

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-395-EL-SSO
Approval of Its Electric Security Plan.	)	
	)	
In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-396-EL-ATA
Approval of Revised Tariffs.	)	
	)	
In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-397-EL-AAM
Approval of Certain Accounting Authority	)	
Pursuant to Ohio Rev. Code § 4905.13.	)	

**DIRECT TESTIMONY  
OF  
ROBERT B. FORTNEY**

**On Behalf, of**  
**The Office of the Ohio Consumers' Counsel**  
*10 West Broad Street, Suite 1800*  
*Columbus, Ohio 43215-3485*

**MARCH 29, 2017**

1    ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

2    ***A1.*** My name is Robert B. Fortney. My business address is 10 West Broad Street,  
3 Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the  
4 Ohio Consumers' Counsel ("OCC") as a Rate Design and Cost of Service  
5 Analyst.

6  
7    ***Q2. WHAT ARE YOUR RESPONSIBILITIES AS A RATE DESIGN AND COST***  
8    ***OF SERVICE ANALYST?***

9    ***A2.*** I am responsible for investigating utility applications regarding rate and tariff  
10 activities related to tariff language, cost of service studies, revenue distribution,  
11 cost allocation, and rate design that impact the residential consumers of Ohio. My  
12 primary focus is to make recommendations to protect residential consumers from  
13 unnecessary utility rate increases and unfair regulatory practices.

14  
15    ***Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.***

16    ***A3.*** I earned a Bachelor of Science degree in Business Administration from Ball State  
17 University in Muncie, Indiana in 1971. I earned a Master of Business  
18 Administration degree from the University of Dayton in 1979.

19  
20    ***Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL BACKGROUND AS IT***  
21    ***RELATES TO UTILITY REGULATION.***

22    ***A4.*** From July 1985 to August 2012, I was employed by the Public Utilities  
23 Commission of Ohio ("PUCO"). During that time, I held a number of positions

1 (e.g., Rate Analyst, Rate Analyst Supervisor, Public Utilities Administrator) in  
2 various divisions and departments that focused on utility applications regarding  
3 rates and tariff issues. In August 2012, I retired from the PUCO as a Public  
4 Utilities Administrator 2, Chief of the Rates and Tariffs Division, which focused  
5 on utility rates and tariff matters. The role of that division was to investigate and  
6 analyze the rate- and tariff-related filings and applications of the electric, gas, and  
7 water utilities regulated by the PUCO and to make Staff recommendations to the  
8 PUCO regarding those filings.

9

10 ***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***  
11 ***PUCO?***

12 ***A5.*** Yes. I have testified on numerous occasions to advocate to the PUCO the  
13 positions of the PUCO Staff ("Staff"). Over the course of my career at the  
14 PUCO, I often recommended to the PUCO cost allocation methodologies needed  
15 to develop a reasonable distribution of revenues. I also was responsible for  
16 recommending reasonable rate designs needed to recover the revenue  
17 requirement, by class of service and in total. In addition, I testified for the OCC  
18 in two proceedings since joining its staff. A list of proceedings that I have  
19 submitted testimony to the PUCO is provided in Attachment RBF-1 to this  
20 testimony.

1   ***Q6.   WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF***  
2           ***YOUR TESTIMONY?***

3   ***A6.***   I have reviewed various filings by Dayton Power and Light Company (“DP&L”  
4           or “Utility”) in Case Nos. 02-2770-EL-ATA, 05-0276-EL-AIR, 08-1094-EL-  
5           SSO, 12-0426-EL-SSO and 16-0395-EL-SSO. As related to case No. 16-0395-  
6           EL-SSO the filings include the application and amended application, various  
7           Utility and intervenor testimonies, various responses to OCC Interrogatories, the  
8           proposed Stipulation and Recommendation filed on January 30, 2017, and the  
9           Amended Stipulation and Recommendation filed on March 13, 2017 (“the  
10          Settlement”) that is the subject of this hearing.

11  
12   ***Q7.   WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***  
13           ***PROCEEDING?***

14   ***A7.***   On March 13, 2017, DP&L filed a proposed Settlement to resolve all issues in its  
15           third electric security plan, which was originally filed on February 22, 2016. Upon  
16           considering the reasonableness of a settlement or stipulation, the PUCO applies  
17           three criteria: (1) Is the settlement a product of serious bargaining among capable,  
18           knowledgeable parties? (2) Does the settlement, as a package, benefit customers  
19           and the public interest? (3) Does the settlement package violate any important  
20           regulatory principle or practice?

21  
22           The purpose of this Testimony is to address whether the allocation of the costs  
23           associated with the Distribution Modernization Rider (“DMR”) under the

1 Settlement comport with criteria (2) and (3) of the three-part test employed by the  
2 PUCO in the evaluation of proposed settlements.

3  
4 OCC opposes the DMR in principle. However, if the PUCO finds the DMR to be  
5 reasonable, in some form, my testimony addresses the allocation of the costs  
6 associated with the DMR.

7

8 ***Q8. ARE YOU TESTIFYING AS TO WHETHER THE ALLOCATION OF THE***  
9 ***COSTS ASSOCIATED WITH THE DMR SETTLEMENT MEETS THE***  
10 ***THREE PRONG TEST WHICH THE PUCO USES TO EVALUATE THE***  
11 ***REASONABLENESS OF SETTLEMENTS?***

12 ***A8.*** Yes. Other OCC witnesses address the three-prong test as it relates to the  
13 Settlement as a whole and the DMR as a policy. However, if the PUCO were to  
14 find that the DMR, as a policy, is reasonable, then the allocation of the costs  
15 associated with the DMR under the Settlement violates both the second and third  
16 prong of the three-prong test.

17

18 ***Q9. IN THE PROPOSED SETTLEMENT, HOW ARE THE DMR COSTS***  
19 ***ALLOCATED TO RESIDENTIAL CUSTOMERS?***

20 ***A9.*** The allocation is as follows: 34% allocated based on 5 coincident peaks (“5CP”),  
21 33% allocated based on distribution revenue, and 33% based on the allocation of

1       the current Rate Stabilization Charge (RSC).<sup>1</sup> I will refer to this as “the  
2       combination allocation methodology.” As shown in Appendix A to the  
3       Settlement, the combination allocation methodology results in 48.6% of the DMR  
4       costs being allocated to the Residential Tariff Class customers.

5

6       ***Q10. DOES THE SETTLEMENT ADDRESS THE RATIONALE FOR THE WAY***  
7       ***IT ALLOCATES DMR COSTS TO CUSTOMERS?***

8       ***A10.*** Yes. It states that, “The cost allocation of the DMR to tariff classes will balance  
9       the bill impact to customers, fairness, and cost-causation principles.”<sup>2</sup>

10

11       ***Q11. DO YOU AGREE WITH THAT RATIONALE?***

12       ***A11.*** Yes, I agree that balancing the bill impact to customers, fairness, and cost  
13       allocation are reasonable principles to follow in cost allocation. However, the  
14       cost allocation methodology proposed in the Settlement does not accomplish the  
15       goals of the rationale. Instead, it assigns a disproportionate share of the DMR  
16       costs to the Residential Class.

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<sup>1</sup> Stipulation at Section II.2.c.

<sup>2</sup> Stipulation at Section II.2.c.

