BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

2015 DISTRIBUTION BASE RATE CASE

BOOK III – TESTIMONY
VOLUME 4 OF 4

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DOCKETING DIVISION
Public Utilities Commission of Ohio

Dayton Power and Light Company

DP&L Case No. 15-1830-EL-AIR

Standard Filing Requirements for Rate Increases

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BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
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DIRECT TESTIMONY
OF KARIN M. NYHUIS

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

KARIN M. NYHUIS

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Karin Nyhuis. My business address is One Monument Circle, Indianapolis, IN 46204.

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

A. I am employed by AES U.S. Services, LLC ("AES Services") and serve as Director of Financial Reporting for its US Strategic Business Unit ("SBU"), which includes The Dayton Power & Light Company ("DP&L" or "Company"), Indianapolis Power & Light Company ("IPL") and The AES Corporation US Generation Plants ("US GEN").

Q. Please summarize your work experience with AES.

A. I was an employee of DP&L from October 2007 through December 2013, when I became an employee of AES Services. During my tenure with DPL, I worked in various positions including senior accountant, supervisor of accounting and financial reporting, payroll supervisor, and manager of accounting and financial reporting. I transitioned into my current role where I am responsible for financial reporting for all United States businesses and SEC reporting for both DP&L and IPL.

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

A. I hold a Bachelor of Arts Degree in Accounting and Finance from Cedarville University, a Masters of Business Administration from Wright State University. I am a Certified Public Accountant, licensed with the State of Ohio. I have over 10 years of accounting experience in various industries including public accounting and 8 years of electric utility accounting experience.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. I sponsor information relating to DP&L's financial position and the actual results of the Company's operations as of September 30, 2015, the date certain in these proceedings.

III. OVERVIEW OF DP&L'S ACCOUNTING RECORDS

Q. Are you familiar with the accounting procedures and books of account for DP&L?

A. Yes. The books of account for DP&L follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC").

Q. Are the accounting records and books of account for DP&L prepared at your direction and under your supervision?

A. Yes.

Q. Are the capital and operating expenditures represented on DP&L's books of account accurate and reasonable?

A. Yes. DP&L's books of account are prepared within the internal control environment of DP&L and AES. DP&L also has an independent certified public accounting firm that performs an annual audit to provide assurance that DP&L's financial statements are materially accurate.

IV. SCHEDULES AND WORKPAPERS

Q. What schedules are you sponsoring?

A. I am sponsoring the following schedules:

- Schedule C-10.1 – Comparative Balance Sheets for the Most Recent Five Calendar Years
- Schedule C-10.2 – Comparative Income Statements for the Most Recent Five Calendar Years
- Schedule D-5 – Comparative Financial Data

Q. Were these schedules or portions of these schedules prepared or assembled by you or under your direction or supervision?

A. Yes.

Q. Did you submit any workpapers?

A. Yes. I am sponsoring the following workpapers that support the schedules that I sponsor:

- Workpaper C-10.2
- Workpaper D-5

Q. Please describe Schedule C-10.1.

A. Schedule C-10.1 contains the comparative Balance Sheets for the September 30, 2015 date certain and the most recent five calendar years. The most recent five calendar years of data is from DP&L's FERC Form No. 1.

Q. Please describe Schedule C-10.2.

A. Schedule C-10.2 contains the Income Statement for the twelve-month test period ending May 31, 2016 and the most recent five calendar years. I sponsor the four-month actual period of the test year. The eight-month forecasted period of the test year is being sponsored by Company Witness Rabb. I also sponsor the most recent five calendar years of data which is from DP&L's FERC Form No. 1.

Q. Please describe Schedule D-5.

A. Schedule D-5 illustrates certain required DP&L financial data for the date certain, the test year, and the ten most recent calendar years. The data in the schedule for the ten most recent calendar years is from DP&L's filed FERC Financial Reports on FERC Form No. 1 and the Company's books and records. The date certain and test year data is derived primarily from the other schedules in this filing and also from DP&L's books and records. The schedule also contains certain ratio calculations as required and defined by Chapter 4901-7 of the Ohio Administrative Code.

Q. Are the capital and operating expenditures represented on these schedules accurate and reasonable?

A. Yes. The balances presented in these schedules are reconciled to DP&L's general ledger and SEC filings, which, as stated above, are prepared under internal accounting controls and audited externally.

V. CONCLUSION

Q. Does that conclude your direct testimony?

A. Yes.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY OF
NATHAN C. PARKE

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

TESTIMONY OF

NATHAN C. PARKE

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Nathan Parke. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

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

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

A. I earned a Bachelor of Arts degree in Business Administration with a concentration in Management from Wilmington College in Wilmington, Ohio in 2002. I have been employed by DP&L since 2002.

Q. How long have you been Manager of Regulatory Operations?

A. I assumed my present position in November, 2010. Prior to that time, I held various positions in the Regulatory Operations division, including Supervisor and Rate Analyst. Prior to Regulatory Operations, I spent over five years as an analyst in the Power Production division of DP&L. During that time, I was involved in O&M and Capital spending plans, generation forecasting including modeling for the Corporate Plan, power plant evaluations, and overall performance reporting of the generation fleet.

Q. What are your responsibilities in your current position?

A. In my current position, I have overall responsibility for designing, tracking, and ensuring cost recovery for several of DP&L's rate riders. I am involved in evaluating regulatory and legislative initiatives, and regulatory commission orders that affect the Company's rates and overall regulatory operations.

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

A. Yes. I have sponsored testimony before the PUCO in the Company's Fuel Rider Case Nos. 09-1012-EL-FAC and 11-5730-EL-FAC, Economic Development Rider Case No. 14-401-EL-RDR, as well as the Company's Electric Security Plan Case No. 12-426-EL-SSO.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support the overall financial summary schedules, a request for deferral authority, justification for deferred regulatory asset recovery, distribution of the revenue increase, rate design methodology, and the Company's proposed distribution rates.

III. SCHEDULES AND WORKPAPERS

Q. What schedules and workpapers are you supporting?

A. I am supporting the following schedules and workpapers:

- Schedules A-1 and A-3
- Schedule C-1
- Schedule E-3.1
- Workpaper E-4, E-4a, E-4b, and E-4c

Q. What information is contained in Schedule A-1?

A. Schedule A-1 is an overall financial summary for the test year and date certain. This schedule summarizes data supported by other witnesses. The data presented shows that, at proposed rates, DP&L would earn a 7.86% overall rate of return for the test year and that an increase of $65.8 million over current base distribution revenue is required to earn the requested 7.86% rate of return as specified by Company Witness MacKay. The revenue increase requested on line 17 is shown in detail on Schedule E-4, with an analysis on Schedule E-4.1. Schedules E-4 and E-4.1 are sponsored by Company Witness Adams.

Q. What information is contained in Schedule A-3?

A. Schedule A-3 is a calculation of mirrored construction work in progress ("CWIP") revenue sur-credit rider. As indicated on the schedule, there is no mirrored CWIP revenue.

Q. What information is contained in Schedule C-1?

A. Schedule C-1 is the jurisdictional pro forma income statement at both current and proposed rates with the assumption that the amount of the requested increase on Schedule A-1 is authorized. The adjusted jurisdictional operating revenue and expenses for the test year are calculated and displayed in greater detail on Schedule C-2, which is supported by Company Witness Forestal. The proposed revenue increase is calculated as the revenue deficiency on Schedule A-1, as discussed above. The proposed revenue increase in column D is partially offset by the increase in commercial activity taxes and income taxes, which are directly attributable to the increased revenues. The commercial activity taxes are computed at the current statutory rate of 0.26%, while the increases in state and federal income taxes are detailed on Schedule C-4 and supported by Company Witness

Allamanno. Schedule C-1 shows the resulting rate of return of 7.86% that the Company is requesting on Schedule D-1, which is supported by Company Witness MacKay.

Q. What information is contained in Schedule E-3.1?

A. Schedule E-3.1 is the customer charge analysis. This schedule collects data from the cost of service study on Schedule E-3.2, sponsored by Company Witness Chapman, which represents customer-related costs. Schedule E-3.2 shows the average monthly customer-related costs for each tariff class and shows an average rate, which may differ from the actual rates developed for each rate code. The actual rates developed for each rate code are shown on Workpaper E-4.

Q. What information is contained in Workpapers E-4, E-4a, E-4b, and E-4c?

A. Workpaper E-4 shows the calculation of rates for each rate code with tariff classes. Proposed revenue requirements from Schedules E-3.2a and E-3.2b are divided by billing determinants on Workpapers E-4.1a and E-4.1b. Workpaper E-4a shows the calculation of kVAR charges for the Primary and Primary Substation classes. Workpaper E-4b shows the calculation of customer charges for the rate codes in the Secondary class. Workpaper E-4c shows the calculation for Private Outdoor Lighting rates.

IV. REQUEST FOR DEFERRAL AUTHORITY

Q. Please explain the Company's request for deferral authority.

A. The request for deferral authority is related to rate case expenses and new true-up riders the Company is requesting. The Company is requesting deferral authority for rate case expenses requested on Schedule C-8. The Company is proposing three new riders: a Storm Cost Recovery Rider supported by Company Witness Hale, and an Uncollectible

Rider and Regulatory Compliance Rider both supported by Company Witness Teuscher. The actual expenses in these riders will vary from the amounts collected. Therefore, the Company needs authority to defer these variances and create a regulatory asset or liability to recognize the amounts due to or from customers. This will also allow the Company to match revenues and expenses in the appropriate periods.

V. DEFERRED REGULATORY ASSETS

Q. Please describe the proposal to recover deferred regulatory assets.

A. Since DP&L's most recent distribution rate case, DP&L has received authorization from the Commission in various proceedings to defer certain costs as regulatory assets for future recovery. As previously recognized by the Commission, DP&L has the ability to seek recovery of these regulatory assets through a base rate case. DP&L is proposing to amortize and begin recovery of these regulatory assets over a three-year period beginning January 1, 2017 through a Regulatory Compliance Rider ("RCR"). The details for the RCR recovery mechanism are supported by Company Witness Teuscher.

Q. Please describe the deferred regulatory assets.

A. Six separate deferral balances totaling $23,443,074 will be initially included in the proposed Regulatory Compliance Rider:

1) Consumer Education Campaign costs ($3,038,792);
2) Retail Settlement System costs ($3,067,358);
3) Green Pricing Program costs ($75,670);
4) Generation Separation costs incurred up to September 30, 2015 ($3,567,413);
5) Bill Format Redesign costs incurred up to September 30, 2015 ($327,400) and;

6) Unbilled Fuel costs up to September 30, 2015 ($13,366,443).

Q. Please explain the "Consumer Education Campaign" regulatory asset.

A. The Consumer Education Campaign regulatory asset was created in accordance with the approved Electric Transition Plan ("ETP") settlement agreement in Case No. 99-1687-EL-ETP. In 1999, restructuring legislation, included in Senate Bill 3, was enacted and required electric utilities to implement consumer education programs. These costs were incurred to provide information to Ohio consumers on electric restructuring and explain the options customers have regarding selection of an electric generation supplier.

Q. Please explain the "Retail Settlement System" regulatory asset.

A. The Retail Settlement System regulatory asset was created in accordance with the approved ETP settlement agreement in Case No. 99-1687-EL-ETP. In 1999, restructuring legislation, included in Senate Bill 3, was enacted and required electric utilities to implement an energy settlement system. Prior to joining a Regional Transmission Organization ("RTO"), the retail settlement system was required to "settle" the energy on an hourly basis with Competitive Retail Electric Service ("CRES") providers that were delivering energy into DP&L's control area. This system was required to enable electric consumers to choose their supplier for generation service.

Q. Please explain the "Green Pricing Program" regulatory asset.

A. The Green Pricing Program regulatory asset was created to implement a green pricing program approved in Case No. 08-0172-EL-ATA. This asset is the remaining balance of implementation costs that were not recovered by the time the program ended in December 2011.

Q. Please explain the "Generation Separation" regulatory asset.

A. The Generation Separation regulatory asset was created in accordance with DP&L's generation separation Case No. 13-2420-EL-UNC. DP&L is seeking to recover the amount incurred through September 30, 2015 in this filing and will seek recovery of expenses incurred after that date in future applications to update the Regulatory Compliance Rider.

Q. Please explain the "Bill Format Redesign" regulatory asset.

A. The Bill Format Redesign regulatory asset was created in accordance with DP&L's bill format Case No. 14-2043-EL-UNC. This case was filed in response to an Order in Case No. 12-3151-EL-ORD in which the Commission directed utilities to modify their bills to include logos for CRES providers. The deferred costs represent DP&L's cost to implement the required bill modifications.

Q. Please explain the "Unbilled Fuel" regulatory asset.

A. The Unbilled Fuel regulatory asset was created in accordance with DP&L implementing its first ESP, Case No. 08-1094-EL-SSO. On January 1, 2010, DP&L implemented a fuel rider on a bills-rendered basis. A stipulated amount was removed from base generation rates to establish the fuel rider. All bills issued in January 2010 included the new fuel rider charge; the revenue from January was reconciled with January fuel costs, even though approximately half of such revenues were attributable to recovering December 2009 fuel costs. This asset represents the unbilled cost of fuel for December 2009 retail electricity usage.

Each month, in DP&L's accounting records, the previous month's unbilled calculation is reversed and the new unbilled amount is recorded. The final month of the fuel rider would collect the unbilled balance if the following conditions existed: 1) the rider is removed on a service-rendered basis with unrecovered December fuel costs being billed in January 2016, 2) no switching occurred during the existence of the rider, 3) no competitive bid blending percentage was implemented. None of these conditions exists. It is appropriate for DP&L to recover this asset because it represents unrecovered fuel costs directly incurred serving DP&L's retail customers, which are associated with implementing DP&L's first ESP.

Q. Are carrying charges accruing for these deferrals?

A. Carrying charges are not accruing for the Consumer Education Campaign, Retail Settlement System, Green Pricing Tariff, and Unbilled Fuel assets. Carrying charges are accruing for the Generation Separation and Bill Format assets because the Commission Orders in those proceedings that approved deferral also approved carrying charges.

Q. Has DP&L incurred all of the costs associated with these regulatory assets?

A. No, carrying costs will continue to accrue on two of the regulatory assets until DP&L has fully recovered its costs. In addition, there will be expenses incurred for generation separation and bill format that will be requested in future applications to update the Regulatory Compliance Rider. A final unbilled fuel amount will also be included in the true-up of the Regulatory Compliance Rider.

VI. DISTRIBUTION OF PROPOSED REVENUE INCREASE

Q. Did the cost of service study show that the increase required for each customer class was proportional?

A. No, the cost of service study shows the present rate of return on page 1, line 21 of Schedule E-3.2, which varied significantly between customer classes. Applying the total proposed rate of return to each class would have resulted in unsuitable increases to some classes.

Q. Why does this disparity exist?

A. The disparity exists primarily because of the fact that the current rates were established in a 1991 base rate case, and subsequently unbundled in the 1999 ETP case. Over time, the rates become detached from a current cost of service study.

Q. Please explain your process for distributing the proposed increase.

A. There were several objectives for eliminating subsidies and balancing the overall class increase. First, there should be no class with a proposed rate of return of less than 0%. Second, each class should experience a similar overall revenue requirement increase. Third, no class should be allocated the shortfall from other classes in a manner that causes its revenue requirement increase to be more than the total average.

Q. What rate of return are you proposing for each class?

A. The proposed rate of return for each class is shown on Schedule E-3.2, page 1, line 14.

Q. Is the proposed Rate of Return for each class reasonable?

A. Yes, this proposal eliminates some of the disparity and moves classes closer to their cost of service, while maintaining a gradual change that prevents dramatic swings in rate impacts between rate classes.

VII. <u>RATE DESIGN</u>

Q. What was your primary objective of rate design?

A. The primary objective was to recover the appropriate amount of revenue from each class through just and reasonable rates.

Q. What principles did you consider in rate design?

A. There were several long-standing principles considered, including: cost of service, stability, simplicity, non-discrimination, efficiency, and gradualism.

Q. Please explain how each was considered.

A. <u>Cost of Service</u> – The proposed rates were based on a cost of service study that properly applied cost causation principles in allocating costs to customer classes.

<u>Stability</u> – Customers will experience more stable and predictable prices under the proposed methodology.

<u>Simplicity</u> – The proposed rates are easier to understand and administer. Prices are transparent and easily calculated, so they are more predictable for the customer.

<u>Non-discrimination</u> – The proposed rates promote fairness and reduce undue subsidization between customers in the same class as well as between classes.

<u>Efficiency</u> – The proposed rates encourage good decision making by consumers and appropriately assigns costs to cost-causers.

Gradualism – The proposed rates are for the base distribution portion of the customer's bill, which are generally a small piece of the customer's bill. Additionally, the distribution of the proposed revenue increase was adjusted between the classes to mitigate increases.

Q. Do each of these principles receive equal weight in determining just and reasonable rates?

A. No. There is no formula to weight or apply each principle. These principles are not always consistent with each other, but they should each be considered in order to make sure that the Company is proposing just and reasonable rates.

Q. Please generally describe the current rates.

A. DP&L's current rates were originally established in Case No. 91-414-EL-AIR, a fully bundled rate case for Distribution, Transmission, and Generation. Then, in Case No. 99-1687-EL-ETP, the rates were unbundled into Distribution, Transmission, and Generation functions. These base Distribution rates are still in effect today. DP&L's rates were established for tariff classes, which are defined by the nature and voltage level of service.

Q. Please describe the nature of distribution costs.

A. The distribution system is designed and installed to deliver electricity to customers. Electric distribution service costs are predominantly fixed. That is, once facilities are installed and serving customers, the costs are by their nature fixed and do not vary based on the volume of electricity consumed. The equipment installed for each tariff class of customer is similar and therefore it is appropriate that customers within a class be charged similarly. As an example, residential customers have similar meters, transformers, and sized lines, and therefore should be charged similarly and not primarily on a volumetric basis of kWh consumed. Likewise, customers served at secondary voltage require more distribution equipment than customers served at primary voltage, thus the secondary customers have higher distribution costs than primary customers.

Q. Please summarize the proposed rate design.

A. The rates proposed are based on the cost of service study and Straight Fixed-Variable ("SFV") principles, because, by their nature, distribution costs are predominantly fixed, not volumetric. The cost of service study identified costs as customer-related and demand-related. Customer-related costs are recovered through a customer charge; demand-related costs through demand based charges. If a customer class does not have demand meters, the demand-related costs were assigned to a kWh charge.

Q. Is this methodology reasonable and appropriate?

A. Yes, this rate design methodology has been at issue in gas utilities rate cases and its use was affirmed by the Supreme Court of Ohio. In Case No. 10-3126-EL-UNC, the PUCO investigated this rate methodology and encouraged electric utilities to propose future rate structures using this methodology.

Q. Is the SFV methodology consistent with the rate design principles that you previously discussed?

A. Yes, this methodology is directly aligned with those principles. This rate design aligns costs with cost-causers based on a cost of service study. It treats similarly situated customers the same and reduces unnecessary subsidies. The design is simple, easy to understand and predictable. It reduces weather risks by keeping bills steady through high-use months. The methodology produces efficient rates by providing the appropriate price signals to customers because delivery costs are not as volumetric as are the commodity (generation) costs. This approach gradually changes the structure of electric bills by increasing the customer charge, but only on the base distribution portion of the bill. Many riders and generation costs continue to be billed on a volumetric basis.

Q. Did you consider the effect on low-income and low-use customers?

A. Yes. However, low-income customers and low-use customers are not necessarily the same group of customers. Our customer database shows low-income Percentage of Income Payment Plan ("PIPP") Plus customers have higher-than-average use. This proposal using SFV principles of rate design benefits PIPP customers for two reasons. First, they have higher average use, so this design benefits the group as a whole with lower bills. Second, this rate design insulates the customers from dramatic changes during the summer and winter months; in short, the summer and winter bills are lower than they otherwise would be with a higher volumetric rate, making them more stable, predictable, and easier to pay.

Q. Please explain the effect on low-use customers.

A. Low-use customers may pay higher bills than they previously had, but this result is in-line with cost causation and fairness principles. It is important to note that while a customer may have lower than normal usage for a few months in the spring and fall, that same customer may be higher than average in the winter and summer. Additionally, it is important to consider the customer's total bill and understand that the SFV design applies only to the base distribution charges. Lower-use customers will still pay less for volumetric charges. Generally, all generation charges are volumetric, as well as many distribution and transmission riders, meaning that the overall charges for lower-use customers will be consistent with their usage.

Q. *Was a cost-of-service study used to establish a revenue requirement for each class?*

A. Yes, Schedule E-3.2, page 1, line 15 shows the revenue requirement by class.

Q. Please explain how you developed the proposed rates.

A. The revenue requirements by tariff class, shown on Schedule E-3.2, page 1, line 15, are divided by billing determinants shown on Workpapers E-4.1a, and E-4.1b. For the residential class, the customer-related costs were used to develop the customer charge. The employee rate codes have a $0 customer charge to maintain employee rates. The demand-related costs were divided by kWh to develop an energy charge. This methodology was also used for the Streetlighting class that also does not use demand meters.

Q. What other rate changes is the Company seeking?

A. DP&L's School Tariff class has been in the process of elimination since 1976. The class now has only 98 accounts remaining. Similarly situated customers are in the Secondary and Primary tariff classes. Now is the time to move the remaining customers, which may involve a meter change-out to measure demands. The revenue analysis on Schedule E-4.1, page 11, shows that these few remaining customers will benefit from moving to the Secondary or Primary tariff class.

Q. Are there other rate changes the Company is seeking?

A. Yes. There is a proposal to make a change to the Secondary rate structure by no longer charging for the first 1500 kWh and begin charging for the first 5 kW. The proposal is to charge all Secondary customers a consistent kW charge for all kW. This better aligns the rate structure with SFV rate design principles. There are no changes proposed for the maximum charge provision; the rate will be adjusted as Ordered in the Company's ESP Case No. 12-426-EL-SSO. The secondary customer charge continues to be differentiated in a similar manner as its current rate. This calculation is shown on Workpaper E-4b.

Q. Are there changes to other tariff classes?

A. Yes. The Primary and Primary Substation tariff class proposal is that the demand-related costs will be charged through a kW and a kVAR charge. This better aligns costs to the cost-causers. The kVAR charge was developed based on the class average. Customers with higher than average kVAR will pay more than average, those with lower kVAR will pay less than average. Incorporating a kVAR charge better aligns costs to causers and creates a more efficient rate design. This rate is developed on Workpaper E-4a.

Q. Is the Company proposing any other changes to tariff classes?

A. Yes. Company Witness Hall supports a proposal to begin metering new Streetlighting customers and to not accept new Unmetered Secondary customers.

Q. How did you develop the Private Outdoor Lighting distribution rate?

A. Private Outdoor Lighting rates were developed on Workpaper E-4c. Data from the cost of service study was used to develop a customer charge, fixture charge, additional pole charge, and additional span charge.

Q. Did you make any modifications to the Residential Heating class?

A. No. The Residential and Residential Heating classes have the same Distribution rates today and this case proposes to maintain that same structure. DP&L's Residential Heating discount has been, and I expect will continue to be part of its Residential Heating generation rate in Tariff Sheet G11.

