

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
Dayton Power & Light Company For) Case No. 16-0395-EL-SSO
Approval of Its Electric Security Plan)
)

In the Matter of the Application of The)
Dayton Power & Light Company For) Case No. 16-0396-EL-ATA
Approval of Revised Tariffs)
)

In the Matter of the Application of The)
Dayton Power & Light Company For) Case No. 16-0397-EL-AAM
Approval of Certain Accounting Authority)
Pursuant to Ohio Rev. Code § 4905.13)

DIRECT TESTIMONY OF DANIEL BREMER
ON BEHALF OF HONDA OF AMERICA MFG., INC.

November 21, 2016

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Daniel Bremer, and my business address is 24000 Honda Parkway,
4 Marysville, Ohio 43040.

5 **Q. PLEASE DESCRIBE YOUR AFFILIATION WITH HONDA OF AMERICA**
6 **MFG., INC. (“HONDA”)?**

7 A. I currently serve as the Energy Procurement and Construction Support Engineer. In my
8 role as Energy Procurement and Construction Support Engineer, I am responsible for
9 energy procurement including electricity and natural gas for the Honda manufacturing
10 facilities in Ohio, Indiana, and South Carolina. In addition to energy procurement, I
11 support new building construction as Honda’s electrical engineer. In this capacity, I
12 ensure that reliable energy is delivered to the Honda facilities in compliance with the
13 approved Honda strategy and with appropriate levels of risk. In addition, I ensure that
14 energy contracts are negotiated in a timely fashion.

15 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

16 A. I graduated from the University of Kentucky in 2009 with a B.S. in Electrical
17 Engineering, and I obtained a Master of Business Administration from the University of
18 Kentucky in 2010.

19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

20 A. I have been employed by Honda as the Energy Procurement and Construction Support
21 Engineer since 2012. As the Energy Procurement and Construction Support Engineer, I
22 am responsible for refining and implementing an energy procurement strategy for Honda

1 facilities to ensure reliable energy delivery at a fair cost. I previously held the position of
2 Engineering Support for Honda of America Manufacturing Company Facilities.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. My testimony addresses certain aspects of The Dayton Power and Light Company's
5 ("DP&L") proposed Electric Security Plan ("ESP"), which especially impacts large
6 industrial customers like Honda whose only service from DP&L is the delivery of high
7 voltage or primary voltage service. More specifically, my testimony addresses and
8 explains Honda's opposition to the proposed Distribution Modernization Rider, Clean
9 Energy Rider, the Reconciliation Rider, and the Distribution Investment Rider. In
10 addition, my testimony describes why DP&L's description of the rate impact is
11 insufficient and incomplete. Finally, my testimony calls for the Commission to defer
12 consideration of the proposed Storm Cost Recover Rider, the Regulatory Compliance
13 Rider, and the Distribution Decoupling Rider until the Commission is more thoroughly
14 prepared to adjudicate and thoughtfully evaluate the parties' differing positions on these
15 riders in the DP&L distribution case, Case No. 15-1830 ("Distribution Case").

16 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC UTILITIES**
17 **COMMISSION OF OHIO OR OTHER STATE OR FEDERAL REGULATORY**
18 **AGENCY?**

19 A. No.

20 **Q. IS HONDA A CUSTOMER OF DP&L?**

21 A. Yes. Honda is a large industrial consumer with facilities located in and served by DP&L.
22 With over 29,500 employees in the United States, Honda manufactures automobiles and
23 various other products. In addition, Honda is one of the largest employers in the state of

1 Ohio. Honda receives its energy from DP&L at transmission voltage and owns/operates
2 its own substation.

3 **Q. WHAT MANUFACTURING FACILITIES DOES HONDA HAVE IN THE DP&L**
4 **SERVICE TERRITORY?**

5 A. Honda's East Liberty manufacturing facility is served by DP&L. More specifically,
6 Honda's East Liberty plant obtains its electrical service from a DP&L owned, PJM
7 Interconnect controlled transmission line which feeds a substation owned by Honda.
8 This Honda-owned substation is used exclusively to supply electric service to the East
9 Liberty manufacturing facility and the Transportation Research Center located on
10 property owned by Honda. The electric service received from DP&L is measured by
11 advanced metering. Advanced metering, which was purchased by Honda and is used by
12 DP&L, tracks in real time voltage and MWh, as well as phase, harmonics, and other
13 qualities.