1    ***Q12. IS THE PROPOSED DMR ALLOCATION METHODOLOGY IN THE***  
2                   ***SETTLEMENT HARMFUL TO CUSTOMERS AND NOT IN THE PUBLIC***  
3                   ***INTEREST IN VIOLATION OF PRONG TWO OF THE PUCO'S***  
4                   ***EVALUATION OF SETTLEMENTS?***

5    ***A12.*** Yes it is. The proposed cost allocation methodology included in the Settlement is  
6                   harmful to consumers and not in the public interest because it is contrary to the  
7                   recommendations of DP&L's own witness and unfairly and unjustly causes inter-  
8                   class shifts in revenue that harms the residential class.

10   ***Q13. WHAT WAS DP&L'S ORIGINAL RECOMMENDATION ON HOW THE***  
11                   ***COSTS OF THE DMR SHOULD BE ALLOCATED TO CUSTOMERS?***

12   ***A13.*** The direct testimony of Claire E. Hale, filed on October 11, 2016, was intended to  
13                   support the DMR's rate design. Exhibit CEH-1, attached to her testimony, which  
14                   I include as Attachment RBF-2 to this testimony, shows the calculation of the  
15                   proposed DMR rates by beginning with the then-current Service Stability Rider  
16                   ("SSR"), applying rate design modifications rates, and scaling those rates to meet  
17                   the DMR revenue requirement. CEH-1 shows that DP&L intended to use the  
18                   same revenue allocation to the tariff classes of service that was utilized for the  
19                   SSR. There the allocation to the Residential Class was 43.92%. Ms. Hale states,  
20                   on page 2, lines 17 -19 that, "Using the current SSR rates as a starting point  
21                   promotes the retail rate stability intended by the DMR." Ms. Hale continues by  
22                   stating, "These rate design changes impact the revenue calculated for each class,  
23                   so the new rates are the scaled up or down to bring the revenue for each class

1 back in line with that originally calculated from the SSR rates. This prevents rate  
2 design changes from causing any inter-class shifts in revenue.”

3  
4 Clearly DP&L intended to maintain rate stability by utilizing the same revenue  
5 allocation to customer tariff classes as was utilized in the SSR. The different cost  
6 allocation methodology proposed in the Settlement results in inter-class revenue  
7 shifts that are clearly not consistent with the original intent of the DMR rider's  
8 rate design. The revenue allocation shift to the Residential Class from 43.92% to  
9 48.65%, when applied to the proposed \$105,000,000 DMR, results in  
10 approximately \$4,961,935 in additional revenues being paid by the Residential  
11 Class on an annual basis. This revenue shift is harmful to residential consumers  
12 and not in the public interest. This amounts to an additional \$0.91 per month  
13 (\$9.40 less \$8.49) being borne by a typical residential customer using 1,000 kWh  
14 per month, or an additional \$10.92 per year.

15  
16 ***Q14. HOW SHOULD THE COSTS OF THE DP&L DMR RIDER BE***  
17 ***ALLOCATED TO CUSTOMERS?***

18 ***A14.*** The cost allocation methodology that appears to best embody the concept of cost  
19 causation is allocating the revenue based in equal share on energy and demand.  
20 According to the testimony of Sharon R. Schroder in support of the Settlement  
21 filed on March 22, 2017, page 3, lines 14 – 19, “Customers of DP&L rely upon  
22 DP&L to provide safe and reliable service, and the principle goal of the Amended  
23 Stipulation is to allow DP&L to continue to provide such service to customers



1 during a six-year Electric Security Plan (“ESP”). DP&L is currently facing a  
2 financial crisis, and will not be able to continue to provide such service without  
3 financial support. The Amended Stipulation provides the needed financial  
4 support, along with numerous commitments by the Company, that benefit  
5 customers.” On page 10, lines 10 through 17, she further states that, “DP&L will  
6 be entitled to collect a \$105 million per year Distribution Modernization Rider  
7 (“DMR”), as established in Amended Stipulation, paragraph II.2.a., to be used to  
8 pay down debt. The DMR is targeted toward putting DPL Inc. and DP&L on a  
9 path towards achieving and maintaining an investment grade (i.e., not be in the  
10 junk bond category) credit rating. DPL Inc. and DP&L need the DMR to  
11 maintain access to reasonably priced debt, so that they can borrow money at  
12 reasonable rates to maintain and make investments in DP&L’s distribution  
13 system.”

14  
15 When I worked at the PUCO, I often referenced the NARUC Cost Allocation  
16 Manual for electric-related cost allocation issues. This manual does not address  
17 the allocation of costs associated with riders designed for credit support in order  
18 to maintain the financial integrity of electric companies or their parent or  
19 affiliates. This is a new concept for utility riders and requires the use of common  
20 sense when allocating the costs.

21  
22 The principle service provided by an electric distribution utility to its customers is  
23 the provision of energy, instantaneously and over time. The allocation

1 methodology that best represents that service is an allocation based on both  
2 energy and demand. A 50% energy and a 50% 5CP demand allocation results in  
3 residential customers paying 38.435% of the DMR's costs (an average of 38.09%  
4 (energy) and 38.78% (demand)). 38.435% of the \$105,000,000 in DMR charges  
5 equals an annual cost to residential consumers of \$40,356,750. This equates to a  
6 \$0.00743 rate per kWh or \$7.43 to a residential customer using 1,000 kWh per  
7 month.

8  
9 If the allocation methodology proposed in the Stipulation is adopted, it would  
10 amount to an unjustified additional \$1.97 per month being borne by a typical  
11 residential customer using 1,000 kWh per month (\$9.40 - \$7.43), or an additional  
12 \$23.64 per year. OCC strongly opposes the adoption of Rider DMR for a number  
13 of reasons, as set forth in the testimony of OCC Witnesses Kahal and Williams.  
14 But if a DMR is adopted, I recommend that the DMR be allocated on a 50%  
15 energy and 50% 5 CP demand basis to better reflect a more balanced and fair cost  
16 allocation to residential customers. Therefore, if the PUCO approves the DMR, it  
17 should not authorize the combination cost allocation methodology provided for in  
18 the Settlement.

1    ***Q15. HOW DOES THE ALLOCATION OF THE COSTS ASSOCIATED WITH***  
2           ***THE DMR UNDER THE SETTLEMENT VIOLATE PRONG THREE -- A***  
3           ***REGULATORY PRINCIPLE OR PRACTICE?***

4    ***A15.*** The allocation of the costs of the DMR is simply one piece of the settlement  
5           package as a whole. But I believe that one of the most important guidelines of  
6           cost allocation and rate design is that costs should be allocated and rates should be  
7           designed to best reflect the “causers” of the costs (i.e., cost causation). It is my  
8           belief that the combination allocation methodology as proposed in this Settlement  
9           does not best reflect the causers of the cost of the DMR, and allocates a  
10          disproportionate share of the costs to the Residential Class of customers. As such,  
11          the Settlement violates the regulatory principle of cost causation. Therefore, the  
12          Settlement should not be adopted with the combination cost allocation  
13          methodology for DMR as a provision of the Settlement.