Q. Do other utilities currently use a rate design similar to the one you sponsored?

A. Yes. In Ohio, all gas distribution companies have used SFV principles in their rate design approach. The rate design issue in the gas cases went before the Supreme Court of Ohio and was affirmed as appropriate. The PUCO initiated a case to study this issue for electric utilities in recent years, Case No. 10-3126-EL-UNC. The Order from that case encourages electric utilities to utilize SFV rate design. In addition, this concept is used in many other industries including telephone and cable; both industries predominantly use fixed charges to cover fixed network costs.

VIII. <u>TARIFFS</u>

Q. What tariffs are you supporting?

A. I am supporting the rates and provisions of Tariff Sheet Nos. D17 through D25. Company Witness Adams supports the service terms and miscellaneous service charges.

IX. <u>CONCLUSION</u>

Q. Please summarize your testimony.

A. The summary schedules that I sponsor represent the revenue increase required to afford the Company an opportunity to earn a fair rate of return on its distribution operations. This includes recovery of regulatory assets that were incurred providing required services to customers. Additionally, the proposed rate design is appropriate and reasonable when evaluated on sound regulatory principles. This design presents a fair and reasonable opportunity to recover authorized revenue and, like the Company's request for a distribution revenue increase and recovery of certain regulatory assets, should be approved.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY OF EMILY W. RABB

- □ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ■ **OPERATING INCOME**
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BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

EMILY W. RABB

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Emily W. Rabb. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or "Company") as Manager, Financial Planning and Analysis.

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

A. I assumed my present position in June 2014. Prior to this position, I was a Supervisor in the Regulatory Department from December 2010 to June 2014 and prior to that I was an Accountant II in the Accounting Policy and External Reporting department for DP&L, beginning in May 2008.

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

A. Yes. I received a Bachelor of Science degree in Business Administration with a major in Accounting from the Ohio State University in 2004, and am a Certified Public Accountant. From 2005 to 2008, I was employed as a Senior Accountant for Deloitte & Touche.

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

A. In my current position, I am responsible for DPL Inc.'s and its subsidiary, DP&L's long and short term forecasts, analysis on actual financial performance to forecast and budget, and economic and financial analysis support for DP&L. I report to the Director of Financial Planning and Analysis.

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

A. Yes. I sponsored testimony before the PUCO in the Company's two previous Energy Efficiency Program Portfolio Plans, Case No. 09-1986-EL-POR and Case No. 13-0833-EL-POR, and in the Company's 2012 SEET filing in Case No. 13-1495-EL-UNC. I also sponsored testimony in DP&L's Standard Service Offer Case, Case No. 12-0426-EL-SSO, which was subsequently adopted by Company Witness Seger-Lawson.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain and support the projected data included in the schedules and support certain adjustments to the test year operating income. Additionally, I am sponsoring the projected data on the following schedules:

- Schedule B-5, page 2
- Schedule B-5.1, page 2 and 3
- Schedule C-2.1
- Schedule C-7
- Schedules C-11.1 through C-11.4

Q. Were the schedules or portions of the schedules that you are sponsoring prepared or assembled by you or under your direction or supervision?

A. Yes.

Q. Did you sponsor any workpapers?

A. Yes. I am sponsoring the workpapers supporting the schedules listed above, namely:

- Workpapers B-5.1b-f
- Workpapers C-2.1, C-7, and C-11.1 through C-11.3

Q. How is your testimony different from Company Witness Santacruz on the subject of forecasting data?

A. I sponsor the calculations and support for the projected information contained in the Schedule B section and Schedule C section. Company Witness Santacruz is supporting Supplemental Filing Requirements S-1 and S-2 and the overall forecast methodology which I use in the schedules.

III. FORECASTED WORKING CAPITAL

Q. What Working Capital information are you supporting?

A. I am supporting the forecasted months (October 2015 through May 2016) of the thirteen month average balances on Schedules B-5, page 2 and Schedule B-5.1, pages 2 and 3. Please see Company Witness Tornquist's testimony for a description of the content of these schedules.

Q. Can you give a brief description of the process used to develop the forecasted information presented in Schedules B-5, page 2 and Schedule B-5.1, pages 2 and 3?

A. Yes. In the normal course of business, the Company does not project changes in its distribution related material and supplies, inventory or prepayment balances. Therefore, in order to develop reasonable estimates of the monthly balances during the forecasted months, I used historical actual results. October 2014 through May 2015 historical actual results were used to provide estimated numbers for the forecasted period of October 2015 through May 2016. Historical results were reviewed for consistency and were adjusted for items such as the completion of a prepaid amortization during the forecasted period.

IV. <u>FORECASTED INCOME STATEMENT</u>

Q. Can you give a brief description of the process used to develop the forecasted information presented in the schedules and workpapers?

A. Yes. The forecasted income statement presented in the schedules was developed consistent with the methodology used by the Company in preparing its normal operating forecast and budget as described by Company Witness Santacruz. The one exception is that, in some cases, the level of detail required in this filing is greater than what is typically prepared for our budget. The process used to establish this greater level of detail was similar and consistent with our typical budgeting and forecasting practices which include discussions with information owners and review of historical information and trends.

Q. What time period did you use to prepare the forecasted information?

A. The 2015 forecast data (October 2015 through December 2015) uses the 2015 September forecast and the 2016 forecast data uses the 2016 budget for January 2016 – May 2016. These forecasts represent the most recently available information for the months included in the test year at the time the filing was prepared.

Q. Please discuss the Company's test year projections for revenue.

A. The major components of operating revenue include distribution revenues, other retail revenues, sales for resale, revenues from the transmission of electricity of others and other operating revenue. Total revenues are projected to be $1.4B in the test year compared to $1.8B in 2014. The change from the actual period is primarily due to lower projected sales for resale and lower Standard Service Offer sales.

Q. Please discuss the other operating revenue included in the forecast.

A. Other operating revenue includes forfeited discounts, miscellaneous service revenues, rental income and other electric revenue. Other operating revenues are projected to be $15.0M in the test year compared to $15.6M in 2014. The change from the actual period is primarily due to lower rental revenue.

Q. Please discuss the Company's test year projections for Operations and Maintenance ("O&M").

A. As described by Company Witness Santacruz, the Company's budget is compiled by cost center (e.g., department) and is a "bottom up" approach to forecasting that requires input and assumptions from a variety of areas within the Company. Each cost center leader is responsible for their budgeted costs. For better control of costs, O&M is not managed or reviewed by O&M Federal Energy Regulatory Commission ("FERC") account, but rather by cost center. Therefore, in order to create the most accurate O&M forecast by FERC account as prescribed in the Standard Filing Requirements, I allocated budgeted O&M to FERC accounts consistent with the distribution of O&M expenses reported in the 2014 FERC Form 1 to create the forecasted O&M by account in Workpaper C-2.1, which is then added to the actual results and ultimately feeds into Schedule C-2.1.

Q. To the extent that it was appropriate to identify cost center information by FERC account, did you do so?

A. Yes, in some instances underlying information for a specific FERC account was available in the Company's budget and therefore was utilized in the schedules. For example, the uncollectible expense budget is provided separately so FERC account 904 on Workpaper C-2.1 contains those direct budgeted costs.

The forecast for image building advertising expense was specifically identified and removed from the test year on Schedule C-3.19 via FERC account 930.1 on Workpaper C-2.1. The forecast for non-jurisdictional revenue and expense associated with Wright Patterson Air Force Base ("WPAFB"), which was excluded from the test year on Schedule C-3.18, includes the specific budgeted data for those adjustments.

Q. Have you reviewed the level of projected O&M expenses for reasonableness?

A. Yes. I compared the projected level of total O&M expenses to 2014 actual results as shown below. Total O&M is projected to be $1.2B in the test year compared to $1.3B in 2014. The significant changes are primarily due to:

1) Lower Power Production Operations and Transmission Operations of $55M due to lower fuel costs and lower costs to serve SSO customers related to the Transmission Cost Recovery Rider – Bypassable and RPM Rider, both of which end January 1, 2016.
2) Decrease in customer accounts of approximately $19M due to lower Universal Service Fund expense.
3) Increase in Maintenance of Overhead Lines of approximately $10.4M for the amortization of the Storm Cost Recovery Rider in 2015.

4) Increase in Employee Pensions and Other Benefits of approximately $10.5M primarily due to increased pension expense based on the most recent actuarial study and increases in other health benefits.

5) Increase in A&G expenses of approximately $2M due to movement of PUCO and Ohio Consumers Council ("OCC") assessments from Taxes Other than Income Taxes to O&M FERC Account 928.

Q. Please discuss the Company's test year projections for distribution plant depreciation expense.

A. The Company's test year projections for distribution plant depreciation expense are $53.9M, which is reasonable when compared to distribution plant depreciation expense of $53.2M calculated using plant in service at the date certain. Annualized test year distribution plant depreciation expense is shown on <u>Schedule C-3.14</u> and supported by Company Witness Rennix.

Q. Please discuss the Company's test year projections for Taxes Other than Income Taxes.

A. The major components of Taxes Other than Income Taxes included in the forecast are property taxes, revenue taxes and payroll taxes. The projected test year expenses are $134.6M compared to 2014 actual expense of $138.5M. The significant changes are primarily due to lower State Excise Taxes and the movement of PUCO and OCC assessments from Taxes Other than Income Taxes to O&M FERC Account 928.

Q. Please discuss the Company's test year projections for Income Taxes.

A. The major components of Income Taxes included in the forecast are state income taxes, local income taxes, and federal income taxes (both current and deferred). The projected test year expenses are $25.2M compared to 2014 actual expense of $40.1M. The difference is primarily due to lower pre-tax book income. The calculation of test year income taxes is further supported by Company Witness Allamanno.

Q. Does the forecast include the amortization of regulatory assets that the Company is seeking to collect in this case?

A. No. Company Witness Parke supports the Company's request for recovery and amortization of regulatory assets through a separate rider.

Q. Does the forecast include the revenues and expenses associated with any of the riders proposed by the Company?

A. Yes, the Company forecast does contain revenues and expenses associated with significant riders. However, these values were removed from DP&L's Adjusted Jurisdictional Net Operating Income via adjustments summarized on Schedule C-3.

Q. Do you believe the projected values you have provided are reasonable and accurate?

A. Yes, I do.

V. SCHEDULE C – OPERATING INCOME

Q. Please describe Schedule C-2.1.

A. As noted above, Schedule C-2.1 summarizes the monthly test year data shown on Workpaper C-2.1, and I sponsor the projected portion of the test year operating income statement. Please see Company Witness Forestal's testimony for a description of the content of this schedule.

Q. Please describe the forecast methodology used in Schedule C-2.1, Schedule C-3 adjustments and Schedule C-10.2.

A. The forecast methodology for Schedule C-3 adjustments and Schedule C-10.2 is consistent with the overall forecast methodology described above to develop the forecasted income statement shown on Schedule C-2.1. In most instances the projected information on the Schedule C-3 adjustments and Schedule C-10.2 comes from Workpaper C-2.1.

Q. Please describe Schedule C-7.

A. Schedule C-7 presents Customer Service and Informational, Sales, and General Expense for the test period separated into labor and non-labor. Total FERC account information for the forecasted months is from Schedule C-2.1. The split between labor and non-labor of the forecasted data for October 2015 through May 2016 is based on the percentage of actual labor and non-labor dollars for the actual months of June 2015 through September 2015.

Q. Please describe Schedules C-11.1 through C-11.4.

A. Schedules C-11.1 through C-11.4 represent the electric revenues and sales statistics for DP&L and the jurisdictional revenues and sales in these proceedings. The years 2010 through 2014 are based on actual data, which is sponsored by Company Witness Whitehead. I am sponsoring the eight projected months in the test year ending May 2016 along with years 2016 through 2021. Schedule C-11.1 reflects all dollars billed to customers and Schedule C-11.2 reflects only jurisdictional dollars billed to customers. Sales on Schedules C-11.3 and C-11.4 are the same distribution level sales, as all kWh sales to customers are to distribution customers.

VI. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF THOMAS A. RAGA

- ■ MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION
- □ OPERATING INCOME
- □ RATE BASE
- □ ALLOCATIONS
- □ RATE OF RETURN
- □ RATES AND TARIFFS
- □ OTHER

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

THOMAS A. RAGA

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name Thomas A. Raga and my business address is 1065 Woodman Drive, Dayton, Ohio 45432

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or the "Company") as President and Chief Executive Officer.

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

A. I assumed my present position in February, 2015. I have been employed by DP&L since 2010, initially as its Director of Government Relations. In 2012, I was appointed Executive Director of the DP&L Foundation and added DP&L's community relations function to the expanded job of Director of Government Relations & Community Relations. Later, I was named Vice President of External Relations adding DP&L's environmental, health and safety, corporate communications and resource planning teams to my group. Prior to my current position, I served as Vice President of Public Relations for DP&L.

Q. What are your responsibilities in your current position?

A. I am part of the team responsible for ensuring that our customers receive safe and reliable electric services and that those services are provided in accordance with applicable federal and state laws and regulations. I am also involved in external efforts relating to governmental and regulatory affairs, customers, interacting with state and community leaders and regulators on matters relevant to DP&L's business in Ohio. I am responsible for the Company's community relations, economic development efforts, energy efficiency, resource planning and corporate communications as well as DP&L's charitable contributions.

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

A. I received a Bachelor of Science degree in Agricultural Economics and Business Management from Cornell University in 1988. I was employed for twelve years working in management, marketing and sales for Copart, Inc. During that time, I was elected to local office as a township trustee in Warren County, Ohio. In 2000, I was elected to the Ohio House of Representatives. After completing six years of service in the legislature, I joined Sinclair Community College in Dayton, Ohio, as its Sr. Director of Regional Strategy and Development. Later, at Sinclair, I worked as Vice President of Advancement, overseeing staff focused on relationships and resources.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to provide a brief overview of the overall distribution rate case and to support DP&L's Management Policies, Practices, and Organization. I discuss the Company's economic development and charitable contribution programs. Finally, I introduce the Company's witnesses and their sponsored testimony.

Q. What Schedules are you supporting?

A. I am supporting the following schedules:

- <u>Schedules S-3, S-4.1 and S-4.2</u>

II. <u>OVERVIEW</u>

Q. Please provide an overview of DP&L's electric utility system and operations.

A. DP&L provides electric transmission and distribution service to more than 500,000 customers across its 6,000 square mile service territory in west central Ohio. DP&L is headquartered in Dayton, Ohio and its operations are conducted out of 13 service centers throughout DP&L's service territory.

In 2011, DP&L and its parent company DPL Inc. were purchased by The AES Corporation ("AES"), which today is the ultimate parent company to DP&L (Case No 11-3002-EL-MER). AES is a global power company that owns and operates a diverse portfolio of electric generation and distribution services. AES owns businesses in 18 countries on four different continents with a combined generation of 35 Gigawatts. AES operates power plants that encompass a broad range of technologies and fuel types, including coal, diesel, hydropower, natural gas, oil, wind and biomass. Most recently, in February 2015 AES acquired Main Street Power (Renamed AES Distributed Energy), a solar developer in the US, Caribbean and Latin America. AES is organized into 6 market-oriented Strategic Business Units ("SBU"s): US (United States), Andes (Chile, Columbia, and Argentina), Brazil, MCAC (Mexico, Central America and Caribbean), EMEA (Europe, Middle East and Africa) and Asia. AES's US SBU consists of 17 generation facilities and 2 utilities (Indianapolis Power & Light and Dayton Power & Light), which total 13 GW of generation capacity and 970,000 utility customers.

For efficiency, many functions are now organized across the US SBU, including Operations, Finance, Legal and Human Resources. Effective December 22, 2013, AES US Services, LLC ("AES Services") began providing services on behalf of the US SBU.

Q. Can you summarize the rate case?

A. Yes. DP&L's rate case supports a total revenue requirement of $283.2 million which is based on the test year ending May 31, 2016 and a date certain of September 30, 2015. This revenue requirement represents a $65.8 million increase to DP&L's base distribution revenue. Rates and rate structures were updated based on a cost of service study. A typical residential customer using 1,000 kWh will see a monthly increase of $4.07 resulting from this proposal, which is approximately 3% of the total bill.

Q. Why are the requested rate increases necessary?

A. DP&L filed a request to increase rates so that customers are charged at a rate that covers the costs associated with installing and maintaining DP&L's current electric delivery system, which includes poles, wires and substations. This ensures that all customers will be afforded safe and reliable delivery of electricity. DP&L has currently invested approximately $1.6 billion in its distribution system assets. This rate case updates the policies and procedures and adjusts the rates to respond to the result of all of these changes over the last 24 years. The testimony of Company Witness Hall discusses the investments in our distribution system in more detail.

Q. Has DP&L been diligent in controlling its costs?

A. Yes. The Company strives to be efficient in the planning, selection and construction of assets, the contracting for goods and services and the management of our people and assets. The US SBU structure helps to control costs and improve processes that are essential to our ability to keep costs and rates as reasonable as possible. Our approach to cost management balances the needs for safety, customer service, equipment efficiency and reliability, and compliance with regulatory and legal requirements, while incorporating best practices for managing costs.

Q. Please state the AES values and explain how they affect activities at DP&L?

A. Simply stated, our mission is "improving lives by providing safe, reliable and sustainable energy solutions in every market we serve." To achieve this mission we share a core set of values that we factor into everything we do – putting safety above all else, acting with integrity, honoring commitments, and striving for excellence in all we do. Our people work across functions and businesses to move our business forward by offering their ideas, knowledge and skills.

Q. Which value is the number one priority at DP&L?

A. Safety is the first priority of every business, department, and individual at DP&L. The safety of our customers, employees, and contractors is the most important goal at DP&L. DP&L believes that every accident can be avoided and jointly our management, union and contractors all strive to ensure safety of our customers, the public and our employees.

Q. Please describe DP&L's reliability performance.

A. DP&L has always sought to achieve excellent reliability performance and our system performs well and routinely meets its annual reliability standards. DP&L believes that the successful resolution of this rate case supports continued success. Company Witness Bentley sponsors testimony that describes DP&L reliability performance in more detail.

Q. Does DP&L have plans to continue to improve its reliability throughout its service territory? Please describe DP&L's long-term strategy.

A. Yes. DP&L's reliability performance has been excellent; however, we always seek to improve our past performance. To achieve our goal to continue to provide safe and reliable electric service DP&L needs to invest continually in new infrastructure and new technologies.

III. COMMUNITY INVOLVEMENT

Q. Please give an overview of DP&L's economic development activities.

A. DP&L believes that the key to facilitating the development of our communities is consistent contact and support. DP&L is actively involved with the Dayton Development Coalition and the Dayton Area Chamber of Commerce, community organizations which help businesses to grow and locate in the Dayton region. Through these relationships, DP&L communicates frequently with business leaders and provides technical support for new business prospects. One example of this working relationship is that in 2014, DP&L was a key participant assisting Fuyao Glass America to select a development site facilitating its site selection in the Dayton region. This success should bring 1550 new jobs to the area. In recognition of its community leadership, DP&L won the 2014 Dave Hobson Dayton Region Advocate Award for DP&L's outstanding contributions to the Dayton Region. In 2015, DP&L received the prestigious Torch Award from the Miami Valley Better Business Bureau, which recognizes companies that exemplify the utmost integrity and ethical behavior in all business practices. Another way that DP&L supports our local communities is through DP&L's community ambassador program. The community ambassador program encourages our employees to be involved in their local communities. DP&L is represented regularly at the public meetings and community organizations for the region's 32 largest communities. This interaction is valuable as we look for opportunities to bring new jobs and development into our community. Finally, DP&L offers several grant programs and a site certification program which assist our communities in their development efforts. DP&L is currently working with eight communities to certify 10 sites throughout our service area, helping to promote job growth through development-ready sites.

IV. CHARITABLE CONTRIBUTIONS

Q. Please describe DP&L's charitable contribution philosophy.

A. DP&L has a long history of corporate social responsibility. DP&L's corporate contributions support a range of community needs including education, training, social services and environmental activities. Corporate contributions target programs that benefit our communities with long term effects, are sustainable in nature, and encourage employee engagement. In 1985, DP&L formed the DP&L Foundation. Since that time, this separate 501(c)(3) foundation combined with DP&L's corporate contributions, total over $47 million to local charitable organizations. Additionally we encourage our employees to participate by giving their own time and money to the charities they support. Annually, DP&L employee volunteerism is estimated at 3000 volunteer hours providing charities and communities with the support they need to achieve their missions. Employee programs involve a variety of charities including participation in the United Way's annual campaign and the Foodbank's holiday food drive.

V. INTRODUCTION OF WITNESSES

Q. Please identify DP&L's witnesses in this case.

A. DP&L will present testimony from the following witnesses:

- **Robert J. Adams** – Rate Analyst, will present testimony on revenue analysis schedules, typical bill comparisons, billing determinants, tariff changes, and DP&L's load research.

- **Stephen A. Allamanno** – Director of Tax, will present testimony on DP&L's tax expense, deferred taxes, and gross revenue conversion factor.
- **Barry J. Bentley** – Vice President of Operations, will present testimony on DP&L's Reliability, Distribution system design, construction, operation and maintenance.
- **Bruce R. Chapman** – Christensen Associates Energy Consulting, will present testimony on DP&L's cost of service.
- **Alan D. Felsenthal** – PricewaterhouseCoopers, will present testimony on DP&L's cash working capital requirements.
- **Craig A. Forestal** – Director of Regulatory Accounting, will present testimony on operating income and pro forma adjustments.
- **Claire E. Hale** – Rate Analyst, will present testimony on DP&L's storm rider, and rate case expense.
- **Kevin L. Hall** – Director of Operations, will present testimony on DP&L's capital projects and expenditures as well as changes to tariffs regarding unmetered service.
- **Edward J. Kunz** – Manager of Pension Funds, will present testimony on DP&L's prepaid pension assets and total company payroll.
- **Jeffrey K. MacKay** – Treasurer, will present testimony on DP&L's capital structure, capital costs, and credit ratings.
- **Dr. Roger A. Morin** – Independent Consultant, will present testimony on DP&L's return on equity.

- **Paul M. Normand** – Management Applications Consulting Inc., will present testimony on DP&L's depreciation study.
- **Karin M. Nyhuis** – Director of Financial Reporting, will present testimony on DP&L's comparative balance sheets and income statements.
- **Nathan C. Parke** – Manager of Regulatory Operations, will present testimony on DP&L's financial summary schedules, a request for deferral authority, justification for deferred assets, rate design, and proposed rates.
- **Emily W. Rabb** – Manager of Financial Planning, will present testimony on DP&L's corporate forecast.
- **Don Rennix** – Independent consultant, will present testimony on DP&L's book costs of plant in service, depreciation and amortization expense, interest on customer service deposits, and miscellaneous adjustments
- **Daniel A. Santacruz** – Director of Financial Planning and Accounting, will present testimony on DP&L's projected financial statements and the overall forecast methodology.
- **Yvonna K. Steadman** – Manager of Regulatory Accounting, will present testimony on DP&L's total payroll and payroll tax expense.
- **Kathryn N. Storm** – Director of Metering Services, will present testimony on DP&L's changes to customer operations practices including changes to service and collection fees, redundant service tariff changes and lighting options.
- **Tyler A. Teuscher** – Rate Analyst, will present testimony on DP&L's proposed Regulatory Compliance Rider and Uncollectible Rider.

