BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 16-0649-EL-POR

CASE NO. 16-1369-EL-WVR

TESTIMONY OF TYLER A. TEUSCHER IN SUPPORT OF THE STIPULATION AND RECOMMENDATION

- □ **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.

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 Distribution Rate Case, Case No. 15-1830-EL-AIR.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of my testimony is to discuss and support the reasonableness of the Stipulation and Recommendation ("Stipulation") entered into by DP&L and the Signatory Parties. The Signatory Parties recommend that the Commission approve the Stipulation filed in this matter on December 13, 2016, and issue its Opinion and Order in accordance with the recommendations made in the Stipulation. The Stipulation is the product of serious negotiations among knowledgeable parties, it benefits customers and the public interest, and it does not violate any important regulatory principle or practice.

Q. Why should the Commission approve this Stipulation?

A. As demonstrated below, the Commission should approve the Stipulation because it represents a fair and reasonable resolution to the issues raised in this case which were initiated by the filing of DP&L's third energy efficiency and peak demand reduction program portfolio plan ("Third Program Portfolio"), filed pursuant to Section 4901:1-39-04 of the Ohio Administrative Code ("O.A.C"), on June 15, 2016.

III. STIPULATION SUMMARY

Q. Please identify the Signatory Parties to the Stipulation.

A. In addition to the PUCO Staff ("Staff"), eleven parties intervened in this proceeding. These parties reflect a diverse set of interests and represent customers in DP&L's service territory. The Signatory Parties, which include eight of the eleven intervening parties, are

DP&L, Staff, the Ohio Environmental Council and the Environmental Defense Fund ("OEC" and "EDF"), Ohio Partners for Affordable Energy ("OPAE"), Ohio Manufacturers Association Energy Group ("OMAEG"), Ohio Hospital Association ("OHA"), People Working Cooperatively, Inc. ("PWC"), The Kroger Company ("Kroger"), and Interstate Gas Supply, Inc. ("IGS"). Two intervening parties who have agreed to not oppose the Stipulation are Industrial Energy Users – Ohio ("IEU-Ohio") and Environmental Law & Policy Center ("ELPC"). The final intervening party is the Office of the Ohio Consumers' Counsel ("OCC"), which to date has not signed the Stipulation or agreed to not oppose it.

All of the parties identified above, other than IGS and EDF, were parties to DP&L's second energy efficiency and peak reduction program portfolio plan ("Second Program Portfolio") case, Case No. 13-833-EL-POR, and were signatories to the Stipulation in that case that was approved by the Commission on December 4, 2013. The Stipulation in the current case extends the programs from the Second Program Portfolio Stipulation (with minor additional commitments), which covered 2013 through 2015, and which had already been extended for program year 2016 by operation of law.

Q. Can you please describe the principle terms of the Stipulation?

A. Yes. The Stipulation provides that the Company's portfolio of energy efficiency and peak demand reduction programs should be adopted and approved by the Commission, for program year 2017, with a cap on costs for programs and shared savings incentive set at 4% of DP&L's revenue for 2015, as reported on DP&L's 2015 FERC Form 1, page 300, line 10, total sales to ultimate consumers. As stated above, these programs are an extension of the Stipulation from DP&L's s Second Program Portfolio case, which covered 2013 through 2015, and which had already been extended for program year 2016 by operation of law. The Stipulation also recommends approval of the shared savings incentive mechanism as previously approved, with the qualification that the benefits recovered by DP&L under the shared savings incentive mechanism will be capped at $4.5 million, on an after-tax basis, for 2017. The Stipulating Parties further agree that DP&L will be permitted to recover lost distribution revenues incurred during 2016 and beyond, until incorporated in a distribution decoupling rider. Shared savings incentive and program costs will continue to be recovered through DP&L's Energy Efficiency Rider ("EER") and lost distribution revenues will likewise be recovered through the EER, until such time they are incorporated in a distribution decoupling rider. The Stipulation also recommends an updated non-residential rate design using an adjusted combination of distribution revenue and kWh sales to allocate EER costs among tariff classes.

The Stipulation contains a proposal that the Company will bid at least 75% of the eligible 2017 Program Portfolio megawatts ("MW") into the PJM Base Residual Auction ("BRA") occurring during 2017. Further, DP&L will bid projected MW (equal to at least 50% of the eligible 2017 plan year MW) from the 2018 program year into the PJM BRA occurring during the term of the 2017 extension. The net proceeds from the PJM auctions will be shared between DP&L and DP&L's Customers with 80% of the net auction proceeds credited to DP&L's Customers.