14  
15   ***Q16. DOES THE PROPOSED COST ALLOCATION IN THE SETTLEMENT***  
16           ***DISREGARD A PAST PUCO PRECEDENT, ALSO IN VIOLATION OF THE***  
17           ***PUCO’S THIRD PRONG?***

18   ***A16.*** Yes. In the PUCO’s recent Fifth Entry on Rehearing issued on October 12, 2016,  
19           in Case No. 14-1297-EL-SSO, the PUCO approved a DMR for the FirstEnergy  
20           Companies. Beginning on page 8, paragraph 211, of that Entry, the PUCO states:

21                 With respect to rate design, we note that we agree with OEG  
22                 witness Baron that Rider DMR is primarily a distribution-related  
23                 rider since the revenues received by the Companies under the

1 Rider are intended to incentivize increased investment in  
2 distribution modernization (OEG Ex. 7 at 2). We further agree that  
3 the Commission should take a different approach to Rider DMR  
4 and take a hybrid approach to allocating Rider DMR costs (OEG  
5 Ex. 7 at 3). However, the allocation and rate design proposed by  
6 Mr. Baron results in the allocation of 44 percent of the Rider DMR  
7 cost to residential customers (Rehearing Tr. Vol. IV at 1303-04;  
8 OEG Ex. 8). The Commission finds that this allocation would  
9 excessively impact residential customers. Therefore, the  
10 Commission will adopt the rate design and allocation proposed by  
11 Staff witness Turkenton on cross-examination, based on 50 percent  
12 energy and 50 percent demand (Rehearing Tr. Vol. II at 431). This  
13 rate design appears to best embody the concept of gradualism by  
14 allocating the revenue and designing rates based in equal share on  
15 energy and demand (Rehearing Tr, Vol. II at 430-31). This  
16 allocation will mitigate the impact of Rider DMR on residential  
17 customers. The Commission finds that Rider DMR revenue should  
18 also be allocated between Ohio Edison, Cleveland Electric  
19 Illuminating, and Toledo Edison based upon 50 percent energy and  
20 50 percent demand.

1   ***Q17. IS THE FIRSTENERGY RIDER DMR SIMILAR TO THE DP&L RIDER***  
2       ***DMR?***

3   ***A17.*** Essentially, yes. However, there are some slight variations that are important.  
4       FirstEnergy's DMR, as noted above, is primarily a distribution-related rider  
5       intended to incent increased investment in distribution modernization and to  
6       improve FirstEnergy's credit position, as determined by its Cash Flow from  
7       Operations per-Working Capital (CFO) to debt ratio (Case No. 14-1297-EL-SSO,  
8       Fifth Entry on Rehearing, October 12, 2016, page 51). Thus, one of its prime  
9       purposes is to address the need for credit support for the FirstEnergy Utilities in  
10      order to ensure that they have access to capital market in order to make  
11      investments in their distribution systems (Case No. 14-1297-EL-SSO, Fifth Entry  
12      on Rehearing, October 12, 2016, page 87).

13  
14      Cash flow from the DP&L DMR will be used to (a) pay interest obligation on  
15      existing debt at DPL Inc. and DP&L; (b) make discretionary debt prepayments at  
16      DPL Inc. and DP&L; and (c) position DP&L to make capital expenditures to  
17      modernize and/or maintain DP&L's transmission and distribution infrastructure.<sup>3</sup>

18  
19      It appears to me that both the FirstEnergy and DP&L DMRs are meant to help the  
20      utilities maintain financial integrity and to allow better access to capital and  
21      equity. Therefore, the PUCO's decision in the FirstEnergy proceeding regarding

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<sup>3</sup> Amended Stipulation at page 5.

1 the allocation of the DMR's costs is relevant to the similar cost allocation issues  
2 in this proceeding. Here, there is even less reason to base any allocation on  
3 distribution revenues because DP&L's proposed DMR focuses significantly less  
4 (if at all) on distribution infrastructure investment as a goal than does  
5 FirstEnergy's DMR. Rather, DP&L's proposed DMR focuses solely on credit  
6 support by reducing debt.  
7

8 ***Q18. DOES THIS CONCLUDE YOUR TESTIMONY OPPOSING THE***  
9 ***SETTLEMENT?***

10 ***A18.*** Yes, it does. However, I reserve the right to incorporate new information that  
11 may subsequently become available. I also reserve the right to supplement my  
12 testimony in the event DP&L or any other party submits new or corrected  
13 information in connection with this proceeding and, specifically, this Settlement.

## **CERTIFICATE OF SERVICE**

It is hereby certified that a true copy of the foregoing *Direct Testimony of Robert B. Fortney* on Behalf of The Ohio Consumers' Counsel was served via electronic transmission this 29<sup>th</sup> day of March 2017.

/s/ William J Michael  
William J. Michael  
Assistant Consumers' Counsel

### **SERVICE LIST**

william.wright@ohioattorneygeneral.gov  
dboehm@bkllawfirm.com  
mkurtz@bkllawfirm.com  
jkylercohn@bkllawfirm.com  
kboehm@bkllawfirm.com  
fdarr@mwncmh.com  
mpritchard@mwncmh.com  
mjsettineri@vorys.com  
smhoward@vorys.com  
glpetrucci@vorys.com  
ibatikov@vorys.com  
wasieck@vorys.com  
tdougherty@theOEC.org  
cmooney@ohiopartners.org  
joliker@igsenergy.com  
mswhite@igsenergy.com  
ebetterton@igsenergy.com  
Slessor@calfee.com  
jlang@calfee.com  
talexander@calfee.com  
mkeaney@calfee.com  
slessor@calfee.com  
jlang@calfee.com  
amy.spiller@duke-energy.com  
elizabeth.watts@duke-energy.com  
jeanne.kingery@duke-energy.com  
gthomas@gtpowergroup.com  
stheodore@epsa.org  
laurac@chappelleconsulting.net  
todonnell@dickinsonwright.com

Attorney Examiners:  
gregory.price@puc.state.oh.us  
nicholas.walstra@puc.state.oh.us

michael.schuler@aes.com  
cfaruki@ficlaw.com  
djireland@ficlaw.com  
jsharkey@ficlaw.com  
mfleisher@elpc.org  
kfield@elpc.org  
jeffrey.mayes@monitoringanalytics.com  
evelyn.robinson@pjm.com  
schmidt@sppgrp.com  
rsahli@columbus.rr.com  
tony.mendoza@sierraclub.org  
kristin.henry@sierraclub.org  
gpoulos@enernoc.com  
mdortch@kravitzllc.com  
rparsons@kravitzllc.com  
Bojko@carpenterlipps.com  
perko@carpenterlipps.com  
Ghiloni@carpenterlipps.com  
paul@carpenterlipps.com  
sechler@carpenterlipps.com  
rick.sites@ohiohospitals.org  
mwarnock@bricker.com  
dparram@bricker.com  
dborchers@bricker.com  
lhawrot@spilmanlaw.com  
dwilliamson@spilmanlaw.com  
charris@spilmanlaw.com  
ejacobs@ablelaw.org  
rseiler@dickinsonwright.com  
cpirik@dickinsonwright.com  
wvorys@dickinsonwright.com  
jdoll@djflawfirm.com  
mcrawford@djflawfirm.com