- **Kurt A. Tornquist** – Controller, will present testimony on DP&L's financial operations, allocations, and working capital.
- **Lauren R. Whitehead** – Supervisor of General Accounting, will present testimony on DP&L's accounting of revenue and expense for unbilled revenue, Excise tax, and Universal Service Fund

VI. <u>SCHEDULES</u>

Q. What is shown on <u>Schedule S-3</u>?

A. <u>Schedule S-3</u> is DP&L's proposed newspaper notice, which informs the public about this case. DP&L will publish the newspaper notice following Commission approval of its form and content.

Q. What is shown on <u>Schedule S-4.1</u>?

A. <u>Schedule S-4.1</u> summarizes DP&L's corporate policies, practices and organization followed by DP&L's executive management team. This summary describes our processes for establishing policies, making decisions and communicating our objectives throughout our organization.

Q. What is shown on <u>Schedule S-4.2</u>?

A. <u>Schedule S-4.2</u> summarizes the policies, practices and organization for all major functional areas of DP&L.

VII. <u>CONCLUSION</u>

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF DON RENNIX

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

DON RENNIX

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Don Rennix. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am an independent outside consultant who provides services to The Dayton Power and Light Company ("DP&L" or the "Company") pursuant to an agreement with The AES Corporation ("AES").

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

A. I retired from AES on June 30, 2014, and have subsequently provided assistance to AES-affiliated companies under two consulting agreements with the first initially effective July 1, 2014. At the time of my June 30, 2014, retirement I held the position of Director of Accounting Services for the U.S. Strategic Business Unit ("SBU") of AES.

Q. What are your current responsibilities?

A. As an independent contractor, I am responsible for providing accounting consulting services to certain subsidiary companies of AES.

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

A. I received a Bachelor's degree in Accounting and a Master's degree in Business Administration from West Virginia University in 1978 and 1979 respectively. In 1979, I was employed as an internal auditor with the American Electric Power Service Corporation and subsequently held several other positions within that company. In 2006 I became a consultant under an agreement with DP&L and was hired as an employee of the Company in 2007, providing managerial oversight to the Property Accounting, Accounts Payable, and Payroll functions. In December 2013, following the 2011 acquisition of DP&L by AES, I became an employee of AES U.S. Services, LLC with the position of Director of Accounting Services. I retired from that position in June 2014 and resumed work as an independent consultant.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support and explain: (1) the determination of book costs of plant in service including associated accumulated reserves for depreciation and amortization, (2) the annualization of depreciation and amortization expense, (3) the annualization of interest on customer service deposits, and (4) miscellaneous adjustments to remove certain costs from the measurement of test year expenses.

III. REASONABLENESS, USED AND USEFUL

Q. Are the operating expenses and capital investments that DP&L seeks to recover in this case reasonable and prudent?

A. Yes. DP&L has implemented a variety of methods to ensure that its operating expenses and capital expenditures are reasonable and prudent. Both operating expenses and capital expenditures are subject to approved budgetary constraints. Individual capital projects are also reviewed and approved by management prior to work being initiated. With certain exceptions, goods and services provided by vendors are subject to competitive bidding. Employee wage and salary levels are reviewed in relation to market rates; those of bargaining unit personnel are established through the negotiating process.

Q. Was the capitalized property for which DP&L seeks a return in this case used and useful on the date certain?

A. Yes. It went into service at various dates as provided in the supplemental document of surviving dollars by vintage year. The Company maintains detailed records of capital property which has been unitized by FERC Plant Account through the use of Oracle Fixed Assets software. Individual items of property are combined into composite depreciation groups. Items are retired from a composite group when a capital replacement is made or when a capital asset is removed from service without replacement. As capital projects are completed the cumulative costs of construction are reclassified within the Oracle General Ledger software to FERC Account 106, Completed Construction Not Classified. These completed projects are tracked via the use of spreadsheets until unitized to the appropriate FERC Accounts.

IV. <u>OTHER PLANS OR PRACTICES TO ADDRESS</u>

Q. Can you describe how monthly depreciation and amortization expense is calculated?

A. Yes. Individual items of property which are similar in nature that have been unitized to the appropriate FERC Plant Accounts are combined into composite depreciation groups for those accounts. An overall composite rate of depreciation is assigned to each composite group and applied monthly to the gross cost of the property classified to the composite group. Information pertaining to cumulative cost of completed construction projects is maintained through the use of electronic spreadsheets. A preliminary rate of depreciation is assigned to each completed project based upon the predominant type of property contained within the project. The resulting monthly depreciation expense is then calculated and recorded within the General Ledger.

Q. Can you explain why that practice is reasonable?

A. Yes. It is impracticable to provide for the determination of depreciation or amortization expense for each individual capital asset. Consequently, as is normal industry practice, the capital assets of the Company are combined into composite groups of like property and are depreciated as a group. This produces a reasonable depreciation or amortization expense for each group of assets.

Q. Does the rate base include assets associated with providing electric utility service under the terms of service agreement with the Wright-Patterson Air Force Base?

A. No. The capitalized property that is associated with providing utility service under the fifty-year Wright-Patterson Air Force Base Agreement ("WPAFB Agreement") that was entered into in 2011 has an original cost of $44,788,280 at September 30, 2015. These assets are classified separately on the books of the Company and are excluded from the rate base calculation. Depreciation expense is calculated separately for these assets and is excluded from the depreciation expense included in the request for recovery.

V. SCHEDULES AND WORKPAPERS

Q. What Schedules and Workpapers are you sponsoring?

A. I am supporting the following schedules and workpapers:

- Schedules B-1, B-2, B-2.1, B-2.2, B-2.3, B-2.4, B-2.5, B-3, B-3.1, B-3.2, B-3.3, B3.4, B-4, B-4.1, B-4.2, B-6, B-6.2, B-7, B-7.1, and B-9
- Schedule C-3.14
- Workpapers B-2a, B-2b, B-2c, B-2d, B-2e, and B-3
- Workpapers C-3.14 and C-3.14a

Q. What is shown on Schedule B-1?

A. Schedule B-1 entitled "Jurisdictional Rate Base Summary" summarizes the major components of the jurisdictional rate base at September 30, 2015. This information is drawn from the more detailed information contained within Schedules B-2, B-3, B-5, and B-6.

Q. Please describe Schedule B-2.

A. Schedule B-2 entitled "Plant In Service by Major Property Groupings" shows the total original cost of plant in service as of September 30, 2015, summarized by functional group. An appropriate jurisdictional allocation is also provided for each functional group. This schedule is a functional summary of detailed information contained within Schedule B-2.1.

Q. What is shown on Schedule B-2.1?

A. Schedule B-2.1 entitled "Plant In Service by Accounts and Subaccounts" shows the total original cost of plant in service as of September 30, 2015, by each of the property groups maintained within the Company's accounting records for distribution, general, and intangible property. Original cost values are provided in total for property classified to transmission plant accounts or property assigned fully to the Company's production facilities.

Q. What is the source of the information shown on Schedule B-2.1?

A. The information on that schedule was obtained from the Company's fixed asset records pertaining to both unitized property and completed construction not yet unitized.

Q. Can you describe the process that you used to calculate the figures shown on Schedule B-2.1?

A. Yes. The distribution, general and intangible plant assets of the Company once unitized are classified to specific "Depreciation Drivers." Each Depreciation Driver is assigned to a specific fixed asset subaccount. Each fixed asset subaccount is mapped to a specific FERC Electric Plant Account. Additions and retirements of property are recorded under each Depreciation Driver. Appropriate allocation percentages have been assigned to each Depreciation Driver within Schedule B-2.1 in order to determine the jurisdictional amount. Similar accounting is followed for production and transmission property. The original costs of those assets appear within Schedule B-2.1 on a total functional basis with a zero jurisdictional percentage. The costs of completed construction not classified are maintained within the Company's records on an individual project basis. Each project is assigned to a specific function pending unitization.

Q. What is shown on Schedule B-2.2?

A. Schedule B-2.2 entitled "Adjustments to Plant In Service" shows that the Company is not proposing that any adjustments be made to its historic fixed asset accounting records.

Q. What is shown on Schedule B-2.3?

A. Schedule B-2.3 entitled "Gross Additions, Retirements, and Transfers" shows for the period from April 1, 1991, to September 30, 2015, the total additions, retirements, and transfers of property by FERC plant account for property classified to distribution, general, and intangible accounts.

Q. What is the source of the information shown on Schedule B-2.3?

A. The information on that schedule was developed from the Company's fixed asset records and is consistent with the reporting methodology used for reporting such information in FERC Form 1 pages 204 through 207.

Q. Can you describe the process that you used to calculate the figures shown on <u>Schedule B-2.3</u>?

A. Yes. The activity occurring within each account is summarized in Excel spreadsheets. This includes activity that is recorded through the Company's mechanized Fixed Assets system as well as manual entries that are recorded directly into the General Ledger. In regards to Distribution, General, and Intangible property the manual entries primarily relate to the recordation into service the costs of completed construction projects which have not been unitized. In accordance with FERC instructions for reporting in FERC Form 1, the balances of such completed construction projects are distributed to specific Electric Plant Accounts. The method which is presently employed by the Company to distribute the costs of completed construction to specific Electric Plant Accounts is to allocate those balances in proportion to the assignment of unitized additions that were recorded to Electric Plant Accounts over the prior ten years. The prior year allocations of the completed construction balances are reflected as negative additions in a subsequent year's analysis.

Q. Was the method that you used to prepare <u>Schedule B-2.3</u> reasonable?

A. Yes, because it provides a summary of amounts previously reported in FERC Form 1 through December 31, 2014, plus activity for January 1 through September 30, 2015, determined on that same basis.

Q. What is shown on <u>Schedule B-2.4</u>?

A. <u>Schedule B-2.4</u> entitled "Lease Property" shows that the Company holds no property under capital lease at September 30, 2015.

Q. What is the source of the information shown on <u>Schedule B-2.4</u>?

A. The information on that schedule was developed from a review of the Company's fixed asset records which do not contain any assets held under capital lease as of September 30, 2015.

Q. What is shown on <u>Schedule B-2.5</u>?

A. <u>Schedule B-2.5</u> entitled "Property Excluded from Rate Base - For Reasons Other than Rate Area Allocation" shows the original costs and accumulated reserves associated with property used to provide service under the previously discussed fifty-year Wright-Patterson Air Force Base Agreement. The information on this schedule was developed from the book values recorded under the depreciation drivers which are specific to these assets.

Q. What is shown on <u>Schedule B-3</u>?

A. <u>Schedule B-3</u> entitled "Reserve for Accumulated Depreciation" shows the total original cost of plant in service as well as the total and jurisdictional accumulated reserve balance as of September 30, 2015, by each of the property groups maintained within the Company's accounting records for distribution, general, and intangible property. Original cost values and accumulated depreciation amounts are provided in total for property classified to transmission plant accounts or property assigned fully to the Company's production facilities.

Q. What is the source of the information shown on Schedule B-3?

A. The information on that schedule was obtained from the Company's fixed asset records pertaining to both unitized property and completed construction not yet unitized.

Q. Can you describe the process that you used to calculate the figures shown on Schedule B-3?

A. Yes. The calculation of figures within this schedule is similar to that followed for Schedule B-2.1. The distribution, general and intangible plant assets of the Company once unitized are classified to specific "Depreciation Drivers." Each Depreciation Driver is assigned to a specific fixed asset subaccount. Each fixed asset subaccount is mapped to a specific FERC Electric Plant Account. Additions and retirements of property are recorded under each Depreciation Driver. Similar accounting is followed for production and transmission property. Jurisdictional allocation percentages that have been assigned to each Depreciation Driver within Schedule B-2.1 are carried over to this schedule. Additional jurisdictional allocation percentages pertaining to Retirement Work in Progress removal costs and salvage credits are calculated from amounts within Workpaper B-3. The costs of completed construction not classified are maintained within the Company's records on an individual project basis. Each project is assigned to a specific function pending unitization. The average depreciation rate of a functional group is used for recording monthly depreciation expense of each project pending unitization.

Q. What is shown on Schedule B-3.1?

A. Schedule B-3.1 entitled "Adjustments to the Reserve for Accumulated Depreciation" shows that the Company is not proposing any adjustments to the reserve for accumulated depreciation.

Q. What is shown on Schedule B-3.2?

A. Schedule B-3.2 entitled "Depreciation Accrual Rates and Jurisdictional Reserve Balances by Accounts" shows the original cost and accumulated depreciation balances for each of the Company's distribution, general, and intangible plant groups as of September 30, 2015. This schedule also shows the current annual rates of depreciation assigned to each group, the resulting annual depreciation expense, the annual rates of depreciation that the Company proposes to assign to each group, and the resulting annual depreciation expense provided by the use of the proposed depreciation rates.

Q. What is the source of the information shown on Schedule B-3.2?

A. The original cost and accumulated depreciation balances on that schedule were developed from Schedules B-2.1 and B-3, respectively. The current annual depreciation rates are those presently in effect and are primarily based upon those developed by Management Resources International and which are contained in its report to the Company dated February 26, 1991. That analysis was based upon book values at December 31, 1989. The current annual depreciation rates associated with Distribution property used to provide service under a WPAFB Agreement were developed by Management Applications Consulting, Inc ("MAC"). Computer software is amortized over a period of seven years. Proposed new annual rates of depreciation for Distribution and General Plant property were developed by MAC based upon book values at December 31, 2014, and activity recorded in the Company's books from January 1, 1990, through December 31, 2014. These proposed new rates were provided in the report to the Company from MAC dated October 8, 2015, and are supported by Company Witness Normand.

In addition, beginning in 2010, the Company began grouping computer hardware based on vintage year. The depreciation rate provided for 2014 vintage year computer hardware will be applied to 2015 and subsequent vintage year additions until new depreciation rates are calculated and approved by the Commission for application to those subsequent years' additions. The depreciation rate applied to fiber optic cable is based on an eight-year useful life. The depreciation rate applied to Company-owned vehicles is based on a 100-month useful life. Beginning with 2008, vintage year additions, capitalized computer software has been grouped by vintage year and amortized based upon a seven-year useful life.

Q. Can you describe the process that you used to calculate the figures shown on <u>Schedule B-3.2</u>?

A. Yes. The current and proposed annual rates of depreciation are applied to the original cost of capitalized property as of September 30, 2015. For no account may the cumulative reserve balance exceed the original cost of the asset group. For example, all of the Company's software that was capitalized prior to the year 2008 has been fully amortized. Therefore, monthly amortization of that asset group is no longer being recorded.

Q. Was the method that you used to prepare <u>Schedule B-3.2</u> reasonable?

A. Yes, because the original cost and accumulated reserve balances are based on the book values appearing within the Company's accounting records at September 30, 2015. The current annual depreciation rates are those presently in effect. The revised annual depreciation rates, developed by MAC and recommended for implementation by that firm, should be adopted because their application will result in an appropriate expensing of capitalized property over their expected remaining useful lives. Based upon the book values of property at September 30, 2015, the adoption of the proposed new annual depreciation rates will reduce the annual depreciation expense of the Company by approximately \$2.2 million with a corresponding reduction of approximately \$2.6 million in jurisdictional depreciation expense, as calculated within Schedule C-3.14.

Q. What is shown on Schedule B-3.3?

A. Schedule B-3.3 entitled "Depreciation Reserve Accrual, Retirements, and Transfers" shows for the period from April 1, 1991, to September 30, 2015, the total additions, retirements, and transfers of property by functional group for property classified to distribution, general, and intangible accounts.

Q. What is the source of the information shown on Schedule B-3.3?

A. The information on that schedule was developed from the Company's fixed asset records and is consistent with the reporting methodology used in reporting such information for Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, in FERC Form 1 page 219.

Q. Can you describe the process that you used to calculate the figures shown on Schedule B-3.3?

A. Yes. The activity occurring within each functional group of assets is summarized in Excel spreadsheets. This includes activity that is recorded through the Company's mechanized Fixed Assets system, open balances for the cost of removal and salvage which have not yet been associated with specific Electric Plant Accounts, and manual entries that are recorded directly into the General Ledger. In regards to Distribution, General, and Intangible property, the manual entries primarily relate to the accrual of depreciation on completed construction projects which have not been unitized. The costs of each completed construction project and the associated reserve balance are maintained by functional group within Excel spreadsheets for manual entry into the General Ledger.

Q. Was the method that you used to prepare Schedule B-3.3 reasonable?

A. Yes, because it provides a summary of changes in accumulated reserve previously reported in FERC Form 1 through December 31, 2014, plus activity for January 1 through September 30, 2015, determined on that same basis.

Q. What is shown on Schedule B-3.4?

A. Schedule B-3.4 entitled "Depreciation Reserve and Expense for Lease Property" shows that the Company holds no property under capital lease as of September 30, 2015.

Q. What is the source of the information shown on Schedule B-3.4?

A. The information on that schedule was developed from a review of the Company's fixed asset records which do not contain any assets held under capital lease as of September 30, 2015.

Q. What is shown on Schedules B-4, B-4.1, and B-4.2?

A. Schedules B-4, B-4.1, and B-4.2 pertain to construction work in progress that is included in rate base. The Company has not included in rate base any construction work in progress.

Q. What is shown on Schedule B-6?

A. Schedule B-6 entitled "Other Rate Base Items Summary" summarizes various necessary adjustments to the jurisdictional rate base.

Q. What is the source of the information shown on Schedule B-6?

A. The information on that schedule includes two factors for which I am responsible: The Customers' Advances for Construction balance is provided from Schedule B-6.2; the Customers' Deposits total balance and jurisdictional allocation are provided from Schedule B-7.1. These two rate base items relate to the jurisdictional activities of the Company.

Q. What is shown on Schedule B-6.1?

A. Schedule B-6.1 entitled "Adjustments to Other Rate Base Items" shows that the Company is not proposing that any adjustments be made to its other jurisdictional rate base items.

Q. What is shown on Schedule B-6.2?

A. Schedule B-6.2 entitled "Contributions in Aid of Construction by Accounts and Subaccounts" shows the net balance at September 30, 2015 of funds received for electric line extensions. This information was developed from the Company's cumulated credits and charges to FERC Account 252, Electric Line Extensions.

Q. What is shown on Schedule B-7?

A. Schedule B-7 entitled "Jurisdictional Allocation Factors" shows allocation percentages that are applied to certain expenses and rate base items in order to determine the appropriate jurisdictional amounts.

Q. What is the source of the information shown on Schedule B-7?

A. The information on that schedule includes five factors for which I am responsible: Distribution Gross Plant (factor "DGRSPLNT"), Distribution Net Plant (factor "DNTPLNT"), Customer Deposits (factor "CUSTDPST"), Regulated Maintenance (factor "DMAINT"), and Distribution Salaries and Wages (factor "DLABOR"). These factors are based on amounts provided within Schedule B-7.1.

Q. What is shown on Schedule B-7.1?

A. Schedule B-7.1 entitled "Jurisdictional Allocation Statistics" shows total Company and jurisdictional statistics for each jurisdictional allocation factor contained within Schedule B-7 along with the resulting jurisdictional allocation percentage for each factor.

Q. What is the source of the information shown on Schedule B-7.1?

A. The information on that schedule pertaining to two of the five factors for which I am responsible, DGRSPLNT and DNTPLNT, are based on book amounts at September 30, 2015, as provided from Schedules B-1 and B-3. The information for the three remaining factors for which I am responsible, CUSTDPST, DMAINT, and DLABOR are based on average book amounts for the period of October 2014 through September 2015.

Q. Can you describe the process that you used to calculate the figures shown on Schedule B-7.1?

A. Yes. The jurisdictional amounts for the DGRSPLNT and DNTPLNT allocation factors are obtained from Schedule B-1 and the total Company amounts for those allocation factors are obtained from Schedule B-3. The CUSTDPST allocation factor is based upon the portion of the balance in Account 235, Customer Deposits, at each month end from October 2014 through September 2015 that pertains to jurisdictional customers. The DMAINT allocation factor is based upon the relative portion of total direct labor costs charged to transmission and distribution maintenance expense which relate to jurisdictional activities. The DLABOR allocation factor is based upon the relative portion of total labor costs which relate to jurisdictional activities.

Q. Was the method that you used to prepare Schedule B-7.1 reasonable?

A. Yes, because the determination of the identified allocation factors provides a reasonable method to allocate test year expenses and book balances at September 30, 2015.

Q. What is shown on Schedule B-9?

A. Schedule B-9 entitled "Mirror CWIP Allowances" shows that such allowances are not applicable to this filing.

Q. What is shown on Schedule C-3.14?

A. Schedule C-3.14 entitled "Annualize Depreciation Expense" shows the annual depreciation and amortization expense that results from the application of the proposed annual rates of depreciation and amortization to the total jurisdictional property held at September 30, 2015. This schedule compares this proposed depreciation and amortization expense to the annual expense levels using the current rates of depreciation and amortization. This schedule also compares the annual depreciation and amortization expense, calculated by applying the current rates of depreciation and amortization to the total and jurisdictional property held at September 30, 2015, to the level of expense that has been calculated for the test year of June 2015 through May 2016.

Q. What is the source of the information shown on Schedule C-3.14?

A. The information on that schedule was developed from a comparison of the current annual depreciation expense provided in Workpaper C-3.14, which is based on present depreciation rates, to the test year depreciation expense provided in Workpaper C-2.1. A comparison is also made of the annual depreciation expense provided in Workpaper C-3.14 based upon the use of proposed new depreciation rates to the current annual expense level.

Q. Can you describe the process that you used to calculate the figures shown on Schedule C-3.14?

A. Yes. The current depreciation rates were applied to the fixed asset balances at September 30, 2015, in order to determine the annual expense based upon those current depreciation rates. The proposed new depreciation rates developed by MAC were also applied to the fixed asset balances at September 30, 2015, in order to determine the annual depreciation expense based upon the use of the proposed depreciation rates. The difference in the calculated annual depreciation expense shows the annual effect upon depreciation expense from adoption of the proposed new depreciation rates. The difference between the calculated annual depreciation expense based upon the current depreciation rates and the test year depreciation expense provides an adjustment to the test year depreciation expense to the present annual level based upon fixed asset balances at September 30, 2015. This calculation is done on both a total Company and jurisdictional basis.

Q. Was the method that you used to prepare Schedule C-3.14 reasonable?

A. Yes, because this schedule provides an appropriate adjustment of test year depreciation expense to reflect the proposed changes in depreciation rates and the application of those rates to capitalized asset values of September 30, 2015.

VI. CONCLUSION

Q. Please summarize your testimony.

A. In summary, the schedules and workpapers that I am supporting provide for an appropriate measurement of certain portions of the rate base at September 30, 2015, and the annual depreciation expense associated with the capital assets included in the rate base. Furthermore, the application of proposed new annual rates of depreciation for Distribution and General Plant property that were developed by MAC and supported by Company Witness Normand result in an appropriate expensing of capitalized property over their expected remaining useful lives and therefore should be adopted.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF DANIEL A. SANTACRUZ

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

DANIEL A. SANTACRUZ

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Daniel Santacruz. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am employed by AES U.S. Services, LLC ("AES Services") as Director of Financial Planning and Analysis. AES Services supplies among other services accounting, tax, financial planning, treasury, risk management, and internal audit functions to The AES Corporation's ("AES") operating companies in the United States, collectively referred to as the US Strategic Business Unit ("SBU"), which includes The Dayton Power & Light Company ("DP&L" or the "Company"), Indianapolis Power & Light Company ("IPL"), and other AES US affiliates.