14 Honda's East Liberty plant consumes in excess of 100,000 MWh per year. The
15 energy consumed at the East Liberty manufacturing facility is used to accomplish a wide
16 variety of tasks, including but not limited to lighting and operating sophisticated robots
17 and ventilation equipment.

18 **Q. WHAT IS HONDA'S POSITION CONCERNING DP&L'S PROPOSED**
19 **DISTRIBUTION MODERNIZATION RIDER?**

20 A. Honda opposes the proposed Distribution Modernization Rider ("DMR") because it
21 would adversely impact Honda. The proposed DMR is a \$145 million charge assessed
22 on all DP&L customers for seven years, which amounts to additional \$1 billion windfall
23 for DP&L. DP&L calculated the DMR based on the financial condition of DPL Inc.

1 rather than AES Inc. or DP&L Inc.¹ The proposed DMR would undoubtedly increase
2 electricity rates for all customers, which would have a seriously detrimental impact on
3 Honda’s ongoing business operations.

4 **Q. WHAT IS HONDA’S POSITION CONCERNING DP&L’S PROPOSED CLEAN**
5 **ENERGY RIDER?**

6 A. Honda opposes the proposed Clean Energy Rider (“CER”). DP&L has stated that the
7 purpose of the CER is to facilitate future investment in renewable and advanced
8 technologies, and that CER will recover currently unknown environmental compliance
9 costs.² But DP&L has not identified any appropriate type of cost recovery for CER;
10 instead, it only generically states that CER will recover “unknown environmental
11 compliance costs, including but not limited to green energy initiatives, environmental
12 expenses, and decommissioning costs.”³ DP&L does not further define or specify the
13 types of “environmental expenses” or “decommissioning costs” it believes would be
14 recoverable under CER. Instead, DP&L uses vague and amorphous terms that provide
15 little guidance (or any substantive limitations) on what types of costs are recoverable
16 under CER. Without a proper, specific description of the types of costs recoverable
17 under CER, intervening parties like Honda are left to merely speculate about its overly
18 broad meaning. Further, it remains uncertain whether funds recovered under CER will
19 actually be directed to clean energy programs or if these funds will merely operate as a
20 generous subsidy to DP&L.

¹ Direct Testimony of Craig L. Jackson, Case No. 16-0395-EL-SSO *et al.*, at 14; *see also* <https://www.sec.gov/Archives/edgar/data/27430/000078725016000042/dpl10k12312015q410-ka.htm> (DP&L and DPL Inc. 2015 10-K/A); <http://www.aes.com/investors/sec-documents/sec-filings-details/default.aspx?FilingId=11205182> (AES Inc. 2015 10-K).

² DP&L ESP Application Vol. 1, p. 9.

³ *Id.*

1 To the extent DP&L believes that renewable energy credits (“RECs”) would be
2 recoverable under the rider, DP&L is mistaken. DP&L is already recovering costs
3 associated with RECs through the Alternative Energy Rider (“AER”), and has now
4 proposed recovering these costs in the competitive bid process (“CBP”).⁴ The costs
5 associated with generating or using RECs would not be recoverable under the CER.

6 One example DP&L witness Claire E. Hale cites as an example of costs
7 associated with CER (or more specifically, costs associated with future environmental
8 compliance) is “closing of existing ash ponds.”⁵ Recovering costs associated with
9 remediating coal ash under the CER is entirely inappropriate. First, DP&L’s stated
10 purpose for proposing CER is to facilitate investment in renewable technologies, not to
11 remediate nonrenewable energy waste. Second, it is not reasonable or fair to require
12 current customers like Honda to pay for remediation costs associated with past
13 production of coal. Remediation costs associated with DP&L’s coal production facilities
14 should have been included in the cost of producing energy at that time. This would have
15 enabled Honda to include those remediation expenses in its production costs at that time.
16 Instead, DP&L is now asking the Commission to make today’s Honda customers pay for
17 remediation costs that were incurred to manufacture Honda products a decade or more
18 ago.

