

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**JOINT APPLICATION OF  
THE DAYTON POWER AND LIGHT COMPANY AND  
WRIGHT-PATTERSON AIR FORCE BASE  
FOR APPROVAL OF  
A UNIQUE ARRANGEMENT**

**CASE NO. 14-1217-EL-AEC**

**DIRECT TESTIMONY  
OF DONA SEGER-LAWSON**

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

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**ON BEHALF OF**  
**THE DAYTON POWER AND LIGHT COMPANY AND**  
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**TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>II.</b>	<b>REASONABLENESS OF THE ARRANGEMENT.....</b>	<b>3</b>
<b>III.</b>	<b>FURTHERS THE STATE POLICY EMBODIED IN O.R.C. §4928.02 .....</b>	<b>6</b>
<b>IV.</b>	<b>DELTA REVENUE RECOVERY .....</b>	<b>6</b>
<b>V.</b>	<b>CONCLUSION .....</b>	<b>7</b>

1    **I. INTRODUCTION**

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

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

5    **Q. By whom and in what capacity are you employed?**

6    A. I am employed by The Dayton Power and Light Company ("DP&L" or the "Company")  
7       as Director, Regulatory Operations.

8    **Q. How long have you been in your present position?**

9    A. I assumed my present position on August 25, 2002. Prior to that time, I held various  
10       positions in the Rates/Pricing Services/Regulatory Operations division, my most recent  
11       prior position being that of Manager, Regulatory Operations, beginning in February 2001.

12   **Q. What are your responsibilities in your current position and to whom do you report?**

13   A. I have overall responsibility for all base rate development, for both retail and wholesale  
14       electric rates, as well any retail rate riders including the recently implemented retail fuel  
15       rider. I am responsible for evaluating regulatory and legislative initiatives, and regulatory  
16       commission orders that affect the Company's retail and wholesale rates and overall  
17       regulated operations. I report to the President of DP&L.

18   **Q. Will you describe briefly your educational and business background?**

19   A. I received a Bachelor of Science degree in Business Administration with majors in  
20       Finance and Management from Wright State University in Dayton, Ohio in 1992. I

achieved a Master in Business Administration with a Finance Administration concentration also from Wright State University in August of 1997. I have been employed by DP&L in the Regulatory Operations division since 1992.

**Q. Have you previously provided testimony before the Public Utilities Commission of Ohio ("PUCO" or "Commission")?**

A. Yes. I have sponsored testimony in Case No. 99-220-GA-GCR; Case No. 00-220-GA-GCR; DP&L's Electric Transition Plan Case, No. 99-1687-EL-ETP; DP&L's Extension of the Market Development Period Case, No. 02-2779-EL-ATA; in Opposition to the Complaints in Case Nos. 03-2405-EL-CSS, and 04-85-EL-CSS; in the Company's Rate Stabilization Period Case, No. 05-276-EL-AIR, in the Company's 2008 Electric Security Plan Case, No. 08-1094-EL-SSO, in the Company's 2012 Electric Security Plan Case No. 12-426-EL-SSO, in the Company's currently pending Storm Cost Recovery Case No. 12-3062-EL-RDR, and in support of unique arrangements in Cases No. 10-734-EL-AEC and No. 11-1163-EL-AEC.

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

A. The purpose of this testimony is to describe the development of the economic development incentives embodied in the Unique Arrangement ("Unique Arrangement" or "Contract") between Wright-Patterson Air Force Base ("WPAFB" or "Wright-Patt") and DP&L. I will describe the terms of the Contract and explain why it is reasonable and does not violate the provisions of O.R.C. §4905.33 and O.R.C. §4905.35. I will also describe the significance of WPAFB within the Miami Valley region and the job retention and creation the Unique Arrangement is designed to foster. I will then discuss how this Contract furthers the policy of the State of Ohio. Finally, I will discuss the

1 expected delta revenues associated with this Unique Arrangement and DP&L's proposed  
2 recovery of those delta revenues.