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

A. I assumed my present position in July 2013.

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

A. Yes. I received a Bachelor of Science degree in Industrial Engineering from the Universidad de Los Andes in Bogota Colombia in 1998. I also have a Master of Science in Corporate Finance from CESA School of business in Bogota Colombia in 2003 and a Master of Business Administration from Williams College of Business, Xavier University in 2015. In addition, I completed the executive education program in management at Darden Graduate School of Business, University of Virginia, in 2009.

I joined AES in June 2003 as a Financial Analyst in its Subsidiary in Colombia. In 2006, I accepted the position of Financial Analyst for the Forecasting and Strategy team at AES' Corporate headquarters in Arlington, Virginia and then I was promoted to Senior Finance Manager for the Latin America and Africa group in October of 2007. In September of 2012, I was promoted to Director of Financial Planning and Analysis for DPL Inc., an AES subsidiary, and in July 2013, I was promoted to Director of Financial Planning and Analysis for the US SBU.

Prior to joining AES in June 2003, I worked as a financial analyst for several companies in the utilities, airline and banking industries in Colombia.

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

A. In my current position, I report to the US SBU Chief Financial Officer and have direct responsibility and oversight for the Financial Planning Process for the US SBU. In that capacity, I am responsible to lead and coordinate the short- and long- term forecasting process, and I evaluate and oversee the development and utilization of all financial planning models. Other activities under my responsibility include economic analysis, studies and counsel on all matters of potentially significant financial effect to the US SBU, analyzing actual financial performance, and reviewing forecasted information for use in regulatory proceedings.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to sponsor or co-sponsor the Company's pro forma financial projections for the test year (the 12-month period ending May 2016). I am supporting the methodologies and assumptions and the overall forecast process for Operation and Maintenance ("O&M"), Capital Expenditures, other revenue and taxes other than income tax embedded in the Standard Filing requirements. I will also describe how such forecasts are validated for reasonableness. I also am supporting Supplemental Filing Requirement S-1 and S-2, which are attached to my testimony as Exhibits DAS-1 and DAS-2, respectively.

Q. Is there a division between you and Company Witness Rabb on the subject of forecasting data?

A. Yes, Company Witness Rabb sponsors the calculations and support for the projected information contained in Schedule B and Schedule C. I am supporting Supplemental Filing Requirements S-1 and S-2 and the overall forecasting methodology used to develop the pro-forma information for the Standard Filing Requirements.

III. PREPARATION OF FORECASTED FINANCIAL STATEMENTS

Q. What methodology and associated processes were used to develop the forecasted financial statements embedded in the Standard Filing Requirements?

A. The forecasted financial statements included in Schedule C's sponsored by Company Witness Rabb, S-1 and S-2 were developed consistent with the methodology and process used by DP&L for preparing its normal operating forecast. This methodology is a "bottom up" approach to forecasting that requires input and assumptions from a variety of areas within the Company. Due to the integrated nature of DP&L, the preparation of any individual financial projections requires a forecast of the entire Company, including assumptions regarding the spin-off of DP&L's generation assets by December 31, 2016.

The assumptions, which include distribution sales, load demand, transition to competitive bid process for Standard Service Offer ("SSO") load, Service Stability Rider ("SSR"), customer shopping, generation plant characteristics, commodity price curves, fuel and operating cost projections, among others, are reviewed with the business areas to determine the most reasonable set of assumptions to be incorporated into the forecast. Our forecasted amounts include the impact of these reasonable assumptions from knowledgeable people within the Company, most of whom have long utility experience working for the Company.

Q. Have you considered or factored into the forecasted financial statements the transfer of generating assets outside of the Company?

A. Yes, we are anticipating a transfer of the generation assets at book value at the end of 2016 to an unregulated affiliate of DP&L as shown in the Supplemental Filing Requirement S-2 (please see Company Witness MacKay's testimony for further detail on this transaction).

Q. What are the major components of the financial forecast?

A. The inputs and assumptions received from the various areas within the Company are used to derive the following major components of the forecast:

(1) distribution baseline sales volumes and SSO baseline sales volumes based on the transition to competitive bid process schedule defined in the Company's most recent Electric Security Plan, Case No. 12-426-EL-SSO;

(2) commodity price forecast (prior to generation separation);

(3) generation dispatch forecast (prior to generation separation);

(4) retail and wholesale revenue estimates (prior to generation separation);

(5) operations and maintenance expenses forecast; and

(6) capital expenditures forecast.

Q. How are each of the above components developed?

A. The development and methodology for each of these major components are as follows:

(1) Distribution Sales and SSO Sales – The development of the distribution baseline sales are described by Company Witness Adams and presented in Schedule E-4 and is consistent with the Company's most recent Long Term Forecast filing, Case No. 15-0663-EL-FOR. Staring January 2016, DP&L will be fully transitioned to a competitive bid process, meaning that all SSO sales are based on market auction rates and are a pass-through that does not contribute any margin to the company.

(2) Commodity Price Forecast – The Company utilizes publicly available market data and related forward market curves.

(3) Generation Dispatch Forecast – The generation dispatch forecast is developed by the commercial team, combined with forecasted energy purchases, and it is modeled to sufficiently meet the Company's anticipated total energy requirements. Based on a number of projections, including plant operational characteristics, planned outages, plant availability, variable costs, and forward market curves, we model by generating unit the estimated generation megawatt hours, the cost of fuel consumed, variable production costs, and costs associated with the operation of environmental equipment. In addition to fuel and other generation-related costs, we model and forecast purchased power costs.

(4) Retail and Wholesale Revenue Estimates – Retail revenue estimates are developed by customer class. The retail revenues shown in the Company's forecasted financials include existing tariff rates for 2016 and starting in 2017, include the proposed tariff

increase requested in this case, adjustments to retail riders that are cost trackers (such as the energy efficiency rider), the effects of the ESP (including the effect of the Competitive Bid Process on retail rates), and the distribution baseline sales volumes and SSO baseline sales volumes described earlier.

Wholesale revenues estimates include: (a) known special contracts, which are developed according to the terms of the contracts; (b) known forward wholesale agreements, which are developed according to the terms of the agreements; and (c) spot market wholesale sales, which are not committed or known sales when the forecast is developed, but are projected based on forecasted generation output and expected wholesale market prices.

(5) O&M Expense Forecast – O&M expenses are forecasted by (and reviewed with) all of the business areas within the Company. Underlying the O&M forecast are projections for various items such as projected salary increases and inflationary factors. Each area's O&M forecast includes staffing plans, labor costs, and other operational costs necessary to perform the functions of the specific area.

(6) Capital Expenditures Forecast – Capital expenditures are forecasted by (and reviewed with) all of the relevant business areas within the Company, although a substantial portion of the forecast is driven by the Company's operational groups: Transmission; Distribution; and Generation. The forecast includes specific projects with estimated in-service dates as well as dollars allocated to fund smaller projects under a blanket capital budget. The capital expenditures and related in-service dates are used to estimate book depreciation, tax depreciation, and capitalized interest.

Q. Please describe the overall process to allocate indirect O&M into the financial projections for DP&L.

A. As mentioned earlier, our forecasting budget uses a "bottom up" methodology; therefore, each cost center leader (e.g. department) is responsible for preparation of the pertinent part of the budget. The budget costs are based on the responsibilities and activities that will be developed to benefit or support DP&L operations. Once we consolidate the information, we review and check the expected indirect O&M costs against historical and actual data as described by Company Witness Tornquist.

Q. Please describe the guidelines provided to the cost center leaders in developing their cost center budget.

A. There are detailed instructions for budgeting employee labor costs such as escalation factors for union and non-union employees, the treatment of indirect labor and how to handle staff additions or deletions. Detailed instructions for non-labor related expenses such as travel, training expenses are also included indicating appropriate classification of the expenses, periodicity and escalation factors. Budget coordinators and cost center leaders are required to use these instructions in projecting their future departmental expenses.

Q. Please discuss the reasonableness of the Company's test year projections.

A. As part of our standard validation process, we worked to identify changes in trends of costs. We reviewed the trend of the current projections and identified the major drivers of variances on a year-over-year basis. In addition to this review, we compared the first year of projections with the prior year historical data. Once we identified the major drivers of potential changes, we validated them with the budget owners to ensure that those changes have merit. All of the information was consolidated into a DP&L projection and it was reviewed by various levels of the US SBU management. Last, as we progress through the business year, we track and monitor actual results compared to the forecast. Based on actual results combined with potential changes in business and market conditions, the forecast is adjusted as needed. This process makes the forecast reliable.

IV. SUPPLEMENTALS

Q. What is the purpose of Supplemental Filing Requirement S-1, Exhibit DAS-1?

A. Supplemental Filing Requirement S-1 contains a five year financial forecast of capital expenditure information for the Distribution segment. The schedule shows capital expenditure information exceeding five percent of the annual budget for the five years 2016 through 2020.

Q. What is the purpose of Supplemental Filing Requirement S-2, Exhibit DAS-2?

A. Supplemental Filing Requirement S-2 contains a five year projected Income Statement, Balance Sheet and Cash Flow statement as well as the associated assumptions underlying the forecasted values. The financial statements represent a proxy for the expected financial performance of DP&L operations for the five years 2016 through 2020.

Q. Are the pro forma statements included in Supplemental Filing Requirements S-1 and S-2 accurate?

A. Based on the various assumptions and input received, and the review that the Company performed, the statements are accurate.

V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Most Recent Five-Year Capital Expenditures Budget
2016-2020
($000)

Schedule S-1
Page 1 of 1
Witness Responsible: Daniel Santacruz

Line No.	Project/Major Property Grouping	Category of Const. Cost	Budgeted Capital Expenditures 2016	2017	2018	2019	2020
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Total Distribution	Cash Construction	72,702	71,016	71,288	86,465	85,715
2		AFUDC	(800)	(781)	(784)	(951)	(943)
3		Total with AFUDC	71,902	70,235	70,504	85,514	84,772
4							
5							
6	Projects Over 5% of Annual Construction Budget:						
7							
8	**Distribution Pole Replacement Program**						
9							
10	(a) Date Project Started:		1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020
11							
12	(b) Estimated Completion Date:		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
13							
14	(c) Total estimated Cost of Construction (exclusive and inclusive of AFUDC):		5,050	5,250	4,850	4,625	4,050
15							
16	(d) No estimated AFUDC associated with this program						
17							
18	(e) *Accumulated Costs (exclusive and inclusive of AFUDC):*		0	0	0	0	0
19							
20	(f) Total estimated Cost of Construction (exclusive and inclusive of AFUDC) to completion:		5,050	5,250	4,850	4,625	4,050
21							
22	**Underground Reliability Program**						
23							
24	(a) Date Project Started:		1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020
25							
26	(b) Estimated Completion Date:		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
27							
28	(c) Total estimated Cost of Construction (exclusive and inclusive of AFUDC):		4,100	4,000	4,500	5,050	7,000
29							
30	(d) No estimated AFUDC associated with this program						
31							
32	(e) Accumulated Costs (exclusive and inclusive of AFUDC):		0	0	0	0	0
33							
34	(f) Total estimated Cost of Construction (exclusive and inclusive of AFUDC) to completion:		4,100	4,000	4,500	5,050	7,000
35							
36	**Does not include General or Intangible Plant allocated to Distribution.**						

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Projected Distribution Income Statement
2016-2020
($000)

Witness Responsible: Daniel Santacruz

Line No.	Description	2016	2017	2018	2019	2020
(A)	(B)	(C)	(D)	(E)	(F)	(G)
	DP&L					
1	**OPERATING REVENUES**					
2	Utility Revenues	[redacted]				
3	Wholesale Revenues					
4	Total Revenue					
5						
6	**COST OF REVENUES**	[redacted]				
7						
8	**OPERATING EXPENSES**					
9	O&M	[redacted]				
10	General Taxes					
11	Total O&M					
12						
13	Depreciation/Amortization	[redacted]				
14	Interest Expense					
15	Other Expense / (Income)					
16						
17	**INCOME BEFORE TAXES**	[redacted]				
18						
19	Current Income Taxes	[redacted]				
20	Deferred Income Taxes					
21	Total Income Taxes					
22						
23	Net Operating Income	[redacted]				
24						
25	(LESS) PREFERRED DIVIDEND	[redacted]				
26						
27	Available for Common	[redacted]				

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Projected Distribution Balance Sheet Statement
2016-2020
(\$000)

Witness Responsible: Daniel Santacruz

Line No. (A)	Description (B)	2016 (C)	2017 (D)	2018 (E)	2019 (F)	2020 (G)
1	**UTILITY PLANT**					
2	Gross Plant	[redacted]				
3	Construction Work in Progress					
4	Total Utility Plant					
5	(Less) Accumulated Depreciation					
6	Net Utility Plant					
7						
8	**CURRENT ASSETS**					
9	Cash	[redacted]				
10	Receivables					
11	Inventory					
12	Regulatory Assets					
13	Other Current Assets					
14	Total Current Assets					
15						
16	**NON-CURRENT ASSETS**					
17	Other Non-Current Assets	[redacted]				
18						
19	**Total Assets**	[redacted]				
20						
21	**PROPRIETARY CAPITAL**					
22						
23	Preferred Stock	[redacted]				
24	Common Equity					
25	Total Proprietary Capital					
26						
27	**LONG TERM DEBT**	[redacted]				
28						
29	**OTHER NON-CURRENT LIABILITIES**					
30	Deferred Income Taxes	[redacted]				
31	Investment Tax Credit					
32	Other Non-current Liabilities					
33	Total Non-current Liabilities					
34						
35	**CURRENT LIABILITIES**					
36	Accounts Payable	[redacted]				
37	Other Current Liabilities					
38	Total Current Liabilities					
39						
40	**Total Liabilities and Proprietary Capital**	[redacted]				

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Projected Distribution Cash Flow Summary
2016-2020
($000)

Witness Responsible: Daniel Santacruz

Line No. (A)	Description (B)	2016 (C)	2017 (D)	2018 (E)	2019 (F)	2020 (G)
1	**Cash Flows From Operating Activities**					
2	Net Income (before preferred stock dividend)	[redacted]				
3	Depreciation & Amortization					
4	Regulatory Asset					
5	Deferred Income Tax					
6	Deferred Investment Tax Credits					
7	AFUDC Equity					
8	Other Current Assets and Liabilities (Net)					
9	**Net Cash Flow From Operating Activities**					
10						
11	**Cash Flows From Investing Activities**					
12	Capital Expenditures-Property & Construction	[redacted]				
13	**Net Cash Flow (Used) by Investing Activities**					
14						
15	**Cash Flows From Financing Activities**					
16	Proceeds from Issuance of:					
17	Long-Term Debt	[redacted]				
18	Preferred Stock					
19	Payment for Retirement of :					
20	Long-Term Debt	[redacted]				
21	Preferred Stock					
22	Debt issuance fees					
23	Equity infusions between parent and subs					
24	**Net Cash Flow From Financing Activities**					
25						
26	**INC in CASH & CASH EQUIVALENTS**	[redacted]				

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR

Forecast Assumptions
2016-2020

Line No.	Description	2016	2017	2018	2019	2020
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	**Load Forecast (MWH):**					
2	Residential	5,134,858	5,118,295	5,087,346	5,035,454	4,972,063
3	Commercial	3,768,488	3,798,078	3,816,658	3,819,602	3,813,613
4	Industrial	3,740,144	3,770,785	3,790,339	3,844,291	3,839,110
5	Other Retail	1,332,747	1,344,397	1,351,943	1,554,208	1,552,600
6	**Retail Sales**	13,976,238	14,031,555	14,046,286	14,253,555	14,177,386
7						
8	**Employee Growth**					
9						
10	No significant employee headcount changes forecasted over the five year period.					
11						
12	**Known Labor Cost Changes:**					
13						
14	O&M expenses were forecasted by business unit with escalations per year as follows.					
15	Labor: Approximately 2%-3% per year on average					
16	Non-Labor: Approximately 0% per year on average					
17	Fringe Benefits: Approximately 3% per year on average					
18						
19	**Capital Structure Requirements/Assumptions:**					
20	Assumed generation separation effective 12/31/2016					
21	Targets a 50/50 Debt/Equity Capital Structure in 2018					

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF YVONNA K. STEADMAN

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

YVONNA K. STEADMAN

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name, employer, and business address.

A. My name is Yvonna Steadman. I am employed by AES U.S. Services, LLC ("AES Services"), whose business address is One Monument Circle, Indianapolis, Indiana 46204.

Q. What is your position with the AES Services?

A. I am a Manager in the Regulatory Accounting area, which provides support services to The Dayton Power and Light Company ("DP&L" or "Company") and Indianapolis Power and Light Company ("IPL").

Q. Please describe your duties in the Regulatory Accounting area.

A. I am responsible for the preparation of various general ledger entries, the reconciliation of regulatory asset and liability accounts, the computation of and tracking of various costs for regulatory filings, and the preparation of supporting schedules for regulatory filings.

Q. Please summarize your educational background.

A. I graduated from the University of Indianapolis in 1978, with a Bachelor of Science degree in Accounting.

Q. Please summarize your prior work experience.

A. I was employed by IPL as an accountant in various capacities, beginning as an entry-level accountant and working up to Manager of Corporate Accounting, from 1982 through 2001. From 2002 through 2007, I held the position of accountant for The Monroe Utilities Network, in Monroe, Georgia. My responsibilities included overseeing all accounting and billing functions for the utilities owned by Monroe. I held this position through the end of 2007. Late in 2012, I returned to the Indianapolis area and began working for IPL in a consulting capacity. In July 2013, I was hired as an employee of AES Services. Today, I provide support services to DP&L and IPL.

Q. Have you previously provided testimony before any state commission?

A. Yes, I have submitted testimony before the Indiana Utility Regulatory Commission ("IURC") in support of IPL's 1994 Electric Rate Case, Cause No. 39938 and IPL's 2014 Electric Rate Case, Cause No. 44576.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony supports the following schedules:

- Schedule C-3.11 addressing the adjustment to annualize test year wages, benefits and payroll taxes for AES Services employees providing services to DP&L.
- Schedule C-3.12 addressing the adjustment to annualize test year wages and payroll tax expense for DP&L employees.
- Schedule C-3.13, the portion addressing the adjustments for 401(k), health benefits and long-term incentive compensation for DP&L employees. Company Witness Kunz addresses the portions of this schedule involving Pension expense and Other Post-Employment Benefits ("OPEB") expense.
- Schedule C-9 presenting the DP&L payroll costs, employee benefit costs and payroll taxes charged to operating and maintenance expense ("O&M") for the twelve months ended May 31, 2016. The schedule includes the total Company unadjusted test year, the jurisdictional unadjusted test year, the jurisdictional

adjustments reflected on Schedules C-3.12 and C-3.13, and the resulting adjusted jurisdictional test year.

- Schedule C-9.1 presenting five calendar years of DP&L history including manhours, labor costs, employee benefit costs and payroll taxes, both in total and charged to O&M expense. Year-end and average employee counts are presented. The schedule also includes this respective information for the unadjusted test year ending May 31, 2016. The pension and OPEB employee benefits information presented on Schedule C-9 and on Schedule C-9.1 were provided by Company Witness Kunz.

Q. Were these schedules, or the portions of schedules you are sponsoring, prepared or assembled by you or under your direction or supervision?

A. Yes.

Q. Did you submit any workpapers?

A. Yes. I sponsor the following workpapers supporting the schedules, or portions thereof, *listed above:*

- Workpaper C-3.11, C-3.11a, and C-3.11b
- Workpaper C-3.12
- Workpaper C-3.13
- Workpaper C-9, C-9.1, C-9.1a, C-9.1b and C-9.1c

II. SCHEDULES OR WORKPAPERS

Q. Please describe the contents of Schedule C-9.1.

A. Schedule C-9.1, Page 1 of 3, presents total manhours, total labor dollars (including total employee short-term incentive payments, or "bonus"), total benefit costs and total payroll tax expenses experienced by the Company during the last five calendar years (2010 through 2014), and for the test year. The portion of manhours, labor dollars (including bonus) and employee counts for DP&L union employees is presented on page 2, while the portion for DP&L non-union employees is presented on page 3.

Manhours are identified by straight-time hours and overtime hours. Labor dollars are identified by the components of straight-time pay, overtime pay, bonus pay, and the portion of the total applicable to O&M expense. Employee benefits identify the total costs broken out by major category, and also identify the portion of the benefit costs charged to O&M expense. Payroll taxes present the total cost and the portion charged to O&M expense. Benefits and payroll taxes are identified only for total Company, as these are generally not traceable by union/non-union. The final category on each page identifies the number of employees in terms of an average for each year, and the employee count at each year end.

The amount in Column (H), Line 14, which is O&M labor dollars on the first page of Schedule C-9.1, matches Column (C), Line 2 on Schedule C-9. The amount in Column (H), Line 24, on the first page of Schedule C-9.1 matches Column (C), Line 10 on Schedule C-9. The amounts in Column (H), Lines 28, 32 and 36 on the first page of Schedule C-9.1 match Column (C), Lines 14, 15 and 16 on Schedule C-9, respectively.

Q. What was the source for the historic information provided for the years 2010 through 2014 on Schedule C-9.1?

A. This information was derived from the books and records of DP&L.

Q. How was the test year information on <u>Schedule C-9.1</u> derived?

A. The test year consists of the twelve months ended May 31, 2016. June, July, August and September 2015 represent actual results of operations for those months. The months of October 2015 through May 2016 are forecasted. I will describe in more detail the process of forecasting the labor, benefits and payroll taxes within my discussion of <u>Schedule C-3.12</u>.

Q. Are there filed workpapers supporting the information submitted on <u>Schedule C-9.1</u>?

A. Yes. These workpapers are identified as <u>Workpaper C-9, C-9.1, C-9.1a, C-9.1b and C-9.1c</u>

Q. Please describe <u>Schedule C-9</u>.

The total Company O&M expense for labor, benefits and payroll taxes are summarized in Column (C) of <u>Schedule C-9</u>. The unadjusted jurisdictional O&M portions of these costs are from Workpapers C-3.12 and C-3.13, and are shown in Column (F). Column (G) identifies the adjustments to the jurisdictional test year amounts, which are submitted on <u>Schedules C-3.12 and C-3.13</u>. Column (H) is the resulting adjusted jurisdictional O&M cost of each respective category.

Q. Moving on to the adjustment schedules, please describe the purpose of <u>Schedule C-3.11</u>.

A. <u>Schedule C-3.11</u> presents the adjustment needed to reflect the annualization of labor-related costs charged to DP&L operations by AES Services. AES Services provides administrative and other services for the benefit of DP&L. Column (D) of this schedule reflects the total Company adjustment chargeable to O&M expense, and Column (G) reflects the portion allocated to jurisdictional O&M expense. The jurisdictional adjustments in Column (G), totaling a net of $544,321, are carried forward to Schedule C-3, Page 2 of 5, Column (H).