## Robert Fortney

## Proceedings with Testimony Submitted to the Public Utilities Commission of Ohio

Company	Docket No.	Date
Cleveland Electric Illuminating Company	85-675-EL-AIR	1986
Cleveland Electric Illuminating Company	86-2025-EL-AIR	1987
Toledo Edison Company	86-2026-EL-AIR	1987
Ohio Edison Company	87-689-EL-AIR	1987
Cleveland Electric Illuminating Company	88-170-EL-AIR	1988
Toledo Edison Company	88-171-EL-AIR	1988
Ohio Edison Company	89-1001-EL-AIR	1990
Cincinnati Gas & Electric Company	91-410-EL-AIR	1991
Columbus Southern Power Company	91-418-EL-AIR	1992
Cincinnati Gas & Electric Company	92-1464-EL-AIR	1993
Ohio Power Company	94-996-EL-AIR	1994
Toledo Edison Company	94-1987-EL-CSS	1995
Cleveland Electric Illuminating Company	94-1964-EL-CSS	1995
Toledo Edison Company	95-299-EL-AIR	1995
Cleveland Electric Illuminating Company	95-300-EL-AIR	1996
All Electric Companies (Rulemaking Proceeding)	96-406-EL-COI	1998
Cleveland Electric Illuminating Company	97-358-EL-ATA	1998
Toledo Edison Company	97-359-EL-ATA	1998
Cleveland Electric Illuminating Company	97-1146-EL-COI	1998
Toledo Edison Company	97-1147-EL-COI	1998
FirstEnergy	96-1211-EL-UNC	1998
Columbus Southern Power Company	01-1356-EL-ATA	2002
Columbus Southern Power Company	01-1357-EL-AAM	2002
Rulemaking Proceeding	01-2708-EL-COI	2002
FirstEnergy	01-3019-EL-UNC	2002
Ohio Power Company	01-1358-EL-ATA	2002
Ohio Power Company	01-1359-EL-AAM	2002
The Dayton Power and Light Company	02-0570-EL-ATA	2003
Dayton Power and Light Company	02-2364-EL-CSS	2003
Dayton Power and Light Company	02-2879-EL-AAM	2003
Dayton Power and Light Company	02-2779-EL-ATA	2003
FirstEnergy Corporation	03-2144-EL-ATA	2004
Cincinnati Gas & Electric Company	03-0093-EL-ATA	2004
Cincinnati Gas & Electric Company	03-2079-EL-AAM	2004
Cincinnati Gas & Electric Company	03-2081-EL-AAM	2004
Monongahela Power Company	04-0880-EL-UNC	2004
Monongahela Power Company	05-0765-EL-UNC	2005
Dayton Power and Light Company	05-0276-EL-AIR	2005



FirstEnergy	07-0551-EL-AIR	2008
FirstEnergy	08-0936-EL-SSO	2008
FirstEnergy	08-0935-EL-SSO	2008
Ormet Primary Aluminum Corporation	09-0119-EL-AEC	2009
Cleveland Electric Illuminating Company	08-1238-EL-AEC	2009
Columbus Southern Power Company	09-0516-EL-AEC	2009
FirstEnergy	10-0388-EL-SSO	2010
FirstEnergy	10-0176-EL-ATA	2011
Columbus Southern Power Company	11-0346-EL-SSO	2011
Ohio Power Company	11-0348-EL-SSO	2011
Columbus Southern Power Company	10-0343-EL-ATA	2011
Ohio Power Company	10-0344-EL-ATA	2011
AEP Ohio	10-2376-EL-UNC	2011
AEP Ohio	10-2929-EL-UNC	2011
AEP Ohio	11-4921-EL-RDR	2011
FirstEnergy	12-1230-EL-SSO	2012
AEP Ohio	14-1693-EL-RDR	2015
Aqua	16-0907-WW-AIR	2016

**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION OF OHIO**  
  
**THE DAYTON POWER AND LIGHT COMPANY**

**CASE NO. 16-0395-EL-SSO**  
**CASE NO. 16-0397-EL-AAM**  
**CASE NO. 16-0396-EL-ATA**

**DIRECT TESTIMONY**  
**OF CLAIRE E. HALE**

**OCTOBER 11, 2016**

- ☐ **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**  
  
**CLAIRE E. HALE**  
  
**ON BEHALF OF**  
**THE DAYTON POWER AND LIGHT COMPANY**

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<b>V.</b>	<b>CONCLUSION .....</b>	<b>6</b>

1   **I.    INTRODUCTION**

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

3   A.    My name is Claire E. Hale. My business address is 1065 Woodman Drive, Dayton, OH  
4        45432.

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

6   A.    I am employed by The Dayton Power and Light Company ("DP&L" or the "Company")  
7        as a Rate Analyst II.

8   **Q.    What are your responsibilities in your current position?**

9   A.    I am responsible for assisting in the development, analyses, revision, and administration  
10       of the Company's tariff schedules, rate designs, and policies. This includes participating  
11       in the development of the Company's rate cases and having responsibility for the  
12       administration of certain riders, specifically the Transmission Cost Recovery Riders, the  
13       Reliability Pricing Model Rider, and the Storm Cost Recovery Rider.

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

15   A.    I received a Bachelor of Science degree in Mathematics from The Ohio State University  
16       in June 2008. Prior to my position at DP&L, I was a Technical Analyst at Accenture,  
17       where I worked on the Service Oriented Architecture Team providing client support on  
18       middleware applications. I joined DP&L as a rate analyst in January 2011.

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

**Claire E. Hale**

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1 A. Yes. I sponsored testimony before the PUCO in Case No. 12-426-EL-SSO as well as in  
2 Case No. 15-1830-EL-AIR.

3 **II. PURPOSE OF TESTIMONY**

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

5 A. The purpose of this testimony is to support and explain the Distribution Modernization  
6 Rider (“DMR”) rate design and the Clean Energy Rider.

7 **Q. Do you support any exhibits attached to your testimony?**

8 A. Yes. I am supporting Exhibit CEH-1, DMR Rate Design.

9 **III. DISTRIBUTION MODERNIZATION RIDER**

10 **Q. Please explain the Distribution Modernization Rider.**

11 A. As described by Company Witness Jackson, the Distribution Modernization Rider will  
12 help to ensure that Ohio customers continue to receive reliable service. The DMR will be  
13 billed on a service-rendered basis beginning January 2017 and will be billed to all  
14 customers on a non-bypassable basis.

15 **Q. Please describe DP&L’s DMR rate design.**

16 A. DP&L proposes to use a modified version of its current Service Stability Rider (“SSR”)   
17 rate methodology for the basis of the structure for the DMR rate design. Using the   
18 current SSR rates as a starting point promotes the retail rate stability intended by the   
19 DMR. The modifications to the SSR rates bring the DMR rates in line with DP&L’s   
20 more recent rate design, as proposed in its distribution rate case (see Company Witness   
21 Parke testimony in Case No. 15-1830-EL-AIR) and within this case (see Company

1       Witness Brown testimony). The modifications also simplify the rate structure with  
2       minimal inter- and intra-class impact. Exhibit CEH-1 attached to this testimony shows  
3       the calculation of the DMR rates. Page 1 of this exhibit shows the calculation of the  
4       proposed 2017 DMR rates by beginning with SSR rates, applying the rate design  
5       modifications, and scaling those rates to meet the 2017 DMR revenue requirement.

6       **Q.     Can you describe the calculation of the 2017 DMR rates more fully?**

7       A.     Yes. As noted above and shown in Exhibit CEH-1, the calculation begins with SSR rates  
8       applied to the distribution forecast (supported by Company Witness Adams) for 2017.  
9       This creates an SSR revenue requirement by tariff class. The desired rate design changes  
10      are then applied to each class's rates. These rate design changes impact the revenue  
11      calculated for each class, so the new rates are then scaled up or down to bring the revenue  
12      for each class back in line with that originally calculated from the SSR rates. This  
13      prevents rate design changes from causing any inter-class shifts in revenue. Finally, a  
14      factor is calculated based on the 2017 DMR revenue requirement and the calculated 2017  
15      SSR revenues. This factor is applied to the modified rates to determine 2017 DMR rates.

