agree with that
4 sentence?

5 A. I agree with the sentence as it's
6 written, but, in practical experience, recording the
7 regulatory asset on examples that I know of is done
8 the same way under SEC accounting and FERC
9 accounting.

10 EXAMINER PRICE: And if you didn't do it
11 that way, it's very likely you could have an asset on
12 one side of the books and not on the other side of
13 the books.

14 THE WITNESS: It would be something you'd
15 have to explain to a lot of people.

16 EXAMINER PRICE: Because they would be
17 asking why do you have this on your FERC Form 1, but
18 not your 10-K.

19 THE WITNESS: Correct.

20 Q. (By Ms. Yost) At your deposition I asked
21 you if you can recall an example, in your experience,
22 where a utility was permitted to collect storm costs
23 from customers above the amount it was authorized to
24 defer. You indicated you couldn't think of an
25 example at that time.

1 I'm asking you today: Can you recall an
2 example, in your experience, where a utility was
3 permitted to collect storm costs from customers above
4 the amount it was authorized to defer?

5 A. I can't recall an example that has
6 occurred, but, as I mentioned earlier in the
7 testimony today, we have requested that.

8 Q. And during your deposition I asked you
9 why request deferral of 2012 costs before you request
10 deferral of 2011 storm costs, and you answered that
11 was just the way management decided to proceed.

12 Do you have any other reason why request
13 deferral of 2012 storm costs before a request is made
14 to defer 2011 storm costs today?

15 A. I think I had mentioned that we intended
16 to ask recovery and filed an application to ask for
17 deferral permission related to the 2012 costs, but,
18 at the time we did that filing, which was August of
19 2012, we still had not made up our mind to ask for
20 recovery of the 2011 storm costs nor asked for a
21 deferral associated with those storm costs.

22 Q. And it is Dayton Power and Light's
23 position that they do not need to seek PUCO approval
24 before deferring O&M costs, correct?

25 A. If we incur costs that we intend to seek

1 recovery and believe that those costs are probable of
2 recovery, we do not specifically have to have a PUCO
3 accounting deferral order, but I think it would be
4 nice to have.

5 Q. So the only reason why the Company asked
6 for permission to change its accounting procedures so
7 that it can defer O&M costs is because it's nice to
8 have?

9 A. I don't believe I've testified that
10 today.

11 Q. In regard to 2013 storm costs, you're
12 aware that the Company has requested permission to
13 defer 2011 -- excuse me, 2012 storm costs? Are you
14 aware of that?

15 THE WITNESS: Can you read the question
16 again?

17 (Record read.)

18 Q. Let me make it easier. Are you aware
19 that the Company has filed an application seeking
20 permission to defer 2013 O&M storm costs?

21 A. I am not aware of that today.

22 Q. Do you agree that regulatory assets and
23 liabilities, under the Uniform System of Accounts,
24 are assets and liabilities that result from rate
25 actions of regulatory agencies?

1 THE WITNESS: Can you read the question
2 again?

3 (Record read.)

4 A. I believe that's the general definition,
5 but in many cases the actions do not occur until
6 later from the Commission, and the Company has to use
7 its best judgment to determine whether it believes
8 those assets and liabilities are probable of
9 occurring in the future.

10 Q. When the Company seeks permission to
11 defer O&M costs, they are seeking permission to
12 create an asset?

13 A. When a company is requesting to recover,
14 through the ratemaking process, an O&M cost, the
15 Commission has the authority to create that
16 regulatory asset by granting that recovery in a
17 period that would not be the same for a nonregulated
18 company.

19 MS. YOST: Could you read back that
20 answer, please?

21 (Record read.)

22 MS. YOST: Thank you.

23 Q. Could you please turn to your rebuttal
24 testimony. I believe it might be DP&L Exhibit 3.

25 MR. SHARKEY: Four.

1 Q. Four.

2 A. Yes, I have that.

3 Q. At the bottom of page 2, line 20, the
4 very last line there, you indicate "I had
5 conversations with E&Y about whether it was
6 appropriate for DP&L to defer the 2011 storm
7 expenses, and E&Y concluded that DP&L's treatment of
8 2011 expenses was appropriate under governing
9 accounting standards." When did you have those
10 conversations with -- and when you talk about E&Y, do
11 you mean Mr. Barrett?

12 A. I had conversations with Michael Barrett.
13 In addition, I had conversations with Ritu, R-i-t-u,
14 Furlan, F-u-r-l-a-n, and other people with Ernst &
15 Young.