Q. Line 42 of this schedule shows a negative adjustment to the 401(k) benefit. If the overall wages proforma is an increase, how can this be a decrease?

A. The decrease is the result of an out-of-period adjustment included in the actual June 2015 activity. The amount of the out-of-period adjustment, which is effectively eliminated during the proforma process, exceeded the increase in 401(k) expense related to wage increases.

Q. Please describe the contents and purpose of Schedule C-3.12.

A. Schedule C-3.12 presents the adjustment needed to annualize DP&L employee labor costs, including changes known or expected to occur on or before May 31, 2016. The adjustment further includes the union employee contractual pay increase of 2.5% to be effective November 1, 2016 and any contractual union employee merit increases due to occur on or before November 1, 2016. Lines 4 through 28 reflect the payroll costs, and Lines 30 through 33 reflect the related payroll taxes.

Column (D) of this schedule contains information for the total Company annualization adjustment charged to O&M distribution, customer service and administrative/general ("A&G"), and payroll tax accounts. Column (G) of this schedule contains the respective jurisdictional information. The jurisdictional adjustments in Column (G), totaling $2,239,042, are carried forward to Schedule C-3, Page 3 of 5, Column (C).

Q. Why did you include pay increases that will occur beyond the May 31, 2016 test year in this case?

A. These pay increases are contractual in nature and will occur before an order is expected to be received in this case.

Q. Please describe the contents and purpose of Schedule C-3.13.

A. Schedule C-3.13 presents the adjustment needed to annualize DP&L employee benefit costs. Column (D) of this schedule contains information for the total Company annualization adjustment charged to O&M expense. Column (G) of this schedule contains the jurisdictional adjustment charged to O&M expense. The jurisdictional adjustment in Column (G), totaling $87,753, is carried forward to Schedule C-3, Page 3 of 5, Column (D).

Q. What was the source of the information used to determine the adjustments on Schedules C-3.11, C-3.12, and C-3.13?

A. Employee-specific information was obtained from the payroll records of DP&L, AES Services and IPL as of September 30, 2015. Information on open positions was provided by Company Witness Rabb. The open positions are included in the Company's budget and were obtained through discussions with department heads. The actual results of operations for the months of June, July, August and September 2015 are from the books and records of DP&L.

Q. Can you describe the process used to determine the adjustment amounts?

A. Yes. I would like to begin by addressing the DP&L employee labor costs reflected on Schedule C-3.12.

A. DP&L EMPLOYEE LABOR COSTS

Q. For purposes of calculating your adjustment, how were the forecasted test year and the annualized payroll costs derived?

A. Detailed information pertaining to the DP&L workforce, as it existed at September 30, 2015, was obtained from the DP&L payroll department records. Detailed person-by-person information was computed for each projected month of the test year, taking into account changes as they are expected to occur during each month from October 2015 through May 2016. Positions which were un-filled at September 30, 2015, but expected to be filled prior to May 31, 2016, were included in the computation at the average pay rate of the area for each specific position.

The historic and current information of the accounts to which employees charge their time was also considered during the computation of the payroll costs. Charges into clearing accounts were charged out based upon historic information. The labor costs, when appropriate, were subjected to application of the DP&L Cost Allocation Manual ("CAM") which identifies the costs as generation, transmission or distribution. The CAM process has been used by DP&L for several years. The resulting calculated information was used to update the budgeted payroll costs for the forecasted test year months of October 2015 through May 2016.

As the next step, the payroll information was annualized. This recognizes any pay rate changes as if they were in effect for the entire test year. The differences between the annualized total and the test year total represent the adjustments offered in Column (D) for the total Company, and in Column (G) for the jurisdictional portion, on Schedule C-3.12.

Q. What were the specific wage increases recognized in this process?

A. Merit increases for some DP&L union positions are given as an employee reaches certain levels of experience in a position. These merit increases are negotiated and contractual. The increases are specific as to each employee; and therefore information was obtained from payroll records to identify individuals who will be eligible for a merit increase on or before November 1, 2016, including the amount of each increase.

The annual across-the-board pay increases for DP&L's union employees are negotiated and contractual. Under the terms of the current labor agreement, the increase effective November 1, 2015 is 2.5% and the increase effective November 1, 2016 is also 2.5%.

For non-union employees, a 3.0% annual pay increase was incorporated. This is consistent with past experience and with the increase indicated in DP&L's 2016 budget. The non-union increase has an effective date of January 1, 2016.

Q. Did you include incentive pay?

A. Yes. Short-term incentive compensation, or bonus pay, as applicable to specific employees at specific potential targets, were included in the payroll computation. The cost of the incentive compensation was recognized at 100% of the target applicable to each eligible employee. Using 100% of the targets is appropriate and conservative, in that historic payouts have been at 100% or more of the targeted amounts.

Q. Has overtime pay been included?

A. Yes. Actual overtime earned each month during the twelve-month period ended September 30, 2015 (exclusive of that pertaining to major storms)[1] was compared to the respective month's straight-time pay during that time period. This ratio was applied to the projected straight-time payroll after the effect of the pay rate changes, to determine a projection of overtime pay.

Q. What is the total test year labor cost (including base pay, overtime and bonus) for all DP&L employees?

A. The DP&L union employee test year labor cost is $72,874 thousand, and the union portion charged to O&M is $54,263 thousand. (See Schedule C-9.1, Page 2 of 3.)

The DP&L non-union employee test year labor cost is $34,492 thousand, and the non-union portion charged to O&M is $28,070 thousand. (See Schedule C-9.1, Page 3 of 3.)

The total DP&L test year labor cost is $107,366 thousand and the portion charged to O&M is $82,333 thousand. (See Schedule C-9.1, Page 1 of 3.) The total DP&L test year jurisdictional labor cost charged to O&M expense is $26,349 thousand. (See Schedule C-9, Column F.)

Q. What is the result of annualizing the DP&L employee labor costs?

A. The total Company labor costs, after being annualized, totaled $111,374 thousand. The portion of this charged to O&M expense totaled $88,590 thousand.

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[1] Overtime experienced during major storms is removed from the test year on Schedule C-3.22, which is sponsored by Company Witness Hale.

The jurisdictional portion of the annualized labor costs totaled $48,720 thousand. The portion of this charged to jurisdictional O&M expense totaled $28,435 thousand. (See <u>Workpaper C-3.12</u>, Page 2 of 2, Column Q, Line 26).

Q. **What is the net adjustment to DP&L O&M expense (including base pay, overtime and bonus) for annualized DP&L employee labor costs on <u>Schedule C-3.12</u>?**

The adjustment to bring total Company labor costs charged to O&M from the test year amount ($82,333 thousand) to the annualized amount ($88,590 thousand) totaled $6,257 thousand. Note that the adjustment amount of $2,220 thousand, shown on <u>Schedule C-3.12</u>, Column (D), Line 29, is only a portion of that amount – this is because the schedule presents only those charges to O&M FERC accounts of 580 or above, which are the accounts applicable in this distribution case.

The adjustment to bring jurisdictional labor costs charged to O&M from the test year amount ($26,349 thousand) to the annualized amount ($28,435 thousand) totaled $2,086 thousand. This is shown on <u>Schedule C-3.12</u>, Column (G), Line 29.

Q. **How were the payroll tax adjustments shown on <u>Schedule C-3.12</u>, Lines 31, 32 and 33 derived?**

A. In connection with computing the details for the labor costs, the related payroll taxes were also computed. Known pay limits and tax rates, in effect during 2015, were used. The portion of the total taxes charged to O&M expense, both for total Company and for jurisdictional, were derived by allocating the payroll tax costs in accordance with how the labor cost dollars were allocated.

Q. What is the resulting jurisdictional payroll tax adjustment shown on Schedule C-3.12?

A. As presented on Line 34 of that schedule, the adjustment for annualization of jurisdictional payroll taxes is $153 thousand.

B. AES SERVICES PAYROLL COSTS CHARGED TO DP&L

Q. Please describe the AES Services labor-related costs, which are charged to DP&L, presented on Schedule C-3.11.

A. The costs include all wages, bonuses, employee benefits and the related payroll taxes. These costs are charged to DP&L for the AES Services and IPL employees[2] who perform tasks for the benefit of DP&L (referred to in combination as "AES Services"). Costs incurred by AES Services are identified at the source by a code to indicate a specific affiliate company or to indicate a multi-affiliate cost-sharing determinate. The codes for charges to DP&L can further identify whether the cost is generation, transmission, or distribution. The allocation process to determine what portion of multi-affiliate and overhead types of costs get charged to DP&L follows the direction of the AES Services Cost Alignment and Allocation Manual ("CAAM").

Q. Please describe the process used to determine the proforma AES Services labor costs.

A. As with the DP&L employees, the starting point was obtaining detailed employee-by-employee information as of September 30, 2015. The pay rates as of September 30, 2015

[2] The IPL employees whose costs are included in the AES Services computation are employees who serve in capacities the same as if they were AES Services employees. Due to eligibility requirements for receiving non-pension, post-retirement benefits, these long-time employees had to remain as IPL employees.

were increased for a 3% annual pay raise, effective January 1, 2016, which is reflective of the 2016 budgeted amount and is the same percentage that was used for DP&L non-union employees. Information on open positions was gathered by inquiry of department heads, and added based upon when the positions are expected to be filled.

The bonus program for AES Services employees is basically the same as that for the DP&L non-union employees. As was the case for DP&L employees, this was computed based upon individual targets at 100% of such targets. No overtime pay was included for AES Services employees.

Q. How was the amount of AES Services employee labor costs applicable to DP&L operations determined?

A. The individual employee wages were allocated in respect of their specific task assignments to determine the amount of wages representing: wages directly chargeable to DP&L, wages directly chargeable to a non-DP&L affiliate, and wages charged to multiple affiliates – where the work being performed was beneficial and chargeable to more than one AES Services client, and included DP&L. The task allocations for each employee were determined by that employee based upon their work assignments. The task allocations are reviewed no less than twice each year, and the updated allocations are also reviewed by the employee's supervisor at the time of each update. For job/task reassignments, employees are allowed to submit changes to their task allocations at any time between the semi-annual reviews. Employees are also directed to submit temporary adjustments to their normal allocations through the payroll system for any period in which their actual time investment does not match their expected time investment.

When a task assignment is direct to DP&L, those charges contain further identification which determines the costs chargeable directly to DP&L jurisdictional operations. When the task assignment was indirect, or direct but identified for more than one operational area within DP&L, the costs were apportioned as defined in the CAAM by the area in which the charging employee is assigned. The results identified which portions of these costs were applicable to DP&L jurisdictional operations.

Q. Please describe where the AES Services test year employee labor costs are presented within the case schedules.

A. The cost of AES Services labor chargeable to DP&L jurisdictional O&M expense for the test year, $7,089 thousand, is the combination of AES Services (shown on Workpaper C-3.11a, Page 2 of 2, Column (P), Line 32) and IPL (shown on Workpaper C-3.11b, Page 2 of 2, Column (P), Line 31). Jurisdictional O&M payroll taxes and benefits charged for the AES Services employees can also be found on Workpaper C-3.11a, Page 2 of 2, Column (P), Lines 33 through 41. Jurisdictional payroll taxes and benefits charged to operating income for the IPL employees are not specifically identified on Workpaper C-3.11b. Tax and benefit costs are charged out by IPL as an overhead attached to the labor and are not separately identified, thus were modeled as such to be reflective of how the actual charges appear.

Q. How were the AES Services employee payroll costs annualized?

A. The individual base pay hourly rates, after adjustment to include the annual pay increase of 3%, were used to compute an annual base pay. Each employee's respective bonus target percentage was used to determine the bonus cost. Payroll taxes were computed on the sum of base pay and bonus pay, using the 2015 wage limits and tax rates. Benefits were computed using a historic benefit cost factor.

Q. Please describe where the AES Services annualized employee labor costs are presented within the case schedules or related workpapers.

A. The cost of AES Services labor chargeable to DP&L jurisdictional O&M expense, after annualization, is $7,678 thousand, and is shown on Workpaper C-3.11, Page 2 of 2, Column (I), Line 32.

Q. What is the net adjustment to DP&L jurisdictional O&M expense for annualized AES Services employee payroll costs?

A. The test year AES Services employee labor costs charged to jurisdictional O&M expense totaled $7,089 thousand. The annualized AES Services employee labor costs charged to jurisdictional O&M expense totaled $7,678 thousand. The difference of $589 thousand is the jurisdictional proforma adjustment shown both on Workpaper C-3.11, Page 2 of 2, in Column (L) and on Schedule C-3.11, Column (G). In similar fashion, the jurisdictional operating income adjustment for payroll taxes is an increase of $51 thousand and the jurisdictional O&M adjustment for employee benefits is a decrease of $95 thousand.

Q. What caused the benefits jurisdictional adjustment to be a decrease?

A. The decrease is a function of the test year actual charges in June 2015 including an out-of-period adjustment to the 401(k) expense. The replacement of the test year cost by the annualized cost effectively removed the impact of this out-of-period charge.

C. DP&L EMPLOYEE BENEFIT COSTS

Q. What benefit costs did you provide on Schedule C-3.13?

A. I provided the proforma adjustment amounts for both total Company and jurisdictional O&M related to 401(k) benefits, health benefits and long-term incentive compensation.

Q. How were these proforma adjustment amounts determined?

A. The 401(k) matching contribution expense was computed using the individual employee contribution rates as of September 30, 2015, and the Company matching policies for the union and non-union employees. The health benefits were based upon the actual premiums and costs being experienced for the various components at September 2015, as a proxy for the basis of the going-forward cost. The long-term incentive compensation was based upon the actual costs accrued for this benefit in the month of August 2015.

Q. What is the resulting jurisdictional proforma adjustment for these benefits?

A. The resulting jurisdictional annualization adjustment of $88 thousand in Column (G) of Schedule C-3.13 is carried to Schedule C-3, on Page 3 of 5, in Column (D).

D. IN SUMMARY

Q. Is the information used and the processes applied to determine the overall proforma wage, benefit and payroll tax adjustments applicable to DP&L Jurisdictional O&M appropriate to the subject matter and in detail sufficient to produce an accurate depiction of labor-related costs for this case?

A. Yes. This process was detailed, and included individual employee information to compute proforma wages, benefits and payroll tax adjustments, after recognition of known and expected changes. All clearing and allocation procedures were replicated in the process to be as similar as possible to how they occur on an actual basis. These adjustments reflect DP&L's projected wage, beneft, and payroll tax expense which should appropriately be recovered through DP&L's base distribution rates. The exclusion of such adjustments from the proforma test year expenses would hinder the determination of just and reasonable base distribution rates and therefore impair the Company's ability to earn a fair rate of return on its electric distribution operations.

Q. Is the information used and the processes applied to determine the AES Services proforma wage, benefit and payroll tax adjustment applicable to DP&L Jurisdictional O&M appropriate to the subject matter and in detail sufficient to produce an accurate depiction of labor costs for this case?

A. Yes. As with the DP&L employees, the AES Services process was detailed, and included individual employee information to compute the proforma adjustment, appropriately inclusive of known and expected changes. Like the labor adjustments for DP&L employees, this adjustment is also required to accurately reflect DP&L's jurisdictional pro forma test year expenses for the determination of just and reasonable base distribution rates.

III. CONCLUSION

Q. Does that conclude your direct testimony?

A. Yes.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF KATHRYN N. STORM

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

KATHRYN N. STORM

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kathryn Storm. My business address is 1900 Dryden Road, Dayton, Ohio.

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

A. I am employed by AES Corporation as the Director of Metering Services and Safety for both Indianapolis Power and Light ("IPL") and The Dayton Power and Light Company ("DP&L" or "Company").

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

A. I assumed my present position in July 2013. Prior to my present position, I was Director of Operations responsible for Wright Patterson Air Force Base and the Metering Services Department at DP&L.

Q. What are your responsibilities in your current position?

A. I am responsible for Safety as well as all the low voltage work at DP&L and IPL, including Meter Reading, Locating, Services, Collections, Revenue Protection, and Electric Meter.

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

A. Yes. I received a Bachelor's of Science degree in Ocean Engineering from the United States Naval Academy in May 1999. I spent 7 years active duty in the Navy as a nuclear qualified Surface Warfare Officer. I joined DP&L in July 2006 as the Transportation Manager overseeing all the vehicles within the Company's fleet. In May 2007, I became the Manager of Services and Locating, overseeing the day to day work of the low voltage service technicians as well as the locators who identify and mark the Company's underground facilities. In July 2008, I became a Project Manager in addition to my role as the Manager of Services and Locating. As a Project Manager, I oversaw construction projects, running crews and ensuring projects were constructed to the Company's standards, on time and within budget. In December 2008, I became the Manager of the Transmission Department, managing the day to day operations of the Transmission Linemen. In June 2009, I assumed responsibility for the Customer Dispatch Operations and DP&L's Major Accounts Department. In October 2010, I was promoted to a Director of Operations and became the privatization Project Manager for Wright Patterson Air Force Base and assumed responsibility for the Metering Services Department. The Metering Services department consists of Meter Reading, Locating, Services, Collections, Revenue Protection and Electric Meter. In July 2013, I assumed my role as the Director of Operations over Metering Services for both DP&L and IPL. In addition to my responsibilities with Metering Services I assumed responsibility for the safety departments at IPL and DP&L in 2014.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support and explain DP&L's Miscellaneous Service Charges as stated in Tariff D26 as well as proposed modifications to Tariff D10 which clarify the Redundant Service provision. In addition, I will provide support for the Company's planned offering of LED options for Night Guard applications.

Q. What Exhibit are you supporting?

A. I am supporting Exhibit KNS-1, which provides cost support for the proposed Miscellaneous Service Charges.

Q. What is the source of the information shown on Exhibit KNS-1?

A. The information was developed from contractor invoices, 2014 transportation costs as well as the current employee wage tables. Contractor pricing was derived from the January 1, 2014 contract with Element Utility Service, LLC and the January 1, 2015 contract with Orion Utilities. Company records were used to identify the number of each service and collection order worked within the Collection and Service Departments as well as the time required to complete each job. In addition, I utilized historical data from internal company reports to obtain work completed afterhours and on Holidays as well as a pricing sheet from a DP&L authorized payment vendor for the technology costs.

Q. Are there different types of reconnections?

A. Yes. Disconnections can take place at the meter or at the service line. Disconnection at the meter happens when a customer is shut off for nonpayment, theft or if a disconnect is requested at an address by a customer. Disconnection at the service line happens when the Company has issues gaining access to the meter or in cases of theft, when a customer has previously tampered with the meter. Reconnect orders will in turn be requested based on the type of disconnect utilized; at the meter or service line.

Q. Why are there different fees associated with reconnection at the meter versus reconnection at the service line?

A. Disconnect/Reconnect orders conducted at the meter are typically sent out with qualified technicians in light duty vehicles. Conversely, technicians who perform work at the service line have more advanced training and drive bucket trucks, resulting in a higher labor rate and cost of transportation. Additionally, work at the service line takes longer than work at the meter.

Q. Does DP&L take steps to ensure that disconnect/reconnect expenditures are reasonable and prudent?

A. Yes. DP&L uses a competitive bid process to award contracts for service and collection work. The contractors that are awarded these contracts are then paid on a per-job basis for lower skilled service and collections work and on an hourly basis for work requiring a bucket truck. Invoices are cross checked with order completion reports to ensure that DP&L is billed for work that was performed in the field. In addition to contractors, DP&L technicians and Accounts Receivable ("AR") Collection Specialists perform service and collection work. The requested fees have been calculated to cover DP&L's cost to perform the task.

III. RECONNECTION AT THE METER

Q. What is the current fee that DP&L charges to reconnect service at the meter?

A. DP&L currently charges a $20.00 reconnect charge.

Q. Is DP&L seeking to change the reconnection fee?

A. Due to increases in costs associated with reconnecting customers, DP&L is seeking to increase its reconnection fee to $25.00.

Q. Can you describe the process that you used to calculate the Reconnect at the Meter charges shown on Exhibit KNS-1?

A. Yes. The fee was determined utilizing DP&L's actual costs associated with the charge which will vary depending on the order type. These costs differ based upon the time of day in which the disconnect/reconnect takes place, as well as whether DP&L uses contractors or employees to complete the task. As shown in <u>Exhibit KNS-1</u>, the weighted average cost of disconnection/reconnection during business hours is $24.57, while the weighted average cost of disconnection/reconnection after business hours costs $39.41. Holiday disconnects/reconnects cost significantly more and have a weighted average cost of $137.53. Approximately 96.5% of service disconnect/reconnects take place during business hours, while 3.2% take place after business hours, and only 0.3% take place on holidays. This yields an overall weighted average cost of $25.38 for service disconnect/reconnects at the meter.

Q. Please explain why the afterhours costs are more expensive.

A. The price per order for the contractor increases after hours from $21.58 to $32.95. If a union employee is called in on overtime, then the labor contract with the Union requires the Company to pay the employee at least two hours of double time, which results in a higher price per order. In addition, during afterhours, the orders are typically less geographically concentrated so technicians have increased drive time to complete the order resulting in an average time to reconnect of one hour.

Q. Can you describe why overheads were used to calculate the labor rates in <u>Exhibit KNS-1</u>?

A. Yes. Overhead rates are applied to Company labor hours worked to account for employee benefits as well as Supervisory and Administrative costs.

IV. RECONNECTION AT THE SERVICE LINE

Q. What is the current fee that DP&L charges to reconnect at the service line?

A. DP&L currently charges $48.75.

Q. Is DP&L seeking to change the reconnection fee?

A. Due to increases in reconnection costs, DP&L is seeking to increase its reconnection fee to $84.00.

Q. Can you describe the process that you used to calculate the Reconnect at the Service Line charges shown on Exhibit KNS-1?

A. Yes. The fee is determined utilizing DP&L's actual costs associated with the charge which will vary depending on the order type. These costs differ based upon the time of day in which the disconnect/reconnect takes place, as well as whether DP&L uses contractors or employees to complete the task. As shown in Exhibit KNS-1, the weighted average cost of disconnection/reconnection during business hours is $79.97, while the weighted average cost of disconnection/reconnection after business hours costs $115.54. Weekend/holiday disconnects/reconnects cost significantly more and have a weighted average cost of $158.25. Approximately 88.26% of service disconnect/reconnects take place during business hours, while 10.88% take place after business hours, and only 0.86% take place on holidays. This yields an overall weighted average cost of $84.50 for service disconnect/reconnects at the service line.

Q. Can you explain why the cost of performing work at the service line is more expensive than work at the meter?

A. Yes. Technicians who perform work at the service line have additional training allowing them to work at heights, understand service connections and other construction related standards and skills. Technicians performing work at the service line have a higher hourly rate and have more costly vehicles than technicians performing work at the meter who are able to perform their work in light duty trucks or vans. In addition, work at a service line takes longer than work at a meter.

V. TRIP CHARGE

Q. Please explain the addition of a Trip Charge.

A. The trip charge is a service fee that is assessed for multiple same-day trips to a customer's premise to perform service work. The trip charge would be assessed when customers have not fulfilled their requirement; providing access to the meter or ensuring their breakers are not in the off position. The trip fee would only be assessed when a customer requests a same day attempt. The fee would not be assessed if the customer is willing to wait until the following business day for the reconnect. Without this fee, the costs for multiple same-day trips are absorbed by other customers. Exhibit KNS-1 shows the calculations that support the trip charge.