16      **Q.     What modifications are you proposing to the rate design?**

17      A.     For Residential, the rate design changes are intended to bring the rates more in line with  
18      those proposed for the Standard Offer Rate. Specifically, the blocked rates for  
19      Residential are removed to create a straight kWh rate, and the Residential Heating  
20      discount is also modified to a lower rate for all kWh in the winter months. For the  
21      Secondary class, the rate design changes accomplish a few different objectives: exchange  
22      the blocked kWh rates for a straight kWh rate; incorporate current School customers into  
23      the Secondary class (in accordance with the elimination of that tariff in 2017); eliminate

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1 the first five “free” kW by implementing a straight kW rate for all kW; and implement  
2 the max charge rate changes discussed by Company Witness Parke. The rate design  
3 changes for the Primary class also incorporate current School customers and the proposed  
4 max charge rate changes. Finally, the Private Outdoor Lighting rates are changed to a  
5 consistent kWh charge, rather than a varying per lamp charge. However, tariffed rates  
6 are still shown on a per lamp basis for the convenience of customers. No rate design  
7 changes are proposed for the Primary Substation, High Voltage, or Street Lighting  
8 classes. All of these rate design changes employ average rates in order to minimize any  
9 intra-class shifts. In the end, these changes simplify the rates for customers while  
10 maintaining rate stability.

11 **Q. Have you proposed rates for the DMR for 2017?**

12 A. Yes. For 2017, Exhibit CEH-1 Page 1 shows the proposed rates for implementation in  
13 January 2017.

14 **IV. CLEAN ENERGY RIDER**

15 **Q. Does the Company propose any new riders or deferrals regarding environmental**  
16 **costs?**

17 A. Yes, the Company proposes a new Clean Energy Rider that will facilitate future  
18 investment in renewable and advanced technologies consistent with state and federal  
19 policies. This rider, set initially at zero, will recover any currently unknown  
20 environmental compliance costs, including but not limited to green energy initiatives,  
21 environmental expenses, and decommissioning costs. Once those costs are known, the  
22 Company will apply for recovery of those costs through the non-bypassable Clean

1 Energy Rider in a separate proceeding. The timing of recovery will be on a case-by-case  
2 basis for each expense.

3 **Q. What is the nature of these environmental expenses?**

4 A. Many existing, pending, and future regulations aim to achieve a clean energy policy at  
5 both the state and national level. Encouraging the use of renewables, reducing pollutants  
6 in both air and water, and environmentally sound long-term solutions are all part of that  
7 overall policy goal. To that end, the Company expects it will incur environmental costs  
8 as a result of its current ownership of generation assets. It also expects that, consistent  
9 with state and federal policies, new renewable requirements will be imposed by future  
10 regulations. Therefore the Company wishes to establish the Clean Energy Rider as a  
11 mechanism to enable that investment and recover the related costs for compliance with  
12 those currently unknown or unquantifiable clean energy obligations.

13 **Q. Can you provide an example of the type of environmental expenses that DP&L**  
14 **expects to incur?**

15 A. Yes. There are a number of pending regulations related to environmental  
16 compliance. The generation plants are subject to a number of new environmental  
17 regulations that are not yet finalized. Examples include revisions to the Cross State Air  
18 Pollution Rule ("CSAPR") and implementation of the Resource Conservation and  
19 Recovery Act ("RCRA") including the potential closing of existing ash ponds.

20 **Q. Why is it appropriate for the Company's customers to pay for these expenses?**

21 A. Certain environmental and decommissioning expenses are related to activities involved in  
22 serving the Company's customers and were caused when the generation assets were



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1 owned by the regulated entity and were for the benefit of DP&L's customers. It is  
2 appropriate that these expenses are recovered on a non-bypassable basis because DP&L's  
3 ownership of these assets benefitted all of DP&L's distribution customers. In fact, those  
4 generation assets were originally placed in service years, and sometimes decades, before  
5 the generation market was deregulated. Therefore, such environmental and  
6 decommissioning expenses are related to customers' prior use of and benefit from those  
7 generation assets. Additionally, any efforts to comply with clean energy obligations will  
8 benefit all of the Company's customers, making non-bypassable recovery appropriate.

9 **V. CONCLUSION**

10 **Q. Please summarize your testimony.**

11 A. In summary, the DMR rate design described above maintains rate stability while still  
12 updating rates for consistency across DP&L's tariffs. Additionally, the Clean Energy  
13 Rider proposed above is reasonable and should be approved.

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

15 A. Yes, it does.

The Dayton Power and Light Company  
Case No. 16-0395-EL-SSO  
Distribution Modernization Rider  
Allocation and Rate Design