16 Q. Do you recall when those conversations
17 took place?

18 A. I definitely had a conversation with
19 Michael Barrett in December of 2012 related to the
20 2011 storm expenses. And I believe I had
21 conversations with him most of the quarters, meaning
22 the calendar quarters, from November of 2011, when
23 AES bought DPL, Inc., to that time.

24 Q. During your conversations, was E&Y aware
25 that prior to the purchase by the AES, DP&L would not

1 record an accounting deferral without a PUCO order?

2 A. I mentioned that to Michael Barrett, so
3 yes.

4 Q. So is it your testimony that the 2011
5 expenses became probable for recovery when -- when
6 did they become probable for recovery?

7 A. I believe the 2011 storm expenses became
8 probable of recovery in December of 2012 when the
9 filing request was made after the Company decided
10 they were going to ask for the costs based on the
11 accounting rules and discussions with the rate and
12 management people.

13 MS. YOST: Could you read that back,
14 please, that answer?

15 (Record read.)

16 Q. Could you turn to page 3 of your rebuttal
17 testimony, please. If you're not already there.

18 A. Yes, I have page 3.

19 Q. The application in this case was -- that
20 requested deferral of 2011, that was filed, do you
21 know the date in December 2012?

22 A. I have it written down.

23 Q. December 21st, 2012, does that sound
24 correct?

25 MR. SHARKEY: If she represents it's

1 true, Your Honor, we'll stipulate to it.

2 A. Yes, December 21, 2012, was both the
3 filing for the deferral related to those costs and
4 the request for recovery.

5 Q. And that's the date that you concluded is
6 when the 2011 major storm expenses were probable for
7 recovery?

8 A. That's the date that we believe they
9 became probable of recovery.

10 Q. If you could look at line 20 of your
11 testimony on page 3. We'll start actually on line 19
12 where it says "Here, in light of the Commission's
13 historic treatment...." Do you see that, sir?

14 A. Yes, I do.

15 Q. Could you read that full sentence to the
16 period?

17 A. "Here, in light of the Commission's
18 historic treatment of storm expenses for DP&L and for
19 other Ohio utilities, DP&L concluded that its 2011
20 major storm expenses were probable for recovery after
21 DP&L filed the Application in this case."

22 Q. And in regard to the workpaper that
23 showed the accrual of carrying costs, we talked about
24 that, because it showed that DP&L determined those
25 were probable of recovery in March of 2013, correct?

1 A. You'll have to remember we're talking
2 December of 2012, and March of 2013 is later.

3 Q. That is true.

4 A. I also mentioned earlier, on the 2011
5 costs, we did not record any carrying costs on those.
6 We've only recorded on the 2008 storms and the 2012
7 storm.

8 EXAMINER PRICE: So you've never recorded
9 carrying costs for 2011.

10 THE WITNESS: That's correct. It was
11 included in the filing because, when we filed in
12 December of '12, we thought we would get the approval
13 in the next several months and actually maybe get the
14 rates in effect.

15 Q. Filing or requesting approval to defer
16 costs in a timely manner, does that make the
17 probability of recovery less likely or more likely?

18 A. I don't think there's any rule in Ohio --
19 well, not that I don't think. There is no rule in
20 Ohio that a request for deferral must be filed in a
21 certain number of months after the event or cost
22 occurs, in this particular case, storms.

23 Q. But the Company doesn't have to have a
24 rule for every decision it makes; aren't some
25 decisions of the Company supposed to be utilizing

1 best management practices, best accounting practices,
2 looking after the interests of the customers, the
3 shareholders, aren't decisions made because of that,
4 absent of rule?

5 MR. SHARKEY: I'm going to object, Your
6 Honor. It's a compound question.

7 EXAMINER MCKENNEY: Objection sustained.
8 Break it down.

9 MS. YOST: I hate to do this. It's 4:00.
10 Can we have a brief break?

11 EXAMINER MCKENNEY: Let's go off the
12 record.

13 (Recess taken.)

14 EXAMINER MCKENNEY: Mr. Campbell, I'll
15 remind you again you're still under oath.

16 THE WITNESS: Yes.

17 EXAMINER MCKENNEY: Ms. Yost.

18 MS. YOST: Thank you, Your Honor.

19 At this time I'd like to have marked as
20 OCC Exhibit 9, e-mail correspondence which is Bates
21 stamped 2814 through 2818.