Q. Does the Company currently have a trip charge?

A. No.

Q. What is the proposed new trip charge?

A. $22.00.

Q. Can you describe the process that you used to calculate the Trip Charges shown on Exhibit KNS-1?

A. Yes. The fee is determined utilizing DP&L's actual costs associated with the charge which will vary depending on the order type. These costs differ based upon the time of day in which the additional trip is requested, as well as whether the Company uses contractors or employees to complete the task. As shown in Exhibit KNS-1, the weighted average cost to drive back to an address to perform a reconnect at the meter or service line during normal business hours is \$12.77 and \$39.99, respectively. 97.8% of orders completed during normal business hours are at the meter while 2.2% are at the service line; therefore the weighted average cost to return to an address during business hours is \$13.37. The weighted average cost to drive back to an address to perform a reconnect at the meter or service line after hours increases to \$27.60 and \$75.56, respectively; therefore the weighted average trip charge after hours is \$28.66. Finally the trip charge is calculated for weekend or Holiday order completion. Contractors do not perform work on weekends or Holidays; therefore the cost is based solely on calling in internal employees at an overtime rate resulting in a trip charge of \$111.86. The weighted average trip cost is therefore, \$21.84, rounded to \$22.00.

VI. FIELD COLLECTION CHARGE

Q. Does the Company currently have a Field Collection charge?

A. No.

Q. What is the proposed collection charge?

A. \$16.00.

Q. Please explain the addition of the Field Collection charge.

A. The field collection charge would be a service fee assessed when a technician accepts payment in the field to avoid an interruption of service. Currently, cash and check payments are accepted in the field. Carrying cash in the field poses a safety risk to the Company's technicians as well as a risk of loss. The Company proposes mitigating these risks by offering a new credit card payment option for our customers and eliminating the option of accepting cash payment in the field. Exhibit KNS-1 shows the calculations used to support the field collection charge.

Q. Can you describe the process that you used to calculate the Collection Charge shown on Exhibit KNS-1?

A. Yes. The fee is determined utilizing DP&L's actual costs for labor and transportation. In addition the collection charge utilizes a proposed technology cost, obtained through a Request for Proposal, to accept credit card payments in the field and a forecasted order volume. On average 83.8% of the total 12,183 payments collected in 2014 were collected by contractors. Conversely 16.2% were collected by Company AR Collection Specialists. The contractor cost to perform the order type is $10.43. The cost of an AR Collection Specialist is $25.03. Adding the dispatcher cost, technology cost and utilizing the weighted cost to perform a collection in the field results in an average cost of collection of $16.18.

Q. Was the method that you used to prepare Exhibit KNS-1 reasonable?

A. Yes. The fees are reasonable because they are based on actual costs for contractor and Company labor, actual order volumes as completed in the field for the collection and reconnect charges, estimated order volume for the trip charge, actual vehicle expenses as well as proposed technology costs to provide customers with the option of paying by credit card in the field, a service not currently provided by the Company.

Q. Please explain the changes to the Miscellaneous Charges contained in Tariff D26

A. The charges in Tariff D26, Miscellaneous Service Charges, were amended to include the Company's current cost of labor, vehicle expenses and technology. The costs in Tariff D26 have not been updated since the Company's prior base rate case in the early 1990's. Exhibit KNS-1 shows the current costs and the calculations that support the miscellaneous charges.

Q. Can you explain why the new fees are reasonable and necessary?

A. Yes, because it is based on actual costs for contractor and Company labor, actual order volumes as completed in the field from January 1, 2014 to December 31, 2014 for the collection and reconnect charges, estimated order volume for the trip charge, actual vehicle expenses as well as proposed technology costs to provide customers with the option of paying by credit card in the field. The proposed collection fee and trip charge provide proper price signals to customers for the additional service being provided. The proposed trip charge enhances customer service by providing customers with an option for another same-day attempt at a service connection. This service is not currently offered by the Company.

VII. REDUNDANT SERVICE

Q. Please describe the Redundant Service provision included in the Company's Tariff D10.

A. The Company's tariffs provide each customer with a single point of delivery. The Redundant Service provision allows customers the option to request a redundant service connection to the Company's facilities for reliability purposes.

Q. How is the Company proposing to modify its Redundant Service provision?

A. DP&L is including provisions to clarify the need for a contract when a redundant service is requested by a customer and define the structure for the redundant demand charge.

Q. Is the amendment to the Company's Redundant Service provision reasonable and prudent?

A. Yes. Today, some customers benefit from a redundant service feed while not paying for this service. To be consistent and fair, DP&L is proposing to align the cost of this service with those customers that cause it.

VIII. LED LIGHTING

Q. Is DP&L proposing to offer only LED lighting options as part of the Company's Private Outdoor Lighting Tariff D23?

A. Yes, the Company is proposing to use the most recent technology to provide the best quality lighting to our customers.

Q. How will the new LED option impact customers?

A. Customers who have existing High Pressure Sodium ("HPS") lights or Mercury Vapor ("MV") lights will be grandfathered in and will not be retrofitted to the LED option unless requested by the customer or if their existing light fails. Requests for new lights will be met by installing an LED fixture.

Q. Please describe the benefits the customer will receive from LED Night Guards.

A. Studies have shown that LED lights have improved lighting uniformity coupled with a longer life expectancy than HPS lights. LED lights allow better control of light distribution, resulting in improved lighting uniformity. In contrast HPS lighting generally has hot spots of light; a concentration of light directly below the fixture with decreasing light intensity from the fixture. When an LED light turns on it instantly provides high quality light without a warm-up time like the HPS option. The color quality of the LED light is also white to bluish-white in color, whereas HPS lighting generally contains a yellow tint. Also, the whiter light provides better contrast for cameras which can lead to better identification of objects, improving security.

IX. CONCLUSION

Q. Please summarize your testimony.

A. In summary, DP&L's request to update its service and collection fees is prudent and reasonable. In addition the request to modify Tariff D10 to clarify the Company's Redundant Service provision is necessary to align the cost of service to the customers requesting the additional service. The Company's proposal to install LED Night Guard lighting provides the Customer with improved lighting quality as compared with the HPS and MV options.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Miscellaneous Fees

Reconnect at Meter

1. Business hours

   Contractor Field Technician

Weighted average cost for disconnect/reconnect =	$21.58

   Employee Field technician

Average time to disconnect and travel: 0.5 hours	
Average time to reconnect and travel: 0.5 hours	
Labor: $25.22 per hour plus overhead costs =	$23.56
0.5 hours of labor = $12.61	
Overhead costs = $10.95	
Labor: $26.89 per hour plus overhead costs =	$25.11
0.5 hours of labor = $13.445	
Overhead costs = $11.665	
Vehicle: light duty hourly cost $2.93 =	$1.47
Vehicle: bucket truck hourly cost $10.76 =	$5.38
Total employee field technician expenses =	$55.52

   Dispatcher

Average total time to dispatch two orders: 2 minutes	
Labor: $20.83 per hour plus overhead costs =	$1.30
2 minutes of labor = $0.6943	
Overhead costs = $0.6057	

Total Weighted Average cost during business hours =	$24.57

2. Afterhours – on business day

   Contractor Field Technician

Weighted average cost for business hour disconnect and afterhours reconnect =	$32.95

   Employee Field technician

Average time of disconnect: 0.5 hours (business hours)	
Average time of reconnect: 1.0 hours (afterhours)	
Labor: $25.22 per hour plus overhead costs for disconnect =	$23.56
0.5 hours of labor = $12.61	
Overhead costs = $10.95	
Labor: $53.77 per hour plus overhead costs for reconnect =	$100.45
1 hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: light duty hourly cost for disconnect $2.93 =	$1.47
Vehicle: bucket truck hourly cost for reconnect $10.76 =	$10.76
Total employee field technician expenses =	$136.24

Dispatcher

Average total time to dispatch two orders: 2 minutes	
Labor: $20.83 per hour plus overhead costs =	$1.30
2 minutes of labor = $0.6943	
Overhead costs = $0.6057	
Total Weighted Average afterhours cost =	$39.41

3. Weekend or holiday reconnect

Contractor Field Technician - No contractor for weekend or holiday order completion

Employee Field Technician

Average time of 0.5 hours to disconnect	
Average time of 1.0 hours to reconnect	
Labor: $25.22 per hour plus overhead costs for disconnect =	$23.56
0.5 hours of labor = $12.61	
Overhead costs = $10.95	
Labor: $53.77 per hour plus overhead costs for reconnect =	$100.45
1 hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: light duty hourly cost $2.93 =	$1.47
Vehicle: bucket truck hourly cost $10.76 =	$10.76
Total employee field technician expenses =	$136.24

Dispatcher

Average total time to dispatch two orders: 2 minutes	
Labor: $20.83 per hour plus overhead costs =	$1.30
2 minutes of labor = $0.6943	
Overhead costs = $0.6057	
Total Weighted Average weekend/holiday cost (100% employee) =	$137.53

Overall weighted average cost to reconnect at meter =	$25.38

<u>Reconnect at the Service Line</u>

1. Business hours

Contractor Field Technician

Average time to complete disconnect/reconnect and travel: 1.5 hours	
Average contractor hourly cost for bucket truck resource $52/hour =	$78.00

Employee Field Technician

Average total time to disconnect/reconnect and travel: 1.5 hour

Labor: $26.89 per hour plus overhead costs = 1.5 hours of labor = $40.335 Overhead costs = $35.005	$75.34
Vehicle: Hourly vehicle cost of $10.76 =	$16.14
Total employee field technician expenses =	$91.48
Dispatcher Average total time to dispatch two orders: 2 minutes Labor: $20.83 per hour plus overhead costs = 2 minutes of labor = $0.6943 Overhead costs = $0.6057	$1.30
Average cost during business hours =	$79.97

2. Afterhours – on business day

Contractor Field Technician Average time to complete disconnect/reconnect and travel: 0.75 hours for disconnect and 1.0 hours reconnect Average contractor hourly cost for bucket truck resource $52/hour during business hours and $73/hour afterhours =	$112.00
Employee Field Technician Average total time to disconnect: 0.75 hours (during business hours) Average total time to reconnect : 1.0 hours (afterhours) Labor: $26.89 per hour plus overhead costs for disconnect = 0.75 hours of labor = $20.1675 Overhead costs = $17.505	$37.67
$53.77 per hour plus overhead costs for reconnect = 1 hour of labor = $53.77 Overhead costs = $46.68	$100.45
Vehicle: Hourly vehicle cost of $10.76 for 1.75 hours =	$18.83
Total employee field technician expenses =	$156.95
Dispatcher Average total time to dispatch two orders: 2 minutes Labor: $20.83 per hour plus overhead costs = 2 minutes of labor = $0.6943 Overhead costs = $0.6057	$1.30

Average afterhours cost =	$115.54

3. Weekend or holiday reconnect
Contractor Field Technician - No contractor for weekend or holiday order completion

Employee Field Technician
Average total time to disconnect: 0.75 hours
Average total time to reconnect : 1.0 hours

Labor: $26.89 per hour plus overhead for disconnect =	$37.67
0.75 hours of labor = $20.1675	
Overhead costs = $17.505	
$53.77 per hour plus overhead costs for reconnect =	$100.45
1 Hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: Hourly vehicle cost of $10.76 for 1.75 hours =	$18.83
Total employee field technician expenses =	$156.95

Dispatcher
Average total time to dispatch two orders: 2 minutes

Labor: $20.83 per hour plus overhead costs =	$1.30
2 minutes of labor = $0.6943	
Overhead costs = $0.6057	
Total Weighted Average weekend/holiday cost (100% employee) =	$158.25
Overall weighted average cost to reconnect at service line =	$84.50

<u>Trip Charge</u>

1. Reconnect at meter during business hours

Contractor Field Technician

Weighted average cost for reconnect =	$11.15

Employee Field technician
Average total time to reconnect and travel: 0.5 hours

Labor: $26.89 per hour plus overhead =	$25.11
0.5 Hours of labor = $13.445	
Overhead costs = $11.6675	
Vehicle: Hourly vehicle cost of $10.76 =	$5.38

Total employee field technician expenses =	$30.49

Dispatcher
Average total time to dispatch one order: 1 minute

Labor: $20.83 per hour plus overhead costs =	$0.65

1 minute of labor = $0.34715
Overhead costs = $0.30285

Average cost at meter during business hours =	$12.77

2. Reconnect at service line during business hours

Contractor Field Technician
Average time to complete reconnect and travel: 0.75 hours

Average contractor hourly cost for bucket truck resource $52/hour =	$39.00

Employee Field technician
Average total time to disconnect/reconnect and travel: 0.75 hour

Labor: $26.89 per hour plus overhead =	$37.67

0.75 hours of labor = $20.1675
Overhead costs = $17.5025

Vehicle: Hourly vehicle cost of $10.76 =	$8.07
Total employee field technician expenses =	$45.74

Dispatcher
Average total time to dispatch one order: 1 minute

Labor: $20.83 per hour plus overhead costs =	$0.65

1 minute of labor = $0.34715
Overhead costs = $0.30285

Average cost at service line during business hours =	$39.99
Weighted average trip charge during business day at service line =	$13.37

3. Reconnect at meter afterhours on business day

Contractor Field Technician

Weighted average cost for afterhour reconnect =	$22.52

Employee Field technician
Average total time to reconnect : 1.0 hours

Labor: $53.77 per hour plus overhead =	$100.45

1 hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: Hourly vehicle cost of $10.76 for 1.0 hour =	$10.76
Total employee field technician expenses =	$111.21

Dispatcher
Average total time to dispatch one order: 1 minute

Labor: $20.83 per hour plus overhead costs =	$0.65
1 minute of labor = $0.34715	
Overhead costs = $0.30285	
Average afterhours at meter cost =	$27.60

4. Reconnect at service line afterhours on business day

Contractor Field Technician
Average time to complete reconnect and travel: 1.0 hours
Average contractor hourly cost for bucket truck resource afterhours $73/hour = $73.00

Employee Field technician
Average total time to reconnect : 1.0 hours (afterhours)

Labor: $53.77 per hour plus overhead =	$100.45
1 hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: Hourly vehicle cost of $10.76 for 1.0 hours=	$10.76
Total employee field technician expenses =	$111.21

Dispatcher
Average total time to dispatch one order: 1 minute

Labor: $20.83 per hour plus overhead costs =	$0.65
1 minute of labor = $0.34715	
Overhead costs = $0.30285	
Average afterhours cost =	$75.56
Weighted average trip charge afterhours on business day at service line =	$28.66

5. Reconnect at meter or service line on holiday or weekend

Contractor Field Technician - No contractor for weekend or holiday order completion

Employee Field Technician	
Average total time to reconnect : 1.0 hour (afterhours)	
Labor: $53.77 per hour plus overhead =	$100.45
1 hour of labor = $53.77	
Overhead costs = $46.68	
Vehicle: Hourly vehicle cost of $10.76 for 1.0 hour =	$10.76
Total employee field technician expenses =	$111.21
Dispatcher	
Average total time to dispatch one order: 1 minute	
Labor: $20.83 per hour plus overhead costs =	$0.65
1 minute of labor = $0.34715	
Overhead costs = $0.30285	
Average weekend or holiday cost =	$111.86
Overall average cost per order =	$21.84

Collection Charge

Payment in field volume during test year: 12,183 total payments collected, 10,214 collected by contractor field technicians and 1,969 collected by company employees (AR Specialist)

Contractor Field Technician	
Weighted average cost for payment in field order =	$10.43
AR Specialist (Employee)	
Average total time to collect payment and travel: 0.5 hour	
Labor: $25.22 per hour plus overhead costs =	$23.56
Half Hour of labor: $12.61	
Overhead costs: $10.946	
Vehicle: Hourly vehicle cost of $2.93 =	$1.47
Total AR Specialist expense per payment =	$25.03
Dispatcher	
Average total time to dispatch one order: 1 minute	
Labor: $20.83 per hour plus overhead costs =	$0.65
1 Minute of labor = $0.34717	
Overhead costs = $0.30120	

Technology	
Transaction costs: Vendor cost per payment	$2.25
Vendor service fees: Annual $6,000 divided by 12,183 payments	$0.49
Total Technology Costs per payment =	$2.74
Average cost during business hours =	$16.18

Electric Meter Test Charge

Electric Meter Technician III
Average Time to Complete a Meter Test – 1 hour
Labor: $28.58 per hour plus overhead and transportation costs = $54.10
Overhead Costs = $22.56
Transportation Costs = $2.96

Engineering Studies Hourly Rate
Departmental Staffing
6 - Design Technicians I
4 – Design Technician II
6 – Senior Design Technicians

Senior Design Technician
Labor: $30.81 per hour plus overhead and transportation costs = $67.76
Overhead Costs = $28.02
Transportation Costs = $8.93

Design Technician II
Labor: $29.95 per hour plus overhead costs = $65.87
Overhead Costs = $27.23
Transportation Costs = $8.69

Design Technician I
Labor: $27.44 per hour plus overhead costs = $60.34
Overhead Costs = $24.94
Transportation Costs = $7.96

Weighted average hourly rate = $64.50

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF TYLER A. TEUSCHER

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

TYLER A. TEUSCHER

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tyler A. Teuscher. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am employed by The Dayton Power and Light Company ("DP&L" or the "Company") as a Rate Analyst in the Regulatory Operations department.

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

A. I assumed my present position in January 2011.

Q. What are your responsibilities in your current position?

A. I am responsible for assisting in the development, analysis, revision, and administration of the Company's tariff schedules, rate designs, and policies. I have responsibility for the Energy Efficiency Rider, Reconciliation Rider Nonbypassable, and Universal Service Fund Rider. I am also responsible for other Energy Efficiency, Competitive Retail Market, and Wholesale Distribution Service issues and regulatory filings.

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

A. Yes. I received a Bachelor of Science degree in Business Economics and a Bachelor of Science degree in Marketing from the University of Kentucky in 2009. I am currently pursuing an MBA from Miami University. I have been employed by DP&L since January 2011. Prior to my position at DP&L, I worked for Lastar, Inc. as a Technical

Sales Representative providing inbound and outbound sales support for both small and large customer accounts.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to support the Company's recovery of its uncollectible expense through the proposed Uncollectible Rider, and to support the development of schedules for recovery of certain deferral balances through the Company's proposed Regulatory Compliance Rider.

Q. What Schedules and Workpapers are you supporting?

A. I am supporting the following schedules and workpaper:

- Schedule C-3.17
- Schedule C-12
- Workpaper C-3.17

I also support Tariff Sheet No. D27 and Tariff Sheet No. D31.

Q. Are you providing any Exhibits?

A. Yes. I am providing the following Exhibits:

- Exhibit TAT-1, which is the Uncollectible Rider Schedules
- Exhibit TAT-2, which is the Regulatory Compliance Rider Schedules

Q. Were the schedules and supporting workpapers that you are sponsoring prepared by you or under your direction or supervision?

A. Yes.

III. UNCOLLECTIBLE RIDER

Q. Why is the Company proposing an uncollectible rider?

A. DP&L is requesting the approval of a new uncollectible rider to ensure that the Company recovers the actual amount of uncollectible expense, rather than an estimate. Currently an estimate of uncollectible expense is included and recovered in base rates. Recovering the actual amount of uncollectible expense is in the best interest of both the Company and customers and avoids an over- or under-recovery of bad debt.

Q. What is included in the proposed Uncollectible Rider?

A. Two items are included in the proposed Uncollectible Rider:

(1) A reconciliation of the previous period's actual uncollectible expense net of the actual recovery through the Uncollectible Rider, plus the forecasted uncollectible expense for the upcoming year.

(2) The actual Percentage of Income Payment Plan ("PIPP") uncollectible expense related to non-payment of PIPP installment amounts from November 1, 2010 to September 30, 2015 net of the actual recovery through the Uncollectible Rider, plus the PIPP uncollectible expense incurred by the Company from October 1, 2015 up to the effective date of this Uncollectible Rider.

(3) Carrying charges set at the Company's cost of debt will be included in this rider at the onset of recovery.

Q. Why is DP&L including PIPP uncollectible expense in the Uncollectible Rider?

A. In 2010, the Ohio Department of Development ("ODOD"), now the Ohio Development Services Agency ("ODSA"), materially changed its PIPP program, now called the PIPP Plus program, that allows low-income customers to pay a portion of their electric and/or gas bill based on a percentage of their income. Before the change in the program, all Ohio Utilities were made whole for the difference between a customer's actual bill and their PIPP installment, or the cost of PIPP, and also for the PIPP installment itself if the customer did not pay it. In order to incentivize the Electric Distribution Utilities ("EDUs") to increase collection efforts for PIPP customers, the ODSA with its new PIPP Plus program reimburses EDUs only for the cost of PIPP and requires the EDUs to pursue collection efforts on the customers' PIPP installment. Because recovery of uncollectible expenses were determined in base distribution rates, the EDUs had no method of being made whole for this new expense over and above what was originally included in base distribution rates. Any failed attempts to collect on PIPP installments through DP&L's collection efforts are written off the same as all other collection activities. In order to be made whole for all uncollectible expense, DP&L seeks recovery of past PIPP installments that could not be recovered through reasonable attempts at collection.

Q. Has DP&L engaged in prudent and reasonable efforts to collect uncollectible amounts?

A. Yes. DP&L follows strict collection policies and procedures and makes strong efforts to collect any uncollectible amounts before those dollars are deemed uncollectible/or charged to uncollectible expense.

Q. How is DP&L proposing to design the rate of the Uncollectible Rider?

A. The Uncollectible Rider will take the net costs or credits as explained above, allocate those costs/credits between Residential and Non-Residential customer classes based on total Company revenue and divide them by the annual distribution sales forecast to calculate a per-kWh rate for each of the two classifications of customers. The initial proposed rates for Residential and Non-Residential customers to be effective January 1, 2017 are $0.0007506 per kWh and $0.0003131 per kWh, respectively, or $0.75 per month for the typical residential customer that uses 1,000 kWh. See Exhibit TAT-1 – Uncollectible Rider Schedules.

Q. Does DP&L propose to recover all uncollectible expense through the proposed Uncollectible Rider?

A. Yes, the Company intends to collect all DP&L uncollectible expenses related to non-payment of electric service through this proposed Uncollectible Rider.

Q. Is it appropriate to include all uncollectible expenses in one proposed Uncollectible Rider?

A. Yes, it is appropriate to include all uncollectible expenses in the Uncollectible Rider, which is proposed as a distribution rider. Based on the current structure of the retail market in Ohio, DP&L, the electric distribution utility, bears the cost of non-payment of electric charges; therefore, it requires a mechanism to recover these costs of providing electric service to both shopping and non-shopping customers.

Q. Please explain how DP&L intends to handle uncollectible expenses associated with its current true-up riders.

A. DP&L will continue recovery of bad debt through its individual riders, which utilize a Gross Revenue Conversion Factor ("GRCF"), until such time each rider is trued-up. At the time of each rider's true-up (after approval of DP&L's Uncollectible Rider), each rider's GRCF will be adjusted to remove the adjustment to account for bad debt. Subsequently, each month, DP&L will defer the actual amount of uncollectible expense related to each individual true-up rider, for recovery in the next annual Uncollectible Rider adjustment.