19 At a minimum, DP&L should be required to specifically demonstrate how it
20 historically allocated the funds it received for environmental remediation when that
21 energy was produced in the past. If DP&L did not appropriately budget for these

⁴ Honda agrees with DP&L’s proposal to include REC costs in the CBP process, and believes that the competitive market will incentivize CBP participants to keep costs low and achieve the same efficiencies as were enjoyed in the procurement of energy.

⁵ DP&L Application Vol. 5, Direct Testimony of Claire E. Hale on behalf of DP&L, p. 8.

1 remediation costs, today's customer should not be held financially accountable for
2 DP&L's financial decisions. Moreover, requiring current customers to pay for these
3 historic costs violates a basic regulatory principle: the cost-causer should be the cost-
4 payer. Here, these historic remediation costs should not be borne by customers like
5 Honda who did not cause or incur these costs. Many current DP&L customers like
6 Honda have not been located in DP&L territory the entire time these historic costs were
7 incurred. Thus, it is inappropriate and unfair to assess historic costs on customers like
8 Honda who did not benefit from or cause all of these historic remediation costs.

9 Furthermore, if the Commission approves the imposition of additional costs under
10 the CER, then commercial or industrial customers will possess less resources to devote to
11 their own energy efficiency projects. For example, Honda has set its own ambitious
12 carbon goals and is currently working towards a Honda Motor Company goal of reducing
13 its total company CO2 emissions by 50 percent by the year 2050, when compared to its
14 2000 baseline.

15 Finally, to the extent the CER is approved by the Commission, the charge should
16 be bypassable. The CER is a generation rider, meaning that all costs identified to date by
17 DP&L relate to generation service. For shopping customers like Honda, there is no
18 connection to DP&L's generation assets which DP&L seeks to include in the CER.
19 DP&L claims that these expenses should be recovered on a non-bypassable basis because
20 these "generation assets were originally placed in service years, and sometimes decades,
21 before the generation market was deregulated."⁶ However, DP&L's argument for a non-
22 bypassable charges ignores two critical, obvious facts: 1) DP&L has already recovered
23 these generation asset-related expenses in prior proceedings; and 2) not all customers

⁶ *Id.*

1 (e.g., Honda) were located in DP&L territory while these generation assets were
2 operating (as DP&L stated, decades before deregulation). As such, to the extent CER is
3 approved, the Commission should allow recovery of CER expenses on a bypassable
4 basis.

5 **Q. WHAT IS HONDA’S POSITION CONCERNING DP&L’S PROPOSED**
6 **RECONCILIATION RIDER?**

7 A. Honda opposes the Reconciliation Rider (“RR”). DP&L seeks authority to recover
8 deferred Ohio Valley Electric Corporation (“OVEC”) costs through the RR, specifically
9 the difference between DP&L’s OVEC expenses and the amounts that DP&L received
10 from selling that generation into PJM’s day-ahead markets (i.e., to the extent these costs
11 are not recoverable under the Fuel Rider).⁷ But DP&L has failed to explain why it should
12 recover past OVEC costs. Further, DP&L’s proposal to establish the RR is vague.
13 Specifically, DP&L fails to describe or identify how its OVEC costs will be allocated to
14 customers. And, even if approved, the RR should be bypassable as it relates to
15 generation service. For Honda and other shopping customers, it is inappropriate to assess
16 generation-related costs on those who purchase their energy on the market and receive no
17 benefit from OVEC’s generation supply.

18 **Q. WHAT IS HONDA’S POSITION CONCERNING DP&L’S DESCRIPTION OF**
19 **THE RATE IMPACT?**

20 A. DP&L has not provided a complete and accurate rate impact analysis, which would
21 illuminate the true impact of DP&L’s proposed ESP on customers. According to DP&L
22 witness Adams’ estimated impacts on customer bills, the estimated bill impacts
23 purportedly included the RR, DMR, and the Standard Offer Rate. However,

⁷ DP&L ESP Application Vol. 1, pp. 8-9.