22 EXAMINER MCKENNEY: It will be so marked.

23 (EXHIBIT MARKED FOR IDENTIFICATION.)

24 MS. YOST: May I approach the bench, Your
25 Honor?

1 EXAMINER MCKENNEY: You may.

2 Q. (By Ms. Yost) Mr. Campbell, please take a
3 minute to look at that. When you're ready to
4 proceed, I'll direct you to specific portions.

5 A. Yes, I glanced at this handout.

6 Q. Thank you.

7 Can you turn to Bates stamp page 2816.
8 The middle of the page there's an e-mail from Claire
9 Hale, dated Tuesday, January 29th, 2013, at 3:08 p.m.
10 to Jeffrey Hecker?

11 A. I see that.

12 Q. Thank you.

13 The first sentence says "You are correct
14 in that the Finding & Order in Case No.
15 12-2281-EL-AAM specifically addressed the 2012
16 derecho storm costs, and we deferred \$1 million in
17 derecho storm O&M costs from the Order in that case."
18 Could you read the next sentence, please?

19 A. "Additionally, GAAPs provide that we can
20 defer costs when the receipt of the deferral order
21 and recovery of those expenses from customers are
22 probable from an accounting perspective. We believe,
23 based on the Commission's prior treatment of DP&L's
24 storm costs, that this will be the case for 2011
25 major storm costs. Therefore, in December 2012 we

1 took additional steps to defer the 2011 major storm
2 costs less the three-year average, about
3 \$4.3 million."

4 Q. Does GAAP provide a higher standard for
5 when a utility can defer costs than the Uniform
6 System of Accounts?

7 A. Yes, it does.

8 Q. And in this correspondence it indicates
9 that under GAAPs that a deferral of costs can occur
10 when there's receipt of a deferral order and recovery
11 of those expenses are probable from an accounting
12 perspective. What does the clarification "from an
13 accounting perspective" mean in regard to when
14 expenses are probable from recovery, excuse me, are
15 probable for recovery?

16 A. I believe what Claire is saying is that
17 probable, using the accounting definition of
18 "probable," which we had discussed is a high standard
19 to meet, and had talked about percentages in the 75
20 to 85 percent range or higher.

21 Q. Do you have any authority or can you
22 provide me with what you've testified today that all
23 O&M expenses -- all O&M expenditures are first
24 expensed and then later they may be deferred? Is
25 there anything you can point me to to support the

1 idea that all O&M costs are expensed?

2 A. I'll refer you back to, I believe it's
3 OCC 8, Chapter 12, "Relationship of Rate Regulation
4 to Generally Accepted Accounting Principles."

5 Q. Can you give me just one minute to locate
6 it?

7 A. Yes, I can.

8 Q. I'm sorry. What chapter did you have?

9 A. Chapter 12 and I'm looking at the same
10 page we had talked about earlier, 12-5, which is --

11 Q. Yes. Thank you. I'm there.

12 A. -- the fifth page in.

13 Q. Yes. Thank you.

14 A. I'm looking at the indented paragraph
15 that starts "ASC 980" where it's quoting part of the
16 accounting literature. In that paragraph, in the
17 middle of it, it says "An entity shall capitalize all
18 or part of an incurred cost that would otherwise be
19 charged to expense if both of the following criteria
20 are met."

21 Q. Yes.

22 A. So, basically, the general rule is if the
23 Company incurs an obligation that is not a fixed
24 asset, it would record that as an expense on its
25 books. And then, if it happened to be a regulated

1 entity and those costs were probable of recovery, it
2 could record a regulatory asset and zero-out those
3 costs because those costs are going to be recovered
4 through the ratemaking process from customers.

5 EXAMINER PRICE: Your argument is that
6 this is the exception proves the rule. This lays out
7 the exception that demonstrates that the general rule
8 is everything gets expensed.

9 THE WITNESS: Correct. That's the
10 general rule for nonregulated companies, which I used
11 to audit when I was very young, and that was the
12 general rule.

13 Q. You testified earlier that when the
14 Company filed the deferral request for 2012 storm
15 costs that the Company didn't know all the costs at
16 that point, correct?

17 A. That's correct.

18 Q. Is that following the general rule when
19 you're seeking approval to defer costs when you're
20 not sure what those costs entail?

21 A. Well, we knew they would be large; we
22 just didn't have all the costs accumulated. In a
23 storm, it often takes many months to get all the
24 costs accumulated and to get them properly classified
25 between how much is capital versus O&M.