Exhibit CEH-1  
Page 1 of 2

Line	Class/Description	2017 LTFR Distribution Forecast <sup>1</sup>	SSR Rate	SSR Revenue	Rate Design Changes <sup>2</sup>	SSR Rate Design Revenue	Scale Rates to SSR Level <sup>3</sup>	SSR Revenue	Under New Rate Design	DMR Revenue	DMR Rate	DMR Revenue
(A)	(B)	(C)	(D)	(E) = (C) * (D)	(F)	(G) = (C) * (F)	(H)	(I) = (C) * (H)	(J) = (H) * Line 1	(K) = (H) * (J) Line 2	(L) = (C) * (K)	
1	Total Distribution Sales Forecast			\$ 112,698,439	\$	114,004,658		\$ 112,698,439	\$ 145,000,000			\$ 145,000,000
2	All kWh	14,140,910,971		\$ 86,781,525	\$	88,087,744			129%			\$ 111,470,382
3	All kW	23,488,053		\$ 25,916,914	\$	25,916,914						\$ 33,529,618
4												
5	Total Residential		43.9%	\$ 49,495,276	44.9%	\$ 51,178,441	43.9%	\$ 49,495,276	\$ 63,681,583	43.9%	\$ 63,681,583	
6	Residential Non-Heating						96.7%					
7	0-750 kWh	2,415,026,282	\$ 0.0103362	\$ 24,962,195	\$ 0.0097807	\$ 23,620,556	\$ 0.0094590	\$ 22,843,719		\$ 0.0121701	\$ 29,391,173	
8	> 750 kWh	1,154,728,278	\$ 0.0084287	\$ 9,732,858	\$ 0.0097807	\$ 11,294,007	\$ 0.0094590	\$ 10,922,568		\$ 0.0121701	\$ 14,053,188	
9	Residential Heating				15.27% Residential Heating Discount							
10	0-750 (S) kWh	348,685,541	\$ 0.0103362	\$ 3,604,083	\$ 0.0097807	\$ 3,410,375	\$ 0.0094590	\$ 3,298,214		\$ 0.0121701	\$ 4,243,547	
12	> 750 (S) kWh	203,143,776	\$ 0.0084287	\$ 1,712,238	\$ 0.0097807	\$ 1,986,881	\$ 0.0094590	\$ 1,921,536		\$ 0.0121701	\$ 2,472,285	
11	0-750 (W) kWh	540,817,500	\$ 0.0103362	\$ 5,589,998	\$ 0.0082871	\$ 4,481,782	\$ 0.0080145	\$ 4,334,385		\$ 0.0103116	\$ 5,576,703	
13	> 750 (W) kWh	770,459,802	\$ 0.0050540	\$ 3,893,904	\$ 0.0082871	\$ 6,384,840	\$ 0.0080145	\$ 6,174,854		\$ 0.0103116	\$ 7,944,687	
14	Total Secondary		30.5%	\$ 34,405,296	29.9%	\$ 34,062,026	30.5%	\$ 34,405,296	\$ 44,266,522	30.5%	\$ 44,266,522	
15	Standard						101.0% Secondary Scale Factor					
16	0-5 kW	2,671,804	\$ -	\$ -	\$ 0.9566038	\$ 2,555,858	\$ 0.9662442	\$ 2,581,615		\$ 1.2431886	\$ 3,321,556	
17	> 5 kW	10,460,046	\$ 1.2104318	\$ 12,661,172	\$ 0.9566038	\$ 10,006,119	\$ 0.9662442	\$ 10,106,959		\$ 1.2431886	\$ 13,003,810	
18	0-1,500 kWh	510,092,604	\$ 0.0101459	\$ 5,175,349	\$ 0.0050927	\$ 2,597,759	\$ 0.0051440	\$ 2,623,939		\$ 0.0066184	\$ 3,376,011	
19	1,501-125,000 kWh	2,880,174,472	\$ 0.0044547	\$ 12,830,313	\$ 0.0050927	\$ 14,667,925	\$ 0.0051440	\$ 14,815,745		\$ 0.0066184	\$ 19,062,225	
20	> 125,000 kWh	644,223,215	\$ 0.0037842	\$ 2,437,869	\$ 0.0050927	\$ 3,280,849	\$ 0.0051440	\$ 3,313,913		\$ 0.0066184	\$ 4,263,745	
21	Max Charge											
22	0-5 kW	187,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	
23	> 5 kW	821,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	
24	0-1,500 kWh	26,962,977	\$ 0.0248410	\$ 669,787	\$ 0.0164054	\$ 442,338	\$ 0.0165707	\$ 446,796		\$ 0.0213202	\$ 574,856	
25	1,501-125,000 kWh	13,729,955	\$ 0.0248410	\$ 341,066	\$ 0.0164054	\$ 225,245	\$ 0.0165707	\$ 227,515		\$ 0.0213202	\$ 292,725	
26	> 125,000 kWh	0	\$ 0.0248410	\$ -	\$ 0.0164054	\$ -	\$ 0.0165707	\$ -		\$ 0.0213202	\$ -	
27	School											
28	0-5 kW	5,066	\$ -	\$ -	\$ 0.9566038	\$ 4,846	\$ 0.9662442	\$ 4,895		\$ 1.2431886	\$ 6,298	
29	> 5 kW	98,630	\$ -	\$ -	\$ 0.9566038	\$ 94,349	\$ 0.9662442	\$ 95,300		\$ 1.2431886	\$ 122,615	
30	0-1,500 kWh	1,509,771	\$ 0.0079018	\$ 11,930	\$ 0.0050927	\$ 7,689	\$ 0.0051440	\$ 7,766		\$ 0.0066184	\$ 9,992	
31	1,501-125,000 kWh	34,596,757	\$ 0.0079018	\$ 273,377	\$ 0.0050927	\$ 176,192	\$ 0.0051440	\$ 177,967		\$ 0.0066184	\$ 228,976	
32	> 125,000 kWh	560,980	\$ 0.0079018	\$ 4,433	\$ 0.0050927	\$ 2,857	\$ 0.0051440	\$ 2,886		\$ 0.0066184	\$ 3,713	
33	Total Primary		16.5%	\$ 18,608,439	16.3%	\$ 18,574,763	16.5%	\$ 18,608,439	\$ 23,941,979	16.5%	\$ 23,941,979	
34	Standard						100.2% Primary Scale Factor					
35	All kWh	6,108,233	\$ 1.4208780	\$ 8,679,054	\$ 1.4115752	\$ 8,622,231	\$ 1.4141343	\$ 8,637,863		\$ 1.8194527	\$ 11,113,642	
36	All kWh	2,866,184,251	\$ 0.0033887	\$ 9,712,639	\$ 0.0034129	\$ 9,782,073	\$ 0.0034191	\$ 9,799,808		\$ 0.0043991	\$ 12,608,623	
37	Max Charge											
38	All kWh	99,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	
39	All kWh	3,788,117	\$ 0.0249517	\$ 94,520	\$ 0.0160619	\$ 60,844	\$ 0.0160910	\$ 60,955		\$ 0.0207030	\$ 78,425	
40	School											
41	All kWh	40,256	\$ -	\$ -	\$ 1.4115752	\$ 56,824	\$ 1.4141343	\$ 56,927		\$ 1.8194527	\$ 73,243	
42	All kWh	15,468,129	\$ 0.0079018	\$ 122,226	\$ 0.0034129	\$ 52,792	\$ 0.0034191	\$ 52,887		\$ 0.0043991	\$ 68,046	
43	Primary Substation		3.4%	\$ 3,797,704	3.3%	\$ 3,797,704	3.4%	\$ 3,797,704	\$ 4,886,200	3.4%	\$ 4,886,200	
44	All kWh	1,126,507	\$ 1.5092978	\$ 1,700,234	\$ 1.5092978	\$ 1,700,234	\$ 1.5092978	\$ 1,700,234		\$ 1.9418919	\$ 2,187,554	
45	All kWh	645,733,135	\$ 0.0032482	\$ 2,097,470	\$ 0.0032482	\$ 2,097,470	\$ 0.0032482	\$ 2,097,470		\$ 0.0041792	\$ 2,698,646	
46	High Voltage		5.4%	\$ 6,153,565	5.4%	\$ 6,153,565	5.5%	\$ 6,153,565	\$ 7,917,297	5.5%	\$ 7,917,297	
47	All kWh	1,868,328	\$ 1.5395867	\$ 2,876,454	\$ 1.5395867	\$ 2,876,454	\$ 1.5395867	\$ 2,876,454		\$ 1.9808621	\$ 3,700,901	
48	All kWh	978,943,698	\$ 0.0033476	\$ 3,277,112	\$ 0.0033476	\$ 3,277,112	\$ 0.0033476	\$ 3,277,112		\$ 0.0043071	\$ 4,216,396	
49	Street Lighting		0.1%	\$ 150,393	0.1%	\$ 150,393	0.1%	\$ 150,393	\$ 193,499	0.1%	\$ 193,499	
50	All kWh	55,701,176	\$ 0.0027000	\$ 150,393	\$ 0.0027000	\$ 150,393	\$ 0.0027000	\$ 150,393		\$ 0.0034739	\$ 193,499	
51	Private Outdoor Lighting (lamp)			\$ 87,765		\$ 87,765		\$ 87,765	\$ 112,920		\$ 112,920	
52	9500 L HPS lamp	12,328	\$ 0.007788	\$ 96,165	\$ 0.0028889	\$ 3,589	\$ 0.0028889	\$ 3,589		\$ 0.0037169	\$ 4,608	
53	28000 L HPS lamp	8,008	\$ 0.2468800	\$ 1,977	\$ 0.0028889	\$ 2,221	\$ 0.0028889	\$ 2,221		\$ 0.0037169	\$ 2,858	
54	7000 L Mercury lamp	274,765	\$ 0.2129700	\$ 58,517	\$ 0.0028889	\$ 59,532	\$ 0.0028889	\$ 59,532		\$ 0.0037169	\$ 76,595	
55	21000 L Mercury lamp	52,962	\$ 0.3960400	\$ 20,975	\$ 0.0028889	\$ 23,562	\$ 0.0028889	\$ 23,562		\$ 0.0037169	\$ 30,315	
56	2500 L Incand. lamp	64	\$ 0.2630200	\$ 17	\$ 0.0028889	\$ 12	\$ 0.0028889	\$ 12		\$ 0.0037169	\$ 15	
57	7000 L Fluor. lamp	162	\$ 0.3707200	\$ 60	\$ 0.0028889	\$ 31	\$ 0.0028889	\$ 31		\$ 0.0037169	\$ 40	
58	4000 L PT Mercury lamp	8,201	\$ 0.5918600	\$ 4,854	\$ 0.0028889	\$ 1,019	\$ 0.0028889	\$ 1,019		\$ 0.0037169	\$ 1,311	
59	Private Outdoor Lighting (kWh)				0.1%	\$ 87,765	0.1%	\$ 87,765	\$ 112,920	0.1%	\$ 112,920	
60	9500 L HPS kWh	480,777	\$ 0.0028889	\$ 1,389	\$ 0.0028889	\$ 1,389	\$ 0.0028889	\$ 1,389		\$ 0.0037169	\$ 1,787	
61	28000 L HPS kWh	768,806	\$ 0.0028889	\$ 2,221	\$ 0.0028889	\$ 2,221	\$ 0.0028889	\$ 2,221		\$ 0.0037169	\$ 2,858	
62	7000 L Mercury kWh	20,607,391	\$ 0.0028889	\$ 59,532	\$ 0.0028889	\$ 59,532	\$ 0.0028889	\$ 59,532		\$ 0.0037169	\$ 76,595	
63	21000 L Mercury kWh	8,156,083	\$ 0.0028889	\$ 23,562	\$ 0.0028889	\$ 23,562	\$ 0.0028889	\$ 23,562		\$ 0.0037169	\$ 30,315	
64	2500 L Incand. kWh	4,119	\$ 0.0028889	\$ 12	\$ 0.0028889	\$ 12	\$ 0.0028889	\$ 12		\$ 0.0037169	\$ 15	
65	7000 L Fluor. kWh	10,723	\$ 0.0028889	\$ 31	\$ 0.0028889	\$ 31	\$ 0.0028889	\$ 31		\$ 0.0037169	\$ 40	
66	4000 L PT Mercury kWh	352,656	\$ 0.0028889	\$ 1,019	\$ 0.0028889	\$ 1,019	\$ 0.0028889	\$ 1,019		\$ 0.0037169	\$ 1,311	

