

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

Prepared Testimony
Of
Patrick Donlon
Rates and Analysis Department

Staff Exhibit ____

1 1. Q. Please state your name and business address.

2 A. My name is Patrick Donlon. My business address is 180 East Broad Street,
3 Columbus, Ohio, 43215.

4

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

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO) as the
7 Director of the Rates and Analysis Department.

8

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

10 A. I assumed my present position in November 2014.

11

12 4. Q. What are your responsibilities in your current position?

13 A. In my current position, I am responsible for directing the activities of the Rates
14 and Analysis Department of the PUCO, which generally includes department
15 oversight on all policy matters, procedures, workload, goals, and other department
16 activities.

17

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

19 A. I received a Bachelor of Science degree in Accounting with a minor in Economics
20 Management from Ohio Wesleyan University in 2000. In 2010, I earned a Master
21 of Business Administration degree from Franklin University. I worked for
22 American Electric Power (AEP) for just under ten years in two stints with the
23 company serving in various roles. For AEP, I was an accountant in the

24 Generation Accounting Department; an Hourly Energy Trader for AEP focusing
25 in the Southwestern Power Pool market; a Fuel, Emissions and Logistics
26 Coordinator; and a financial planning analyst in Commercial Operations. I began
27 working at the PUCO in August 2012 as Public Utilities Administrator 2 in the
28 Rates Division of the Utilities Department. I also served as the Interim Director
29 of the Energy and Environment Department, beginning in May 2014, until
30 assuming my current role in November 2014.

31
32 6. Q. Have you previously provided testimony before the Public Utilities Commission
33 of Ohio?

34 A. Yes, I provided testimony in various gas and electric rate cases, electric Standard
35 Service Offer cases, and natural gas Gas Cost Recovery cases.

36
37 7. Q. What is the purpose of your testimony in this proceeding?

38 A. The purpose of my testimony is to support the Stipulation and Recommendation
39 (stipulation) filed in this proceeding on March 13, 2017, and signed by Staff. My
40 testimony will confirm that the stipulation complies with the PUCO's three-part
41 test, and the MRO verses ESP test under R.C. 4928.142 (D) (4).

42
43 **PUCO's Three-part Test**

44
45 8. Q. What are the components of the PUCO's three-part test?

46 A. A stipulation before the PUCO must be (i) the product of serious bargaining
47 among capable, knowledgeable parties; (ii) does not violate any important
48 regulatory principles or practice; and (iii) as a package, benefits ratepayers and
49 the public interest.

50
51 9. Q. Please identify the signatory parties.

52 A. The signatory parties on the stipulation include a diverse group of interests and
53 contain nearly all the intervening parties. The specific parties are the Dayton
54 Power and Light Company (DP&L or the Company), City of Dayton, DPL Inc.,
55 Interstate Gas Supply, INC./IGS Energy, Retail Energy Supply Association,
56 Edgemont Neighborhood Coalition, People Working Cooperatively, Inc., Ohio
57 Hospital Association, Ohio Energy Group, Ohio Partners for Affordable Energy,
58 The Kroger Company, and the Staff of the PUCO.

59
60 10. Q. Please identify non-opposing parties.

61 A. The non-opposing parties are Enernoc, Inc., Industrial Energy Users-Ohio, Ohio
62 Manufactures' Association Energy Group, and Honda of America, MFG., Inc.

63
64 11. Q. Does the stipulation represent the product of serious bargaining among capable,
65 knowledgeable parties?

66 A. Yes. The signatory parties and non-opposing parties are knowledgeable of
67 regulatory matters before the PUCO, regularly participate in proceedings, employ

experts in the industry, and are represented by experienced and competent counsel.

The terms of the stipulation represent serious bargaining among all parties to find a mutually acceptable stipulation for all parties. Concessions were made by both parties to mitigate the litigation risk inherent in proceeding to a hearing.

12. Q. Does the stipulation violate any important regulatory principle or practice?

A. No. Based on my experience, involvement in this proceeding, and review of the stipulation, Staff concludes that it complies with all relevant an important principles and practices.

13. Q. Does the stipulation benefit consumers and the public interest?

A. Yes. The stipulation provides DP&L, through the Distribution Modernization Rider (DMR), the ability to access the capital market at favorable rates to ensure investment in the distribution system. Without the ability of the Company to secure capital at reasonable rates, the ratepayers could end up in a worse situation in the future. Without access to capital markets, the Company would be subject to higher interest rates. Accessing the capital market, in turn, will enable the Company to procure funds to jumpstart their distribution grid modernization initiatives. Additionally, the stipulation provides economic development incentives for DP&L's service territory, enhancements to the competitive market, a smart grid rider, and a modernization plan.

14. Q. Do you believe the stipulation meets the three-part test regarding consideration of the stipulation and therefore should be adopted by the Commission?

A. Yes.

Comparison between the ESP and the MRO

15. Q. Do you believe the proposed Electric Security Plan (ESP) is more favorable in the aggregate than a Market Rate Offer (MRO)?

A. Yes, when considering the stipulation as a whole, including the proposal to implement a new DMR, Staff concludes that the ESP application is more favorable in the aggregate than an MRO application.

16. Q. Please describe the quantitative measures you have considered in regard to the ESP verses MRO test.

A. The generation rates for standard service offer (SSO) load are based on market based auction prices and, as a result, there should be no difference between market based generation rates under an MRO filing or an ESP filing. However, the stipulation provides additional incentives that Staff considers to be additional qualitative benefits. The additional qualitative benefits could exceed \$9 million over the three year term of the DMR, and would further increase if the DMR term is extended. The \$9 million in additional incentives promote competition, reliability, economic development, and energy efficiency in Ohio as well as providing support for at-risk populations in the DP&L service territory. These

114 incentives are entirely funded by shareholders and should be considered
115 quantitative benefits when evaluating the ESP versus MRO test.

116

117 17. Q. Please, briefly discuss the proposed DMR and how it affects the outcome of the
118 ESP versus MRO test.

119 A. These revenues, which are costs to customers, would have no impact on the ESP
120 versus MRO test since equivalent revenues could potentially be recovered through
121 an MRO application under R.C. 4928.142 (D) (4) or an ESP application per R.C.
122 4928.143 (B) (2) (h), as described in my testimony.

123

124 18. Q. Please describe the qualitative benefits you considered in your conclusion.

125 A. In reference to R.C. 4928.02 (C) and (D), the policy of the State is to encourage
126 the modernization of the distribution grid, the offerings of innovative services,
127 and the diversity of supply and suppliers. The stipulation will further this policy
128 through the deployment of advanced technology and by enabling competitive
129 providers to offer innovative products and services to customers in Ohio.

130 19. Q. Does this conclude your testimony?

131 A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true copy of the foregoing **Prepared Testimony of Patrick Donlon** was served by regular U.S. mail email postage prepaid and/or electronic email, this 22nd day of March 2017, on the parties listed below.

Respectfully submitted,

/s/ Thomas W. McNamee

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3/22/2017 2:22:49 PM

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Case No(s). 16-0395-EL-SSO

Summary: Testimony of Patrick Donlon electronically filed by Ms. Tonneta Scott on behalf of PUC