1 And we had talked earlier about other
2 utilities coming to serve in our area to help restore
3 the system. In some cases those bills don't even
4 come in until three, four, or five months after the
5 storm, because the people have to go back to their
6 shop, fill out their own expense reports and a bill
7 has to be generated to mail to Dayton Power and
8 Light.

9 Q. Did you use mutual assistance in
10 responding to the 2012 storm in the end of June,
11 early July?

12 A. I'm not the right witness to ask that. I
13 do not know.

14 Q. Page 7 of your testimony, sir, of your
15 rebuttal testimony.

16 A. Yes, I have that page.

17 Q. At the top of the page, line 2 is in
18 response to a question that's found on page 6, but
19 part of your answer you state that -- actually,
20 starting on the bottom of page 6, "Rather, DP&L
21 claims that it should be permitted to recover those
22 expenses because those 2011 storm expenses were for
23 unusual storms, and DP&L's Stipulations and
24 Commission precedent establish that they are
25 recoverable."

1 A. Yes, I've read that.

2 Q. I'm sorry?

3 A. Yeah, I've read that.

4 Q. Thank you.

5 Do you have any precedent for the
6 Commission allowing recovery of storm costs where the
7 utility waited approximately two years before seeking
8 authorization to recover those storms? Is that the
9 type of precedent you're talking about?

10 A. I don't believe it was two years. Some
11 of the costs were incurred much sooner than that.

12 I'm talking about the precedent where the
13 Commission had given us permission to recover the
14 2004, 2005 storms through a rider.

15 I'm also talking about where the
16 Commission had granted authority for Duke Power to
17 recover costs associated with Hurricane Ike. I
18 believe currently there's a rider of some sort for
19 storms, both for Duke and AEP, but I'm not very
20 familiar with it.

21 So that precedent, plus, I think, also
22 having the regulatory deferral order that we received
23 in the 2012 storm and the 2008 series of storms is
24 useful, in my mind, for making it probable that they
25 would be recovered, among other things.

1 Q. Are you aware that AEP's storm rider was
2 established in part of its Electric Security Plan
3 case?

4 A. I do not know absolutely.

5 Q. Do you know whether Dayton Power and
6 Light's current Electric Security Plan has a storm
7 rider mechanism in it?

8 A. I do not know.

9 EXAMINER PRICE: Assuming, for the sake
10 of argument, that Dayton's Electric Security Plan,
11 that was in effect at the time, had a provision
12 saying that Dayton could seek recovery of storm
13 damages; would that lead you to believe that it would
14 be recoverable?

15 THE WITNESS: In fact the two ESP's I
16 think during this period actually had words in there
17 that said we could come in specifically and ask for
18 storm costs and other specifically enumerated costs
19 beyond the frozen rates.

20 EXAMINER PRICE: So you are aware that
21 Dayton's Electric Security Plan has such a provision.

22 THE WITNESS: I thought she meant the one
23 that was recently filed.

24 MS. YOST: The one that's currently in
25 effect; that's the one I was talking about.

1 THE WITNESS: Well, the one that's
2 currently in effect -- I was talking about ones that
3 were when these deferrals were done, which I think is
4 not the current one.

5 EXAMINER PRICE: Let's talk about the one
6 that was in effect at the time you made these
7 decisions because that's what would be controlling.

8 THE WITNESS: Okay. At the time we made
9 these decisions, the Electric Security Plan at that
10 time had language that we could come in and ask for a
11 rider. So that's the 2008 to December 2012 period.

12 EXAMINER PRICE: And that's the language
13 you're talking about in your testimony.

14 THE WITNESS: Yes. We also, in the
15 original filing in December 2012 --

16 EXAMINER PRICE: I'm done with my
17 question.

18 THE WITNESS: Okay.

19 MS. YOST: I think that concludes my
20 public questions.

21 EXAMINER MCKENNEY: All right. Let's go
22 off the record. Well, let's adjourn for the day.
23 We'll go off the record.

24 (Thereupon, the proceedings concluded at
25 4:24 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Tuesday, June 3, 2014, and carefully compared with my original stenographic notes.

Carolyn M. Burke, Registered Professional Reporter, and Notary Public in and for the State of Ohio.

My commission expires July 17, 2018.

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Summary: Transcript in the matter of The Dayton Power and Light Company hearing held on 06/03/14 electronically filed by Mrs. Jennifer Duffer on behalf of Armstrong & Okey, Inc. and Burke, Carolyn M. Mrs.