In addition, the Stipulation contains various provisions that provide numerous benefits to DP&L customers. The Stipulation extends a wide array of cost-effective programs that reach a broad range of interested parties, and which have been regularly independently evaluated. For example, DP&L's residential and business lighting programs have been very successful and well-received, and will now incorporate LED technology incentives. Other provisions, such as smart thermostat incentives and marketing and an ongoing combined heat and power and waste energy recovery initiative are some of the innovative programs offered in this Stipulation. The Stipulation also continues weatherization and energy efficiency services to low income customers.

Finally, the Stipulation contains a provision requiring that DP&L file an updated three year program portfolio by June 15, 2017, for program years 2018, 2019, and 2020.

IV. COMMISSION'S CRITERIA FOR EVALUATING STIPULATIONS

Q. What criteria does this Commission use to evaluate and approve a Stipulation and Recommendation?

A. The Commission has applied in the past, and should use in considering this Stipulation, the following three regulatory criteria to evaluate and approve a stipulation: First, is the Stipulation a product of serious bargaining among capable, knowledgeable parties? Second, taken as a package, does the Stipulation benefit ratepayers and the public interest? Third, does the Stipulation violate any important regulatory principle or practice?

Q. Does this Stipulation meet those criteria used by the Commission to evaluate and approve a Stipulation and Recommendation?

A. Yes, this Stipulation does meet the criteria applied by the Commission in past proceedings.

Q. Turning to the first criterion, was the Stipulation the product of serious bargaining among capable, knowledgeable parties?

A. Yes. All Signatory Parties to the Stipulation were represented by experienced and knowledgeable counsel, most of whom have appeared before the Commission in numerous other proceedings, including DP&L's Second Program Portfolio, and all of whom are experienced negotiators and are knowledgeable about the subject matter at issue. All Signatory Parties have participated in numerous proceedings before the Commission, are knowledgeable in regulatory matters, and represent a broad range of interests. The Company invited all intervening parties to participate in settlement discussions regarding the Stipulation, and the Company participated in telephone conversations and email exchanges with all intervening parties leading to the Stipulation. All intervening parties were provided with multiple drafts of the Stipulation by DP&L and were given the opportunity to further engage in frequent settlement discussions with DP&L throughout the process. The issues in the case were discussed in great detail over the course of a couple months. Therefore, the Stipulation represents a product of serious bargaining among capable, knowledgeable parties.

Q. Turning now to the second criterion, does this Stipulation benefit the customers and public interest?

A. Yes. The Stipulation benefits DP&L customers and the public interest. This Stipulation provides DP&L's residential and non-residential customers with energy efficiency and peak demand reduction programs which encourage and promote energy savings by providing incentives for lowering customer energy consumption and demand, which in turn will lower their electric bills. Further, customers and other interest-groups will benefit from the continuation of DP&L's energy efficiency collaborative, which has a history of positive reception from participants. Interested parties will also benefit from the incentives provided to DP&L to encourage DP&L's continued robust portfolio implementation. As described above, the Stipulation extends a wide array of cost-effective programs that reach a broad range of interested parties, and which have been regularly independently evaluated. The Stipulation provides programs and incentives for customers such as DP&L's residential and business lighting programs (incorporating LED technology incentives), smart thermostat incentives and marketing, an ongoing combined heat and power and waste energy recovery initiative, and continued weatherization and energy efficiency services to low income customers. The programs covered by the Stipulation have the added benefit of advancing state policy to encourage energy efficiency and peak demand reduction.

Q. With respect to the third criterion, does the Stipulation violate any important regulatory principle or practice?

A. No. Based on my experience, direct participation in all aspects of this proceeding, and review of the Stipulation, I believe it complies with all relevant and important regulatory practices and principles. The application initially filed in this case is consistent with Commission rules and is designed to comply in all material respects with the requirements of O.A.C. §4901:1-39-04. The Stipulation, which was the ultimate result of the initial filing, recommends the extension and approval of DP&L's comprehensive Energy Efficiency and Demand Reduction program portfolio that has been in place for program years 2013 through 2016. This includes a wide range of programs that encourage innovation and market access for cost-effective energy efficiency and peak demand reduction for all customer classes. The programs are designed to achieve the statutory benchmarks for peak demand reduction and meet or exceed the statutory benchmarks for energy efficiency. Therefore, the Stipulation does not violate any important regulatory principle or practice.

Q. Does this conclude your testimony?

A. Yes, it does.