3 **II. REASONABLENESS OF THE ARRANGEMENT**

4 **Q. Please describe the specific discount structure in the Unique Arrangement?**

5 A. The term of the Unique Arrangement runs through December 31, 2017. Generally,  
6 Wright-Patt will pay tariff rates for Distribution, Transmission, and Generation services  
7 and will receive a 14% discount on total DP&L charges in 2015, and an 11% discount on  
8 total DP&L charges in 2016 and 2017. This Unique Arrangement is also subject to terms  
9 that require, among other things, WPAFB to provide a required annual report to DP&L  
10 and Commission Staff which complies with the requirements of O.A.C. §4901:1-38-06.  
11 In addition, this Unique Arrangement contains a unilateral right to terminate at the  
12 convenience of WPAFB, as well as multiple incorporated government clauses consistent  
13 with the Federal Acquisition Regulations and Defense Federal Acquisition Regulations.

14 **Q. Is the arrangement between WPAFB and DP&L just and reasonable?**

15 A. Yes, it is.

16 **Q. Why?**

17 A. As I will describe in more detail below, this arrangement is designed to foster the creation  
18 and retention of jobs in Ohio and the Miami Valley region. It is structured to ensure that  
19 economic conditions which encourage job growth and retention exist at WPAFB by  
20 maintaining reliable supply of electric generation, transmission, and distribution service  
21 at reasonable and predictable prices for use at the facility. The arrangement provides this

reliability and predictability but does not violate the provisions of O.R.C. §4905.33, in that it takes effect only upon approval by the PUCO, consistent with O.R.C. §4905.31 and the laws governing unique arrangements, and does not provide free service or service for less than actual cost to WPAFB. Further, the arrangement is consistent with O.R.C. §4905.35 in that it does not create an unreasonable advantage for WPAFB, nor does it subject any other person or entity to any undue prejudice or disadvantage. It represents a balanced approach that will ultimately create and retain jobs, which will benefit all ratepayers in the region and Ohio as a whole.

**Q. Please describe your expectations with respect to job creation and retention associated with this Unique Arrangement?**

A. WPAFB is Ohio's largest single-site employer, employing more than 24,000 people who live and work within the Dayton region. According to the most recent economic impact analysis developed and issued by Wright-Patt, the Base contributes more than \$4.4 billion in total economic impact in the State of Ohio. The Department of Defense as a whole is currently in a period of downsizing so the focus is on retention of employment within Ohio as the primary goal. WPAFB will be gaining 58 positions in Fiscal Year 2015 and is being considered to receive an organization with a total of 350 positions. A possibility exists for Congress to approve another Base Realignment and Closure ("BRAC") which increases the potential for the creation of additional jobs in the coming years, should favorable economic conditions exist at WPAFB. This contract will help foster a favorable economic climate at WPAFB, and in the region as a whole.

**Q. Will there be other financial impacts to the region flowing from the job retention and growth at WPAFB?**

1 A. Yes.

2 **Q. Please describe these expected impacts.**

3 A. Retention and growth of jobs at WPAFB creates a large positive economic impact to the  
4 Dayton area and regional Ohio businesses. The positive effects can be felt in a wide  
5 variety of area businesses and individuals ranging from major equipment vendors to  
6 construction crews, maintenance workers and even area restaurants and stores.

7 Wright-Patt continues to invest significant dollars in Ohio. It is planning for two new  
8 capital construction projects totaling \$64 million. Specifically on June 23, 2014 it was  
9 announced that WPAFB would spend \$27.5 million constructing a Foreign Material  
10 Exploitation facility for the National Air and Space Intelligence Center. In addition to  
11 the planned infrastructure growth projects, WPAFB also spends approximately \$30 – 50  
12 million a year in renovation, modification, and restoration of building and infrastructure  
13 systems.