Q. Why is an Uncollectible Rider a better method for recovery of bad debt expense as opposed to the use of a GRCF?

A. An uncollectible rider ensures that DP&L recovers the correct amount of dollars that are owed by its customers for electric service. With the use of a GRCF, a previous period's uncollectible expense percentage is used as a basis for the amount of future uncollectible expense the Company might experience. If the factor created using a prior period is too low, the Company is never made whole for its uncollectible expense and if the factor is too high, Customers end up paying for more uncollectible expense than is caused.

IV. REGULATORY COMPLIANCE RIDER ("RCR")

Q. Why is the Company proposing the Regulatory Compliance Rider?

A. DP&L is requesting the approval of the Regulatory Compliance Rider to recover costs the Company has or will incur as a result of matters outside the Company's normal course of business, including items such as changes in legislation, changes in regulation, and/or Commission Orders that require all Ohio utilities to implement new processes or modify computer systems to address changes in the competitive retail electric market.

The Company foresees that expenditures on projects or items that would be eligible for inclusion into the RCR are atypical and infrequent in nature, as opposed to ongoing administrative or operational costs.

Q. What is initially included in the proposed Regulatory Compliance Rider?

A. The Company is proposing that six separate deferral balances be initially included in the Regulatory Compliance Rider:

(1) Consumer Education Campaign costs;

(2) Retail Settlement System costs;

(3) Green Pricing Tariff costs;

(4) Bill Format Redesign costs incurred up to September 30, 2015;

(5) Generation Separation costs incurred up to September 30, 2015; and,

(6) Unbilled Fuel costs incurred up to September 30, 2015.

The deferral balances for Bill Format Redesign and Generation Separation are currently accruing carrying costs at DP&L's cost of debt. Additionally, carrying costs at DP&L's cost of debt will be included beginning at the onset of recovery of the Regulatory Compliance Rider for the remaining included deferrals.

Q. What types of costs are to be included in the proposed Regulatory Compliance Rider in the future?

A. The Company, in future RCR filings, proposes to include future costs associated with the following items:

(1) The remaining Bill Format Redesign costs from October 1, 2015 to the date of approval of the RCR;

(2) The remaining Generation Separation costs from October 1, 2015 to the date of approval of the RCR;

(3) Any other costs incurred as part of the Commission Ordered Investigation (Case No. 12-3151-EL-COI); and,

(4) Costs incurred as a result of future legislation or regulations that may not be known at this time.

The Company anticipates that it would file a rider update that includes any new forecasted project costs and begin recovery with approval of the filing. DP&L will then file a true-up to adjust the rate once the amortization period for the forecasted costs has ended, which will trigger a prudency review by the Commission.

Q. What is the initial recovery amount and timeframe for recovery proposed in the Regulatory Compliance Rider?

A. As shown in Exhibit TAT-2, page 2, the year 1 recovery amount is $8,972,605. This equates to a rate for all residential customers of $1.08 per month. DP&L is requesting an amortization period of three years on the total initial RCR balance of $25,745,328, which includes the six initial deferrals listed above.

Q. What are the ongoing costs and timeframe for recovery proposed in the Regulatory Compliance Rider?

A. Any additional amounts to be included in the RCR must be approved for recovery in the rider. After the initial period, the remaining deferral balances relating to bill format redesign and corporate separation costs will be included in the RCR once approval of the recovery is granted. This amount is not yet known and the timeframe for recovery will be established in each individual filing and could vary depending on the size of each individual deferral.

Q. How is DP&L proposing to design the rate of the Regulatory Compliance Rider?

A. The Regulatory Compliance Rider will take the deferral balances as explained above and allocate to the Residential, Non-Residential, and Private Outdoor Lighting classes based on share of test year base distribution revenue. Then each revenue requirement will be divided by the projected total number of bills per class in the test year to calculate a charge per class per bill. The initial proposed charges per bill to be effective January 1, 2017, or year 1, are:

Residential:	$1.08 per month
Non-Residential:	$4.10 per month
Private Outdoor Lighting:	$0.43 per month

See Exhibit TAT-2 – Regulatory Compliance Rider Schedules.

V. SCHEDULES AND WORKPAPERS

Q. What is shown on Schedule C-3.17?

A. Schedule C-3.17 entitled "Eliminate Uncollectible Expense" shows the annualized uncollectible expense not being recovered through base distribution rates and eliminates the need for recovery through base distribution rates.

Q. What is the source of the information shown on Schedule C-3.17?

A. The information on that schedule is from the Company's accounting records and corporate forecast.

Q. What is shown on <u>Schedule C-12</u>?

A. <u>Schedule C-12</u> entitled "Analysis of Reserve for Uncollectible Accounts" provides an analysis of the reserve for uncollectible accounts for the most recent three calendar years and the test year. Shown on this schedule are the beginning reserve balance, the current year provision, recoveries, charge-offs, and ending balances. The ratio of net write-offs and the ratio of uncollectible expenses are also computed. Due to the proposed Uncollectible Rider detailed above, the numbers shown are for informational purposes only and have no effect on DP&L's revenue requirement as no uncollectible amount related to nonpayment of electric charges is proposed to be collected in base distribution rates.

Q. What is the source of the information shown on <u>Schedule C-12</u>?

A. The information on that schedule is from the Company's accounting records.

VI. <u>TARIFFS</u>

Q. What is contained on Tariff Sheet No. D27?

A. Tariff Sheet No. D27 contains the rates of DP&L's proposed Uncollectible Rider which is a new rider established to recover the Company's bad debt expense related to non-payment of electric charges and PIPP Plus installments. This rider will be trued-up on an annual basis.

Q. What is contained on Tariff Sheet No. D31?

A. Tariff Sheet No. D31 contains the rates of DP&L's proposed Regulatory Compliance Rider which is a new rider established to recover costs the Company has or will incur as a result of matters outside the Company's normal course of business, including items such as legislative or regulatory changes. The initial balance in this rider will be amortized over a three year period, with a reconciliation at the end of the term. DP&L will file an application for recovery of any new costs.

VII. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes.

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Summary of Proposed Uncollectible Rider Rates

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	Unit (C)		Rate (D)	Source (E)
1	**January 1, 2017 - December 31, 2017**				
2	Residential	$/kWh	$	0.0007506	Page 2, Col (P), Line 11
3	Secondary	$/kWh	$	0.0003131	Page 2, Col (P), Line 17
4	Primary	$/kWh	$	0.0003131	Page 2, Col (P), Line 17
5	Primary Substation	$/kWh	$	0.0003131	Page 2, Col (P), Line 17
6	High Voltage	$/kWh	$	0.0003131	Page 2, Col (P), Line 17
7	Streetlighting	$/kWh	$	0.0003131	Page 2, Col (P), Line 17
8	Private Outdoor Lighting	$/kWh	$	0.0003131	Page 2, Col (P), Line 17

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Uncollectible Rider - Forecasted Rate Development
January 2017 - December 2017

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).. None

Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	Total Revenue Allocation Oct. 2014 thru Sep. 30, 2015 (C)	Jan-17 (D)	Feb-17 (E)	Mar-17 (F)	Apr-17 (G)	May-17 (H)	Jun-17 (I)	Jul-17 (J)	Aug-17 (K)	Sep-17 (L)	Oct-17 (M)	Nov-17 (N)	Dec-17 (O)	Total (P)	Source (Q)
1	Uncollectible Expense	Internal Records	$ 340,475	$ 106,174	$ 95,766	$ 215,952	$ 278,287	$ 481,993	$ 520,844	$ 343,101	$ 415,571	$ 243,207	$ 306,606	$ 295,937	$ 3,643,913	Schedule C-3.5
2	2010 - 2015 PIPP Installment Uncollectible	Residential	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 245,004	$ 2,940,053	Internal Records
3	Carrying Costs	$ 510,302,062 59.59%	$ 1,106	$ 143	$ 237	$ 917	$ 1,299	$ 2,065	$ 2,105	$ 1,260	$ 1,674	$ 1,125	$ 1,378	$ 1,170	$ 14,480	Page 3, Col (G)
4	Gross Revenue Conversion Factor	Non-Residential	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	1.0026	Adjustment for CAT
5	**Total Forecasted Amount to be Recovered**	$ 345,017,186 40.41%	$ 588,111	$ 352,235	$ 341,894	$ 463,074	$ 525,955	$ 730,958	$ 769,950	$ 590,898	$ 663,971	$ 490,608	$ 554,425	$ 543,521	$ 6,615,603	Sum (Line 1 thru 3) * Line 4
6																
7	**Residential Forecasted Rate**															
8	Residential Uncollectible Expense		$ 350,470	$ 209,906	$ 203,743	$ 275,958	$ 313,430	$ 435,596	$ 458,832	$ 352,131	$ 395,677	$ 292,366	$ 330,396	$ 323,898	$ 3,942,403	Line 5 * Column (C)
9																
10	Forecasted Billing Determinants (kWh)		601,673,962	561,425,941	489,366,749	390,722,628	329,822,337	383,786,536	448,191,440	476,671,366	426,754,315	323,981,049	356,598,627	463,572,518	5,252,567,468	Schedule E-4
11	Residential Forecasted Rate														$ 0.0007506	Line 8 / Line 10
12																
13	**Non-Residential Forecasted Rate**															
14	Non-Residential Uncollectible Expense		$ 237,641	$ 142,329	$ 138,151	$ 187,117	$ 212,525	$ 295,362	$ 311,118	$ 238,767	$ 268,294	$ 198,243	$ 224,030	$ 219,623	$ 2,673,199	Line 5 * Column (C)
15																
16	Forecasted Billing Determinants (kWh)		700,196,534	695,116,784	664,360,045	683,130,115	673,109,025	736,077,687	772,368,244	792,575,037	775,613,022	716,200,823	676,154,191	652,591,561	8,537,493,068	Schedule E-4
17	Non-Residential Forecasted Rate														$ 0.0003131	Line 14 / Line 16

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Uncollectible Rider - Calculation of Carrying Costs
January 2017 - December 2017

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Witness Responsible: Tyler A. Teuscher

		MONTHLY ACTIVITY						CARRYING COST CALCULATION	
Line (A)	Period (B)	First of Month Balance (C)	Amount Collected (CR) (D)	NET AMOUNT (E)	End of Month before Carrying Cost (F)	Carrying Cost @ 5.29% (G)	End of Month Balance (H)	Less: One-half Monthly Amount (I)	Total Applicable to Carrying Cost (J)
				(E) = (D)	(F) = (C) + (E)	(G) = (J) * (5.29% / 12)	(H) = (F) + (G)	(I) = - (E) * 0.5	(J) = (F) + (I)
1	Jan-17	$ 585,479	$ (669,108)	$ (669,108)	$ (83,629)	$ 1,106	$ (82,523)	$ 334,554	$ 250,925
2	Feb-17	$ 351,178	$ (637,390)	$ (637,390)	$ (286,212)	$ 143	$ (286,069)	$ 318,695	$ 32,483
3	Mar-17	$ 340,770	$ (573,838)	$ (573,838)	$ (233,067)	$ 237	$ (232,830)	$ 286,919	$ 53,852
4	Apr-17	$ 460,956	$ (505,849)	$ (505,849)	$ (44,893)	$ 917	$ (43,976)	$ 252,925	$ 208,032
5	May-17	$ 523,291	$ (457,127)	$ (457,127)	$ 66,165	$ 1,299	$ 67,464	$ 228,563	$ 294,728
6	Jun-17	$ 726,997	$ (517,191)	$ (517,191)	$ 209,806	$ 2,065	$ 211,871	$ 258,596	$ 468,402
7	Jul-17	$ 765,848	$ (576,741)	$ (576,741)	$ 189,107	$ 2,105	$ 191,212	$ 288,371	$ 477,478
8	Aug-17	$ 588,105	$ (604,373)	$ (604,373)	$ (16,268)	$ 1,260	$ (15,008)	$ 302,187	$ 285,919
9	Sep-17	$ 660,575	$ (561,706)	$ (561,706)	$ 98,870	$ 1,674	$ 100,544	$ 280,853	$ 379,723
10	Oct-17	$ 488,211	$ (466,211)	$ (466,211)	$ 22,001	$ 1,125	$ 23,126	$ 233,105	$ 255,106
11	Nov-17	$ 551,610	$ (478,124)	$ (478,124)	$ 73,487	$ 1,378	$ 74,865	$ 239,062	$ 312,549
12	Dec-17	$ 540,941	$ (550,852)	$ (550,852)	$ (9,910)	$ 1,170	$ (8,740)	$ 275,426	$ 265,516
13									
14					**Total**	$ 14,480			

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Uncollectible Rider - Calculation of Private Outdoor Lighting Charges

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	kWh / Fixture (C)	UC Rider Rate (D)	Source (E)
1	**Private Outdoor Lighting Rate ($/kWh)**		$0.0003131	Page 1, Line 8
2				
3	**Private Outdoor Lighting Charge ($/Fixture/Month)**			
4	9500 Lumens High Pressure Sodium	39	$0.0122109	Line 1 * Col (C), Line 4
5	28000 Lumens High Pressure Sodium	96	$0.0300576	Line 1 * Col (C), Line 5
6	7000 Lumens Mercury	75	$0.0234825	Line 1 * Col (C), Line 6
7	21000 Lumens Mercury	154	$0.0482174	Line 1 * Col (C), Line 7
8	2500 Lumens Incandescent	64	$0.0200384	Line 1 * Col (C), Line 8
9	7000 Lumens Fluorescent	66	$0.0206646	Line 1 * Col (C), Line 9
10	4000 Lumens PT Mercury	43	$0.0134633	Line 1 * Col (C), Line 10
11	3600 Lumens Light Emitting Diode (LED)	14	$0.0043834	Line 1 * Col (C), Line 11
12	8400 Lumens Light Emitting Diode (LED)	30	$0.0093930	Line 1 * Col (C), Line 12

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Summary of Proposed Regulatory Compliance Rider (RCR) Rates

Data: Actual & Estimated — Exhibit TAT-2
Type of Filing: Original — Page 1 of 4
Work Paper Reference No(s).: None — Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	Unit (C)	Rate (D)	Source (E)
1	**Year 1**			
2	Residential	$/month	$ 1.08	Page 2, Col (H), Line 2
3	Non-Residential	$/month	$ 4.10	Page 2, Col (H), Line 3
4	Private Outdoor Lighting	$/month	$ 0.43	Page 2, Col (H), Line 9
5				
6	**Year 2**			
7	Residential	$/month	$ 1.04	Page 2, Col (H), Line 12
8	Non-Residential	$/month	$ 3.93	Page 2, Col (H), Line 13
9	Private Outdoor Lighting	$/month	$ 0.41	Page 2, Col (H), Line 19
10				
11	**Year 3**			
12	Residential	$/month	$ 0.99	Page 2, Col (H), Line 22
13	Non-Residential	$/month	$ 3.73	Page 2, Col (H), Line 23
14	Private Outdoor Lighting	$/month	$ 0.39	Page 2, Col (H), Line 29

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Regulatory Compliance Rider - Rate Development

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	Annual Revenue Requirement - RCR (C) Page 3, Line 14	Distribution Test Year (D) Schedule E-4	Distribution Allocators (E) (E) = (D) / Sum (D)	Allocated Rev. Requirement (F) (F) = (C) * (E)	Forecasted Bills Test Year (G) Schedule E-4	Proposed Rates (per Bill) (H) (H) = (F) / (G)
			Distribution Revenue ($)				
1	**Year 1**	$ 8,972,605					
2	**Residential**		**$ 185,780,637**	**66.82%**	**$ 5,995,366**	**5,530,430**	**$ 1.08**
3	**Non-Residential**		**$ 89,140,289**	**32.06%**	**$ 2,876,665**	**701,946**	**$ 4.10**
4	Secondary		$ 71,580,868			693,362	
5	Primary		$ 15,739,279			5,724	
6	Primary Substation		$ 778,386			96	
7	High Voltage		$ 78,731			108	
8	Streetlighting		$ 963,025			2,656	
9	**Private Outdoor Lighting**		**$ 3,116,510**	**1.12%**	**$ 100,574**	**232,764**	**$ 0.43**
10							
11	**Year 2**	$ 8,596,760					
12	**Residential**		**$ 185,780,637**	**66.82%**	**$ 5,744,232**	**5,530,430**	**$ 1.04**
13	**Non-Residential**		**$ 89,140,289**	**32.06%**	**$ 2,756,167**	**701,946**	**$ 3.93**
14	Secondary		$ 71,580,868			693,362	
15	Primary		$ 15,739,279			5,724	
16	Primary Substation		$ 778,386			96	
17	High Voltage		$ 78,731			108	
18	Streetlighting		$ 963,025			2,656	
19	**Private Outdoor Lighting**		**$ 3,116,510**	**1.12%**	**$ 96,361**	**232,764**	**$ 0.41**
20							
21	**Year 3**	$ 8,175,964					
22	**Residential**		**$ 185,780,637**	**66.82%**	**$ 5,463,062**	**5,530,430**	**$ 0.99**
23	**Non-Residential**		**$ 89,140,289**	**32.06%**	**$ 2,621,258**	**701,946**	**$ 3.73**
24	Secondary		$ 71,580,868			693,362	
25	Primary		$ 15,739,279			5,724	
26	Primary Substation		$ 778,386			96	
27	High Voltage		$ 78,731			108	
28	Streetlighting		$ 963,025			2,656	
29	**Private Outdoor Lighting**		**$ 3,116,510**	**1.12%**	**$ 91,644**	**232,764**	**$ 0.39**

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Regulatory Compliance Rider - Revenue Requirement
January 2017 - December 2019

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Witness Responsible: Tyler A. Teuscher

Line (A)	Description (B)	Balance as of Sep. 30, 2015 (C)	Year 1 Amortization (D)	Year 2 Amortization (E)	Year 3 Amortization (F)	Source (G)
1	Consumer Education Campaign	$ 3,038,792	$ 1,012,931	$ 1,012,931	$ 1,012,931	Internal Records
2	Retail Settlement System Costs	$ 3,067,358	$ 1,022,453	$ 1,022,453	$ 1,022,453	Internal Records
3	Green Pricing Program	$ 75,670	$ 25,223	$ 25,223	$ 25,223	Internal Records
4	Generation Separation	$ 3,567,413	$ 1,189,138	$ 1,189,138	$ 1,189,138	Internal Records
5	Bill Format Redesign	$ 327,400	$ 109,133	$ 109,133	$ 109,133	Internal Records
6	Unbilled Fuel	$ 13,366,443	$ 4,455,481	$ 4,455,481	$ 4,455,481	Internal Records
7						
8	**Total**	**$ 23,443,074**	**$ 7,814,358**	**$ 7,814,358**	**$ 7,814,358**	Sum (Line 1 thru 6)
9						
10	Carrying Costs	$ 2,235,489	$ 1,134,978	$ 760,108	$ 340,403	Page 4, Col (H)
11						
12	Total	$ 25,678,564	$ 8,949,337	$ 8,574,466	$ 8,154,761	Line 8 + Line 10
13	Gross Revenue Conversion Factor	1.0026	1.0026	1.0026	1.0026	Adjustment for CAT
14	**Total to be Recovered**	**$ 25,745,328**	**$ 8,972,605**	**$ 8,596,760**	**$ 8,175,964**	Line 12 * Line 13

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Regulatory Compliance Rider - Calculation of Carrying Costs
December 2014 - December 2019

Data: Actual & Estimated
Type of Filing: Original
Work Paper Reference No(s).: None