<sup>1</sup> Exhibit RJ-A-2

<sup>2</sup> Residential/Residential Heating (Summer): Sum Col (F) / Sum Col (D), Lines 7 thru 11

<sup>3</sup> Residential Heating (Winter): Residential Heating (Summer) \* (1 - Residential Heating Discount)

<sup>4</sup> Secondary (kW): Sum Col (F) / Sum Col (D), Lines 16, 17, 28, 29

<sup>5</sup> Secondary (kWh): Sum Col (F) / Sum Col (D), Lines 18 thru 20, 30 thru 32

<sup>6</sup> Secondary (Max Charge): Sum Col (F) / Sum Col (D) \* 2, Lines 16 thru 20, 28 thru 32

<sup>7</sup> Primary (kW): Sum Col (F) / Sum Col (D), Lines 35, 41

<sup>8</sup> Primary (kWh): Sum Col (F) / Sum Col (D), Lines 36, 42

<sup>9</sup> Primary (Max Charge): Sum Col (F) / Sum Col (D) \* 2.5, Lines 35, 36, 41, 42

<sup>10</sup> Private Outdoor Lighting: Col (G) Line 59 / Sum (C), Lines 60-66

<sup>11</sup> Residential/Residential Heating: Col (F) \* Col (H), Line 6

<sup>12</sup> Secondary: Col (F) \* Col (H), Line 15

<sup>13</sup> Primary: Col (F) \* Col (H), Line 34

**The Dayton Power and Light Company**  
**Case No. 16-0395-EL-SSO**  
**Distribution Modernization Rider**  
**Calculation of Private Outdoor Lighting Charges**

Exhibit CEH-1					
Page 2 of 2					
Line	Description	2017	2017	DMR Charge/Fixture/Month	
		kWh/Fixture	DMR	\$/kWh	\$/Fixture/Month
(A)	(B)	(C)	(D)	(E)	(E) = (C) * (D)
<b>Private Outdoor Lighting</b>					
1					
2	9,500 Lumens High Pressure Sodium (HPS)	39	\$	0.0037169	\$ 0.1449576
3	28,000 Lumens High Pressure Sodium (HPS)	96	\$	0.0037169	\$ 0.3568186
4	7,000 Lumens Mercury	75	\$	0.0037169	\$ 0.2787645
5	21,000 Lumens Mercury	154	\$	0.0037169	\$ 0.5723965
6	2,500 Lumens Incandescent	64	\$	0.0037169	\$ 0.2378791
7	7,000 Lumens Fluorescent	66	\$	0.0037169	\$ 0.2453128
8	4,000 Lumens PT Mercury	43	\$	0.0037169	\$ 0.1598250

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing testimony has been served via electronic mail

upon the following counsel of record, this 11th day of October, 2016:

Thomas McNamee  
Natalia Messenger  
Public Utilities Commission of Ohio  
180 East Broad Street, 12th Floor  
Columbus, OH 43215  
Email: Thomas.McNamee@ohioattorneygeneral.gov  
Natalia.Messenger@ohioattorneygeneral.gov

Attorneys for PUCO Staff

Kimberly W. Bojko  
Danielle M. Ghiloni  
Carpenter Lipps & Leland LLP  
280 North High Street, Suite 1300  
Columbus, OH 43215  
Email: Bojko@carpenterlipps.com  
Ghiloni@carpenterlipps.com

Attorneys for The Ohio Manufacturers' Association  
Energy Group

Kevin R. Schmidt  
88 East Broad Street, Suite 1770  
Columbus, OH 43215  
Email: Schmidt@sppgrp.com

Attorney for The Energy Professionals of Ohio

Jeffrey W. Mayes  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160  
Valley Forge Corporate Center  
Eagleville, PA 19403  
Email: Jeffrey.mayes@monitoringanalytics.com

Frank P. Darr (Counsel of Record)  
Matthew R. Pritchard  
McNees Wallace & Nurick  
21 East State Street, 17th Floor  
Columbus, OH 43215  
Email: fdarr@mwncmh.com  
mpritichard@mwncmh.com

Attorneys for Industrial Energy Users –  
Ohio

David F. Boehm  
Michael L. Kurtz  
Kurt J. Boehm  
Jody Kyler Cohn  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202  
Email: dboehm@BKLawfirm.com  
mkurtz@BKLawfirm.com  
kboehm@BKLawfirm.com  
jkylercohn@BKLawfirm.com

Attorneys for The Ohio Energy Group

Joseph Olikier  
IGS Energy  
6100 Emerald Parkway  
Dublin, OH 43016  
Email: joliker@igsenergy.com

Attorney for IGS Energy

Joel E. Sechler  
Carpenter Lipps & Leland  
280 N. High St., Suite 1300  
Columbus, OH 43215  
Email: Sechler@carpenterlipps.com

Evelyn R. Robinson  
PJM Interconnection, LLC  
2750 Monroe Blvd  
Audubon, PA 19403  
Email: evelyn.robinson@pjm.com

Attorney for Monitoring Analytics, LLC as  
The Independent Market Monitor for PJM

Trent Dougherty  
Ohio Environmental Council  
1145 Chesapeake Ave., Suite 1  
Columbus, OH 43212-3449  
Email: tdougherty@the OEC.org