1 conspicuously absent from Mr. Adams' rate analysis is any consideration of the CER or
2 the distribution investment rider ("DIR"), both of which will impact customers' rates.

3 Honda anticipates that the proposed DMR will have a substantial economic
4 impact on its ongoing business operations. Specifically, using Honda's 2015 usage data,
5 Honda projects that the proposed DMR will increase its electricity costs by over \$1
6 million per year. Thus, the proposed DMR's rate impact on Honda is substantial, and
7 will adversely influence its ongoing business operations.

8 **Q. WHAT IS HONDA'S POSITION CONCERNING THE INCLUSION OF THE**
9 **STORM COST RECOVERY RIDER, THE REGULATORY COMPLIANCE**
10 **RIDER, AND THE DISTRIBUTION DECOUPLING RIDER IN THIS**
11 **PROCEEDING?**

12 A. Honda opposes the Storm Cost Recovery Rider, the Regulatory Compliance Rider, and
13 the Distribution Decoupling Rider, and Honda believes its opposition to these riders
14 should be conveyed to and considered by the Commission in the Distribution Case, not in
15 DP&L's ESP case. Interested parties, including Honda, intend to provide testimony on
16 these topics in the Distribution Case. Accordingly, it is in the best interests of the
17 Commission to defer consideration of these riders until the Commission is more
18 thoroughly prepared to adjudicate and thoughtfully evaluate the parties' differing
19 positions on these riders in the Distribution Case.

20 In the alternative, if the Commission elects to consider these riders in the instant
21 case, the Commission should afford intervenors sufficient notice that it intends to address
22 these riders to ensure the Commission is fully apprised of all the issues and concerns
23 related to these riders.

1 **Q. WHAT IS HONDA’S POSITION ON DP&L’S PROPOSED DISTRIBUTION**
2 **INVESTMENT RIDER?**

3 A. Honda is opposed to the Distribution Investment Rider (“DIR”) in its current form as
4 proposed by DP&L. According to DP&L, the DIR is intended to compensate DP&L for
5 incremental distribution capital investment and expense.⁸ Further, DP&L witness Kevin
6 L. Hall testified that in addition to capital investment, DP&L proposes that the DIR will
7 recover operations and maintenance (“O&M”) expenses, as well as expenses to support
8 the training and hiring of highly skilled, technical talent.⁹ Specifically, DP&L witness
9 Hall explained that the DIR would recover O&M expenses like danger trees, which are
10 trees located outside of an easement or right-of-way that are at-risk of crashing into and
11 damaging nearby power lines.¹⁰

12 The Commission should not approve O&M-based riders like DIR in this
13 proceeding. For one, DP&L is already recovering vegetation management expenses, e.g.,
14 danger trees, through distribution costs. Second, O&M expenses like vegetation
15 management are inconsistent with the intent of the DIR, which is to encourage and
16 facilitate capital investment in the distribution system. Third, to the extent DP&L needs
17 to augment its vegetation management program, these efforts should be explored,
18 considered, and supported in a distribution case.

19 Finally, Honda supports the ongoing development, training, and hiring of
20 engineering and technical employees that can service the distribution system in the
21 future, especially as newer technology is incorporated into an aging distribution system.

22 With that said, if DP&L needs more highly trained and highly skilled workers to achieve

⁸ DP&L Application Vol. 1, Original Sheet No. D36, p. 1.

⁹ DP&L Application Vol. 5, Direct Testimony of Kevin L. Hall on behalf of DP&L, pp. 3, 5-7.

¹⁰ *Id.* at 8.

1 an appropriate level of maintenance and oversight of the distribution system, DP&L
2 should address these employment issues in a distribution case.

3 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

4 A. Yes it does at this time.

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Summary: Testimony Direct Testimony of Daniel Bremer electronically filed by Mr. Nathaniel Trevor Alexander on behalf of Honda of America Mfg., Inc.