Exhibit TAT-2
Page 4 of 4
Witness Responsible: Tyler A. Teuscher

		MONTHLY ACTIVITY							CARRYING COST CALCULATION	
Line (A)	Period (B)	First of Month Balance (C)	Date of Carrying Cost Application (D)	Amount Collected (CR) (E)	NET AMOUNT (F)	End of Month before Carrying Cost (G)	Carrying Cost @ 5.29% (H)	End of Month Balance (I)	Less: One-half Monthly Amount (J)	Total Applicable to Carrying Cost (K)
					(F) = (D) + (E)	(G) = (C) + (F)	(H) = (K) * (5.29% / 12)	(I) = (G) + (H)	(J) = - (F) * 0.5	(K) = (G) + (J)
1	Dec-14	$ -	$ 1,593,926	$ -	$ 1,593,926	$ 1,593,926	$ 3,513	$ 1,597,439	$ (796,963)	$ 796,963
2	Jan-15	$ 1,597,439	$ -	$ -	$ -	$ 1,597,439	$ 7,042	$ 1,604,482	$ -	$ 1,597,439
3	Feb-15	$ 1,604,482	$ -	$ -	$ -	$ 1,604,482	$ 7,073	$ 1,611,555	$ -	$ 1,604,482
4	Mar-15	$ 1,611,555	$ 118,713	$ -	$ 118,713	$ 1,730,268	$ 7,366	$ 1,737,634	$ (59,357)	$ 1,670,911
5	Apr-15	$ 1,737,634	$ 30,941	$ -	$ 30,941	$ 1,768,575	$ 7,728	$ 1,776,303	$ (15,471)	$ 1,753,104
6	May-15	$ 1,776,303	$ 1,721,226	$ -	$ 1,721,226	$ 3,497,528	$ 11,624	$ 3,509,153	$ (860,613)	$ 2,636,916
7	Jun-15	$ 3,509,153	$ 271,724	$ -	$ 271,724	$ 3,780,877	$ 16,068	$ 3,796,946	$ (135,862)	$ 3,645,015
8	Jul-15	$ 3,796,946	$ 110,384	$ -	$ 110,384	$ 3,907,330	$ 16,982	$ 3,924,312	$ (55,192)	$ 3,852,138
9	Aug-15	$ 3,924,312	$ (601)	$ -	$ (601)	$ 3,923,710	$ 17,298	$ 3,941,009	$ 301	$ 3,924,011
10	Sep-15	$ 3,941,009	$ 48,499	$ -	$ 48,499	$ 3,989,507	$ 17,480	$ 4,006,988	$ (24,249)	$ 3,965,258
11	Oct-15	$ 4,006,988	$ -	$ -	$ -	$ 4,006,988	$ 17,664	$ 4,024,652	$ -	$ 4,006,988
12	Nov-15	$ 4,024,652	$ -	$ -	$ -	$ 4,024,652	$ 17,742	$ 4,042,394	$ -	$ 4,024,652
13	Dec-15	$ 4,042,394	$ -	$ -	$ -	$ 4,042,394	$ 17,820	$ 4,060,214	$ -	$ 4,042,394
14	Jan-16	$ 4,060,214	$ -	$ -	$ -	$ 4,060,214	$ 17,899	$ 4,078,113	$ -	$ 4,060,214
15	Feb-16	$ 4,078,113	$ -	$ -	$ -	$ 4,078,113	$ 17,978	$ 4,096,090	$ -	$ 4,078,113
16	Mar-16	$ 4,096,090	$ -	$ -	$ -	$ 4,096,090	$ 18,057	$ 4,114,147	$ -	$ 4,096,090
17	Apr-16	$ 4,114,147	$ -	$ -	$ -	$ 4,114,147	$ 18,137	$ 4,132,284	$ -	$ 4,114,147
18	May-16	$ 4,132,284	$ -	$ -	$ -	$ 4,132,284	$ 18,216	$ 4,150,500	$ -	$ 4,132,284
19	Jun-16	$ 4,150,500	$ -	$ -	$ -	$ 4,150,500	$ 18,297	$ 4,168,797	$ -	$ 4,150,500
20	Jul-16	$ 4,168,797	$ -	$ -	$ -	$ 4,168,797	$ 18,377	$ 4,187,175	$ -	$ 4,168,797
21	Aug-16	$ 4,187,175	$ -	$ -	$ -	$ 4,187,175	$ 18,458	$ 4,205,633	$ -	$ 4,187,175
22	Sep-16	$ 4,205,633	$ -	$ -	$ -	$ 4,205,633	$ 18,540	$ 4,224,173	$ -	$ 4,205,633
23	Oct-16	$ 4,224,173	$ -	$ -	$ -	$ 4,224,173	$ 18,622	$ 4,242,794	$ -	$ 4,224,173
24	Nov-16	$ 4,242,794	$ -	$ -	$ -	$ 4,242,794	$ 18,704	$ 4,261,498	$ -	$ 4,242,794
25	Dec-16	$ 4,261,498	$ -	$ -	$ -	$ 4,261,498	$ 18,786	$ 4,280,284	$ -	$ 4,261,498
26	Jan-17	$ 4,280,284	$ 19,548,262	$ (743,977)	$ 18,804,286	$ 23,084,570	$ 60,317	$ 23,144,887	$ (9,402,143)	$ 13,682,427
27	Feb-17	$ 23,144,887	$ -	$ (743,977)	$ (743,977)	$ 22,400,910	$ 100,391	$ 22,501,300	$ 371,988	$ 22,772,898
28	Mar-17	$ 22,501,300	$ -	$ (743,977)	$ (743,977)	$ 21,757,324	$ 97,553	$ 21,854,877	$ 371,988	$ 22,129,312
29	Apr-17	$ 21,854,877	$ -	$ (743,977)	$ (743,977)	$ 21,110,901	$ 94,704	$ 21,205,604	$ 371,988	$ 21,482,889
30	May-17	$ 21,205,604	$ -	$ (743,977)	$ (743,977)	$ 20,461,628	$ 91,842	$ 20,553,469	$ 371,988	$ 20,833,616
31	Jun-17	$ 20,553,469	$ -	$ (743,977)	$ (743,977)	$ 19,809,493	$ 88,967	$ 19,898,459	$ 371,988	$ 20,181,481
32	Jul-17	$ 19,898,459	$ -	$ (743,977)	$ (743,977)	$ 19,154,483	$ 86,079	$ 19,240,562	$ 371,988	$ 19,526,471
33	Aug-17	$ 19,240,562	$ -	$ (743,977)	$ (743,977)	$ 18,496,585	$ 83,179	$ 18,579,764	$ 371,988	$ 18,868,574
34	Sep-17	$ 18,579,764	$ -	$ (743,977)	$ (743,977)	$ 17,835,788	$ 80,266	$ 17,916,054	$ 371,988	$ 18,207,776
35	Oct-17	$ 17,916,054	$ -	$ (743,977)	$ (743,977)	$ 17,172,077	$ 77,340	$ 17,249,417	$ 371,988	$ 17,544,065
36	Nov-17	$ 17,249,417	$ -	$ (743,977)	$ (743,977)	$ 16,505,440	$ 74,401	$ 16,579,842	$ 371,988	$ 16,877,429
37	Dec-17	$ 16,579,842	$ -	$ (743,977)	$ (743,977)	$ 15,835,865	$ 71,450	$ 15,907,315	$ 371,988	$ 16,207,853
38	Jan-18	$ 15,907,315	$ -	$ (715,284)	$ (715,284)	$ 15,192,030	$ 68,548	$ 15,260,579	$ 357,642	$ 15,549,673
39	Feb-18	$ 15,260,579	$ -	$ (715,284)	$ (715,284)	$ 14,545,294	$ 65,697	$ 14,610,991	$ 357,642	$ 14,902,936
40	Mar-18	$ 14,610,991	$ -	$ (715,284)	$ (715,284)	$ 13,895,707	$ 62,834	$ 13,958,541	$ 357,642	$ 14,253,349
41	Apr-18	$ 13,958,541	$ -	$ (715,284)	$ (715,284)	$ 13,243,256	$ 59,957	$ 13,303,214	$ 357,642	$ 13,600,899
42	May-18	$ 13,303,214	$ -	$ (715,284)	$ (715,284)	$ 12,587,929	$ 57,068	$ 12,644,998	$ 357,642	$ 12,945,572
43	Jun-18	$ 12,644,998	$ -	$ (715,284)	$ (715,284)	$ 11,929,714	$ 54,167	$ 11,983,880	$ 357,642	$ 12,287,356
44	Jul-18	$ 11,983,880	$ -	$ (715,284)	$ (715,284)	$ 11,268,596	$ 51,252	$ 11,319,848	$ 357,642	$ 11,626,238
45	Aug-18	$ 11,319,848	$ -	$ (715,284)	$ (715,284)	$ 10,604,564	$ 48,325	$ 10,652,889	$ 357,642	$ 10,962,206
46	Sep-18	$ 10,652,889	$ -	$ (715,284)	$ (715,284)	$ 9,937,605	$ 45,385	$ 9,982,990	$ 357,642	$ 10,295,247
47	Oct-18	$ 9,982,990	$ -	$ (715,284)	$ (715,284)	$ 9,267,705	$ 42,432	$ 9,310,137	$ 357,642	$ 9,625,348
48	Nov-18	$ 9,310,137	$ -	$ (715,284)	$ (715,284)	$ 8,594,853	$ 39,466	$ 8,634,319	$ 357,642	$ 8,952,495
49	Dec-18	$ 8,634,319	$ -	$ (715,284)	$ (715,284)	$ 7,919,034	$ 36,486	$ 7,955,521	$ 357,642	$ 8,276,676
50	Jan-19	$ 7,955,521	$ -	$ (680,245)	$ (680,245)	$ 7,275,276	$ 33,571	$ 7,308,847	$ 340,122	$ 7,615,398
51	Feb-19	$ 7,308,847	$ -	$ (680,245)	$ (680,245)	$ 6,628,602	$ 30,720	$ 6,659,322	$ 340,122	$ 6,968,724
52	Mar-19	$ 6,659,322	$ -	$ (680,245)	$ (680,245)	$ 5,979,078	$ 27,857	$ 6,006,935	$ 340,122	$ 6,319,200
53	Apr-19	$ 6,006,935	$ -	$ (680,245)	$ (680,245)	$ 5,326,690	$ 24,981	$ 5,351,671	$ 340,122	$ 5,666,812
54	May-19	$ 5,351,671	$ -	$ (680,245)	$ (680,245)	$ 4,671,426	$ 22,093	$ 4,693,519	$ 340,122	$ 5,011,549
55	Jun-19	$ 4,693,519	$ -	$ (680,245)	$ (680,245)	$ 4,013,274	$ 19,191	$ 4,032,465	$ 340,122	$ 4,353,396
56	Jul-19	$ 4,032,465	$ -	$ (680,245)	$ (680,245)	$ 3,352,220	$ 16,277	$ 3,368,497	$ 340,122	$ 3,692,343
57	Aug-19	$ 3,368,497	$ -	$ (680,245)	$ (680,245)	$ 2,688,252	$ 13,350	$ 2,701,602	$ 340,122	$ 3,028,375
58	Sep-19	$ 2,701,602	$ -	$ (680,245)	$ (680,245)	$ 2,021,358	$ 10,410	$ 2,031,768	$ 340,122	$ 2,361,480
59	Oct-19	$ 2,031,768	$ -	$ (680,245)	$ (680,245)	$ 1,351,523	$ 7,457	$ 1,358,980	$ 340,122	$ 1,691,645
60	Nov-19	$ 1,358,980	$ -	$ (680,245)	$ (680,245)	$ 678,735	$ 4,491	$ 683,227	$ 340,122	$ 1,018,858
61	Dec-19	$ 683,227	$ -	$ (680,245)	$ (680,245)	$ 2,982	$ 1,513	$ 4,494	$ 340,122	$ 343,104
62										
63						Total	$ 2,235,489			

I.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY
OF KURT A. TORNQUIST

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

KURT A. TORNQUIST

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Kurt A. Tornquist. I am employed by the AES U.S. Services, LLC ("AES Services") whose business address is One Monument Circle, Indianapolis, Indiana 46204.

Q. What is your position?

A. I am the Controller of The Dayton Power & Light Company. I am also the Controller of AES Services.

Q. Please describe your responsibilities as Controller.

A. I am responsible for all accounting and financial reporting activities for the AES Corporation ("AES") energy subsidiaries located within the United States of America. These subsidiaries include, but are not limited to, The Dayton Power & Light Company ("DP&L" or "Company"), The Indianapolis Power & Light Company ("IPL"), and The AES Corporation U.S. Generation Plants ("US GEN").

Q. Please summarize your educational and professional qualifications.

A. I hold a Bachelor of Science in Business Administration with a concentration in Accounting from the University of Maine. I am a Certified Public Accountant and a Certified Managerial Accountant.

Q. Please summarize your prior work experience.

A. I joined IPL in October, 2006, after 14 years serving Maine Public Service Company in roles that included Assistant Controller, Controller and CFO. I became the Controller of Dayton Power & Light Company in July, 2013.

Q. Have you previously provided testimony before a state utilities commission?

A. Yes, I have filed testimony and testified before the Indiana Utility Regulatory Commission in Indianapolis Power & Light Company's Cause No. 44576, and I filed testimony before the Maine Public Utilities Commission during my tenure at Maine Public Service Company.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony provides an overview of DP&L's financial operations and how the Company prepared the financial schedules submitted in support of DP&L's application for a rate increase.

Q. Are you sponsoring any schedules being submitted as a part of this application?

A. Yes. I am sponsoring the following schedules:

- Schedule B-5, page 2 and Schedule B-5.1, pages 2 and 3, which relates to non-cash components of working capital. All forecasted information is sponsored by Company Witness Rabb.
- I am sponsoring Schedules B-7 and B-7.1, lines 9 through 28 and lines 8 through 27, respectively, which relate to jurisdictional allocation factors. All other allocators are being sponsored by Company Witness Rennix.
- I am also sponsoring Schedules B-7.2 and C-7 which are the Explanation of Changes in Allocation Procedures and Customer Service and Informational, Sales, and General Expenses, respectively.

Q. Were the financial schedules you are sponsoring prepared by you or under your direction or supervision?

A. Yes. I sponsor the historical information and I have reviewed them for accuracy and reasonableness.

Q. Do you sponsor any Workpapers?

A. Yes. I sponsor the following workpapers in support of the schedules identified above:

- <u>Workpapers B-5.1b, B-5.1c, B-5.1d, B-5.1e, and B-5.1f</u>
- <u>Workpaper C-7</u>

III. DP&L'S FINANCIAL OPERATIONS

Q. Please describe the steps taken by the Company, in general, to maintain the integrity of its books and records.

A. While DP&L's management is ultimately responsible for the information contained in its books and records, there is also a high degree of scrutiny by outside parties. The accounting firm of Ernst & Young performs annual independent audits of the books and records of DP&L. Ernst & Young's 2014 audit reported that the financial statements in their opinion were presented fairly in all material respects. The books and records are also subject to audit by the Public Utilities Commission of Ohio.

Q. What other controls does DP&L exercise to ensure the accuracy of its financial information?

A. DP&L follows the directives of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, the Financial Accounting Standards Board ("FASB"), Generally Accepted Accounting Principles ("GAAP"), Sarbanes-Oxley regulations, as well as various internally-established control procedures. Examples of the internally-established procedures include: authority limits and approvals required for expenditures and general ledger transactions; bank and general ledger account reconciliations; and access limitations to the general ledger accounting system.

IV. PREPARATION OF THE FINANCIAL SCHEDULES

Q. Please describe the basis for the financial schedules presented in this rate proceeding.

A. For the test period in this rate proceeding, DP&L used the actual financial results of operations for the months of June 2015 through September 2015. The remainder of the test year is based upon the forecast for the months of October 2015 through May 2016. The test period activity was adjusted to annualize the effect of changes that are known to be occurring prior to May 31, 2016, and to segregate the results for presentation of Distribution-only information. For non-cash Working Capital, DP&L used actual financial results of operations for the months of May 2015 through September 2015. The remainder of the non-cash Working Capital time period is based upon the forecast for the months of October 2015 through May 2016.

V. SCHEDULES OR WORKPAPERS

Q. Please describe the contents of Schedule B-5, page 2.

A. Schedule B-5, page 2, contains information regarding non-cash components of working capital. It begins with the Transmission and Distribution ("T&D") thirteen month average balance for Fuel Stock, Allowance Inventory, net Materials & Supplies ("M&S") held for normal operations, Prepayments, Accruals, and adjustments for Wright Patterson Air Force Base ("WPAFB") non-cash Working Capital totaling $7,945,602.

These balances are further reduced by allocations to derive the jurisdictional portion for Distribution-only operations for a total of $7,563,211. The Cash Working Capital from Schedule B-5, page 1 is added to the Total Non-Cash Working Capital on Schedule B-5, page 2 to derive the Working Capital Allowance of $5,735,724.

Q. Please describe Schedule B-5.1, page 2.

A. Schedule B-5.1, page 2, reflects the thirteen month average balance for the non-cash components of working capital presented on Schedule B-5, page 2. The averages are presented for Total Company and for the split to divide between Generation/Other Entities and T&D. The resulting T&D average balance for each component is carried forward to Schedule B-5, page 2. The total T&D M&S Other than New Construction total is $8,913,309, the total Prepayments is $5,259,507, the total Accruals is $(6,217,489), the total adjustment for WPAFB is $(9,725) for a resulting Total Non-Cash Working Capital of $7,945,602.

The detail to support the M&S amounts appearing on Schedule B-5.1, page 2, line 9, comes from Workpaper B-5.1b, page 1. Workpaper B-5.1c contains the monthly balance for each M&S account shown on Workpaper B-5.1b.

The monthly detail for the Prepayments component is contained on Workpaper B-5.1d, the monthly detail for the Accruals component is contained on Workpaper B-5.1e, and the monthly detail for the WPAFB M&S component is contained on Workpaper B-5.1f.

Q. Please describe Schedule B-5.1, page 3.

A. Schedule B-5.1, page 3, reflects the September 30, 2015 date certain balance for the non-cash components of working capital. The date certain balance is presented for Total

Company and for the split to divide between Generation/Other Entities and T&D. The total date certain T&D M&S Other than New Construction total is $8,847,134, the total date certain Prepayments is $3,391,316, the total date certain Accruals is $(6,385,166), the total date certain adjustments for WPAFB is $(9,749) for a resulting Total Non-Cash Working Capital of $5,843,535.

The detail to support the M&S amounts appearing on Schedule B-5.1, page 3, line 9, comes from Workpaper B-5.1b, page 2, line 19. Workpaper B-5.1c, line 5 of pages 1 and 2, contains the date certain balance for each M&S account shown on Workpaper B-5.1b, page 2.

The date certain detail for the Prepayments component is contained on Workpaper B-5.1d, line 5, the date certain detail for the Accruals component is contained on Workpaper B-5.1e, line 5, and the date certain detail for the WPAFB M&S component is contained on Workpaper B-5.1f, line 5.

Q. The next schedules you are sponsoring are Schedule B-7, B-7.1, and B-7.2. Please describe the purpose of these schedules.

A. Schedule B-7 presents the summary of Jurisdictional Allocation Factors, which are derived from information presented on Schedule B-7.1. I am sponsoring the information on Schedule B-7, lines 9 through 28, and Schedule B-7.1, lines 8 through 27. Schedule B-7.2 provides an explanation of changes in the allocation procedures.

Q. What is the source of the information shown on Schedule B-7.1?

A. The source for Columns E and H, lines 9 through 24 on Schedule B-7.1 is DP&L's Oracle General Ledger for each FERC account, 451 through 935 for the 12-month period of October 2014 through September 2015. Column E reflects the total Company costs and Column H reflects the jurisdictional amount.

Q. Can you describe the process that you used to derive the allocation factors shown on Schedule B-7.1?

A. Yes. Total Company costs for FERC accounts 451 through 935 were acquired from DP&L's General Ledger for the 12-month period, October 2014 through September 2015. The direct costs to Generation were removed and then to adjust to jurisdictional, the costs charged to each area were reviewed and analyzed. Since DP&L uses a Cost Allocation process to allocate staff/corporate costs to their subsidiaries, the percentages applicable to Distribution were utilized to calculate the jurisdictional costs. The allocation percentage is a result of dividing the total jurisdictional costs by the total Company costs by FERC account. The resulting percentage is shown in Column I on Schedule B-7.1.

Q. Please continue and describe Schedule C-7.

A. Schedule C-7 presents Customer Service and Informational, Sales, and General Expense for the test period separated into labor and non-labor. This is the information required by OAC, Chapter 4901-7, Section C Instructions, Part D (4).

VI. CONCLUSION

Q. Is the information provided on the Schedules and Workpapers you sponsor accurate to the best of your knowledge and belief?

A. Yes.

Q. Does that conclude your direct testimony?

A. Yes, it does.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 15-1830-EL-AIR
CASE NO. 15-1831-EL-AAM
CASE NO. 15-1832-EL-ATA

DIRECT TESTIMONY OF LAUREN R. WHITEHEAD

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

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY OF

LAUREN R. WHITEHEAD

ON BEHALF OF
<u>THE DAYTON POWER AND LIGHT COMPANY</u>

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lauren R. Whitehead. My business address is One Monument Circle, Indianapolis, IN 46204.

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

A. I am employed by a subsidiary of the AES Corporation, AES US Services, LLC ("AES Services") and serve as an Accounting Supervisor for its United States businesses, which include The Dayton Power & Light Company ("DP&L" or "Company"), Indianapolis Power & Light Company ("IPL") and The AES Corporation US Generation Plants.

Q. Please summarize your work experience with AES.

A. I was an employee of DP&L from May 2006 through December 2013. During my tenure with DP&L, I worked in various positions including senior accountant responsible primarily for revenue accounting. In January 2014, I became an employee of AES Services where I later moved into the position of General Accounting Supervisor.

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

A. I earned a Bachelor of Sciences Degree in Accounting and Finance from Wright State University and a Masters of Business Administration from the University of Dayton. I worked for DP&L for seven years before moving to DP&L's parent company, the AES Corporation, where I have spent the last two years.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. I sponsor information for Revenue Accounting, which relates to reported revenue history, as well as the elimination of DP&L's recorded unbilled revenues, the elimination of the Universal Service Fund ("USF") rider and the elimination of the State Excise Tax Rider revenue.

III. SCHEDULES AND WORKPAPERS

Q. What schedules are you sponsoring?

A. I am sponsoring the historical revenue portion of the following schedules:

- Schedule C-3.8 – Eliminate State Excise Tax Rider Revenue and Expense
- Schedule C-3.23 – Eliminate Unbilled Revenue and Expense
- Schedules C-11.1 through C-11.4 – Revenue and Sales Statistics

Additionally, I sponsor the entirety of Schedule C-3.2 – Eliminate Universal Service Fund Rider Revenue and Expense.

Q. Were these schedules or portions of these schedules prepared or assembled by you or under your direction or supervision?

A. Yes. I sponsor all historical information. All forecasted information is sponsored by Company Witness Rabb.

Q. Did you sponsor any workpapers?

A. Yes. I am sponsoring the workpapers that support the elimination of USF Rider Revenue and Expense, the elimination of the Excise Tax Rider Revenue and Expense, the elimination of Unbilled Revenue and Expense, and all historical revenue information. The workpapers that I sponsor are:

- Workpaper C-3.2, C-3.8, and C-3.23

- Workpapers C-11.1 through C-11.3

Q. Please describe Schedule C-3.2.

A. Schedule C-3.2 adjusts test year operating income to eliminate 100% of revenues and expenses that are recovered through the Universal Service Fund Rider. Revenues and expenses for the Universal Service Fund Rider have been removed from the distribution cost of service because those revenues and expenses are collected and recovered separately through the Universal Service Fund Rider approved by the Commission in case No. 14-1002-EL-USF. This jurisdictional adjustment results in a decrease in revenue of $27,309,700 and a decrease in operating and maintenance ("O&M") expense of $27,309,700.

Q. Please describe Schedule C-3.8.

A. Schedule C-3.8 adjusts test year operating income to eliminate 100% of revenues and expenses that are recovered through the State Excise Tax Rider. Revenues and expenses for the State Excise Tax Rider have been removed from the distribution cost of service because those revenues and expenses are collected and recovered separately through the State Excise Tax Rider approved by the Commission in case No. 09-1908-EL-ATA. This jurisdictional adjustment results in a decrease in revenue of $49,775,497. The elimination of excise tax expense is being sponsored by Company Witness Allamanno.

Q. Please describe Schedule C-3.23.

A. Schedule C-3.23 adjusts test year operating income in order to eliminate the Company's recorded unbilled revenue and expense. For purposes of this filing, the effect of unbilled revenue and expense for the period of June through September of the test year is being removed.

Q. Please explain why DP&L eliminated unbilled revenue.

A. DP&L eliminated the recorded unbilled revenue from its operating results because total company results include both billed and unbilled revenues and expenses. We have eliminated the impact of both unbilled revenue and expense in adjustment Schedule C-3.23 so that only billed revenue and expense remain in the operating income statement for the test year. This adjustment enables the Company to reflect accurately its test year base distribution revenues and expenses for the purpose of calculating the necessary rate increase. This jurisdictional adjustment results in an increase in revenue of $2,672,207. The adjustment of unbilled expense is being sponsored by Company Witness Forestal.

Q. Are the results of the adjustments on Schedule C-3.2, C-3.8 and C-3.23 reasonable, and if so, why?

A. Yes. The source of the information used in these adjustments is accurate, as it is based on DP&L's books and records. Further, as explained above, these adjustments are required to accurately reflect DP&L's jurisdictional pro forma test year revenues and expenses for determination of proposed base distribution rates. If these adjustments were not made, then DP&L's test year operating income would be inaccurate, which would impair the Company's ability to earn a fair rate of return on its electric distribution operations.

Q. Please describe Schedules C-11.1 through C-11.4.

A. Schedules C-11.1 through C-11.4 represent the electric revenues and sales statistics for DP&L and the jurisdictional revenues and sales in these proceedings. The years 2010 through 2014 are based on actual data. The test year twelve months ending May 2016 reflects four months actual and eight months projected data. Years 2016 through 2020 are projected and provide information from DP&L's electric sales forecast, which is sponsored by Company Witness Rabb. The historical revenue data reflected in Schedules C-11.1 through C-11.4 reflects billed data only. Included in Total Revenue Statistics on Schedule C-11.1 are all retail revenue dollars billed to customers, while the Jurisdictional Revenue Statistics on Schedule C-11.2 include only billed distribution tariff dollars. Both Total and Jurisdictional Sales Statistics on Schedules C-11.3 and C-11.4 include distribution level sales volumes.

IV. CONCLUSION

Q. Does that conclude your direct testimony?

A. Yes.