Attorney for the Ohio Environmental  
Council and Environmental Defense Fund

William J. Michael  
Kevin F. Moore  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, OH 43215-3485  
Email: William.Michael@occ.ohio.gov  
Kevin.Moore@occ.ohio.gov

Attorneys for Ohio Consumers' Counsel

Michael D. Dortch  
Richard R. Parsons  
Kravitz, Brown & Dortch, LLC  
65 East State Street, Suite 200  
Columbus, OH 43215  
Email: mdortch@kravitzllc.com  
rparsons@kravitzllc.com

Attorneys for Noble Americas  
Energy Solutions LLC

Richard C. Sahli  
Richard C. Sahli Law Office, LLC  
981 Pinewood Lane  
Columbus, OH 43230-3662  
Email: rsahli@columbus.rr.com

Christopher M. Bzdok (pro hac vice)  
Olson Bzdok & Howard, P.C.  
420 East Front Street  
Traverse City, MI 49686  
chris@envlaw.com

Gregory J. Poulos  
EnerNOC, Inc.  
P.O. Box 29492  
Columbus, OH 43229  
Email: gpoulos@enernoc.com

Attorneys for EnerNOC, Inc.

Angela Paul Whitfield  
Carpenter Lipps & Leland LLP  
280 Plaza, Suite 1300  
280 North High Street  
Columbus, OH 43215  
Email: paul@carpenterlipps.com

Attorney for The Kroger Company

Colleen Mooney  
Ohio Partners for Affordable Energy  
231 West Lima Street  
P.O. Box 1793  
Findlay, OH 45839-1793  
Email: cmooney@ohiopartners.org

Attorney for Ohio Partners for Affordable  
Energy

Madeline Fleisher  
Environmental Law & Policy Center  
21 West Broad Street, Suite 500  
Columbus, OH 43215  
Email: mlfleisher@elpc.org

Attorneys for The Environmental Law &  
Policy Center

Steven D. Lesser  
James F. Lang  
N. Trevor Alexander  
Calfee, Halter & Griswold LLP  
41 South High Street  
1200 Huntington Center  
Columbus, OH 43215  
Email: slesser@calfee.com  
jlang@calfee.com  
talexander@calfee.com

Attorneys for The City of Dayton and  
Honda of America Mfg., Inc.



Tony G. Mendoza, Staff Attorney (pro hac vice)  
Sierra Club Environmental Law Program  
2101 Webster Street, 13<sup>th</sup> Floor  
Oakland, CA 94612  
Email: tony.mendoza@sierraclub.org

Attorneys for Sierra Club

Michael J. Settineri  
Stephen M. Howard  
Gretchen L. Petrucci  
Ilya Batikov  
William A. Sieck  
Vorys, Sater, Seymour and Pease LLP  
52 E. Gay Street  
Columbus, OH 43215  
Email: mjsettineri@vorys.com  
smhoward@vorys.com  
glpetrucci@vorys.com  
ibatikov@vorys.com  
wasieck@vorys.com

Attorneys for Dynegy Inc.,  
PJM Power Providers Group, and  
Retail Energy Supply Association

Michelle Grant  
Dynegy Inc.  
601 Travis Street, Suite 1400  
Houston, TX 77002  
Email: michelle.d.grant@dynegy.com

Attorneys for Dynegy Inc.

Glen Thomas  
1060 First Avenue, Suite 400  
King of Prussia, PA 19406  
Email: gthomas@gtpowergroup.com

Sharon Theodore  
Electric Power Supply Association  
1401 New York Ave. NW 11th Floor  
Washington, DC  
Email: stheodore@epsa.org

Lisa M. Hawrot  
Spilman Thomas & Battle, PLLC  
Century Centre Building  
1233 Main Street, Suite 4000  
Wheeling, WV 26003  
Email: lhawrot@spilmanlaw.com

Derrick Price Williamson  
Spilman Thomas & Battle, PLLC  
1100 Bent Creek Blvd., Suite 101  
Mechanicsburg, PA 17050  
Email: dwilliamson@spilmanlaw.com

Carrie M. Harris  
Spilman Thomas & Battle, PLLC  
310 First Street, Suite 1100  
P.O. Box 90  
Roanoke, VA 24002-0090  
Email: charris@spilmanlaw.com

Steve W. Chriss  
Senior Manager, Energy Regulatory  
Analysis  
Greg Tillman  
Senior Manager, Energy Regulatory  
Analysis  
Wal-Mart Stores, Inc.  
2001 SE 10th Street  
Bentonville, AR 72716-0550  
Email: Stephen.Chriss@walmart.com  
Greg.Tillman@walmart.com

Attorneys for Wal-Mart Stores East, LP  
and Sam's East, Inc.

Evelyn R. Robinson  
2750 Monroe Boulevard  
Audubon, PA 19403  
Email: evelyn.robinson@pjm.com

Attorney for PJM Interconnection, L.L.C.

Richard L. Sites  
Ohio Hospital Association  
155 East Broad Street, 3rd Floor  
Columbus, OH 43215-3620  
Email: rick.sites@ohiohospitals.org

Laura Chappelle  
201 North Washington Square, Suite 910  
Lansing, MI 48933  
Email: laurac@chappelleconsulting.net

Attorneys for PJM Power Providers Group

Ellis Jacobs  
Advocates for Basic Legal Equality, Inc.  
130 West Second Street, Suite 700 East  
Dayton, OH 45402  
Email: ejacobs@ablelaw.org

Attorney for Edgemont Neighborhood Coalition

Amy B. Spiller  
Jeanne W. Kingery  
Elizabeth H. Watts  
Duke-Energy Ohio, Inc.  
139 East Fourth Street  
1303-Main  
Cincinnati, OH 45202  
Email: amy.spiller@duke-energy.com  
jeanne.kingery@duke-energy.com  
elizabeth.watts@duke-energy.com

Attorneys for Duke-Energy Ohio, Inc.

Devin D. Parram  
Taft Stettinius & Hollister LLP  
65 East State Street, Suite 1000  
Columbus, OH 43215  
Email: dparram@taftlaw.com

Attorney for People Working  
Cooperatively, Inc.

Matthew W. Warnock  
Dylan F. Borchers  
Bricker & Eckler LLP  
100 South Third Street  
Columbus, OH 43215-4291  
Email: mwarnock@bricker.com  
dborchers@bricker.com

Attorneys for The Ohio Hospital Association

Terrence N. O'Donnell  
Raymond D. Seiler  
Dickinson Wright PLLC  
150 East Gay Street, Suite 2400  
Columbus, OH 43215  
Email: todollell@dickinsonwright.com  
rseiler@dickinsonwright.com

Attorneys for Mid-Atlantic Renewable  
Energy Coalition

John R. Doll  
Matthew T. Crawford  
Doll, Jansen & Ford  
111 West First Street, Suite 1100  
Dayton, OH 45402-1156  
Email: jdoll@djflawfirm.com  
mcrawford@djflawfirm.com

Attorneys for Utility Workers of  
America Local 175

/s/ Jeffrey S. Sharkey  
Jeffrey S. Sharkey

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Summary: Testimony Direct Testimony of Claire E. Hale - October 11, 2016 (Refiled at Request of PUCO Due to DIS Technical Difficulties) electronically filed by Mr. Charles J. Faruki on behalf of The Dayton Power and Light Company



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Summary: Testimony Direct Testimony of Robert Fortney electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.