14 **Q. Does the BRAC process create the potential for the creation or retention of jobs at**  
15 **WPAFB in the coming years?**

16 A. Yes. The purpose of BRAC is to enable the Department of Defense to realize greater  
17 efficiencies and promote transformation by realigning infrastructure with future defense  
18 strategy. Creating and maintaining a cost-effective economic climate at WPAFB is  
19 critical to ensuring the region is well positioned to not only withstand, but thrive in future  
20 BRAC processes. This Unique Arrangement will support Ohio's effort to create such a  
21 predictable, cost-effective, consolidation-friendly climate. If a positive environment is  
22 maintained at WPAFB the BRAC process can have positive economic effects on local

1 and regional Ohio businesses, enhancing opportunities for local area businesses and  
2 individuals ranging from major equipment vendors to construction crews, to maintenance  
3 workers and even area restaurants and stores. For example, in the last BRAC, a  
4 Beavercreek, Ohio based defense contractor won two multi-year deals related to research  
5 and development that are worth approximately \$75 million.

6 **III. FURTHERS THE STATE POLICY EMBODIED IN O.R.C. §4928.02**

7 **Q. Does the Unique Arrangement between DP&L and WPAFB further the policy of the**  
8 **state embodied in Section 4928.02 of the Ohio Revised Code?**

9 A. Yes. This Unique Arrangement, which is designed to foster the growth and retention of  
10 jobs in West Central Ohio and resulting wages and tax revenues, facilitates the State's  
11 effectiveness in the global economy. Furthermore, the Contract encourages the  
12 implementation of energy efficiency measures, also in furtherance of the policy embodied  
13 in O.R.C. §4928.02.

14 **IV. DELTA REVENUE RECOVERY**

15 **Q. Through what mechanism does DP&L seek recovery of the costs associated with this**  
16 **Unique Arrangement?**

17 A. DP&L proposes to continue recovery of the costs in connection with the arrangement  
18 with WPAFB through DP&L's existing Economic Development Rider ("EDR").

19 **Q. What is the projected annual discount to WPAFB associated with the Unique**  
20 **Arrangement?**



1 A. The annual discount is established by the contract terms, but will vary based on Wright-  
2 Patt's actual electricity consumption, energy efficiency initiatives, load growth, timing  
3 and DP&L's tariff rates. Based on Wright-Patt's last 12 months of billing determinants,  
4 adjusted for load growth and energy efficiency results, applying projected rates, DP&L  
5 estimates delta revenues to be approximately \$4 M in 2015 and decreasing over the term  
6 of the contract.

7 **Q. Over what period of time does DP&L intend to seek recovery of the delta revenues**  
8 **associated with this Unique Arrangement?**

9 A. DP&L will continue to file a true-up application for the EDR on a semi-annual basis.

10 **Q. What is the typical bill impact of the delta revenue recovery for a residential**  
11 **customer using 750 kWh/month for this Unique Arrangement?**

12 A. Based on recovery of \$4 M in 2015, DP&L estimates that a typical residential customer  
13 that uses 750 kWh per month would have a per bill charge of approximately \$0.41 per  
14 month.

15 **V. CONCLUSION**

16 **Q. Please summarize your testimony.**

17 A. In summary, DP&L believes the Wright-Patt Unique Arrangement is reasonable, cost-  
18 effective and promotes the State Policy. Customers and residents in the Dayton region  
19 benefit from over 24,000 jobs currently at the base and the indirect jobs supporting the  
20 Base missions. The region will benefit from the retention and potential new jobs that are  
21 coming to the Base. The State of Ohio benefits from job retention, job growth, and tax

1 base this Unique Arrangement provides. DP&L respectfully requests the Commission to  
2 approve the Unique Arrangement as filed and find that the total cost of the Unique  
3 Arrangement is recoverable through the Company's Economic Development Rider.

4 **Q. Does this conclude your direct testimony?**

5 **A.** Yes, it does.

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