

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of the :
Dayton Power and Light Company for an : Case No. 15-1830-EL-AIR
Increase in its Electric Distribution Rates. :

In the Matter of the Application of the :
Dayton Power and Light Company for : Case No. 15-1831-EL-AAM
Accounting Authority. :

In the Matter of the Application of the :
Dayton Power and Light Company for : Case No. 15-1832-EL-ATA
Approval of Revised Tariffs. :

**PREPARED TESTIMONY
OF
David Lipthratt
RATES AND ANALYSIS DEPARTMENT
RESEARCH AND POLICY DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit ____

Date: July 16, 2018

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

2 A. My name is David M. Liphtratt. My address is 180 East Broad Street,
3 Columbus, Ohio 43215-3793.
4

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

6 A. I am employed by the Public Utilities Commission of Ohio (the Commis-
7 sion or PUCO) as the Chief of the Research and Policy Division of the
8 Rates and Analysis Department.
9

10 3. Q. Please briefly describe your educational and professional background.

11 A. I earned a Bachelor of Arts Degree that included a Major in Political
12 Science and a Minor in History from the University of Georgia. Subse-
13 quently, I earned a Masters in Public Administration Degree with a focus
14 on public budgeting and finance and policy analysis from the University of
15 Georgia. In addition, I earned a post-baccalaureate Certificate of Account-
16 ing Concentration at Columbus State Community College. I am a Certified
17 Public Accountant (Ohio License # CPA.48876). Moreover, I have
18 attended various seminars and rate case training programs sponsored by this
19 Commission, and/or recognized by professional trade organizations and the
20 utility industry community.
21

1 4. Q. Please describe your work experience.

2 A. I have previously served as a Budget/Management Analyst for the Ohio
3 Office of Budget and Management and a Fiscal Officer for the Ohio
4 Department of Commerce. I have served as a Public Utilities Administrator
5 with the PUCO before being promoted to my current position. Over the
6 past twelve years through each of these roles I have been responsible for
7 various accounting and financial-related tasks and responsibilities.
8

9 5. Q. Have you testified in previous cases at the PUCO?

10 A. Yes.

11 6. Q. What is the scope of your testimony?

12 A. The purpose of my testimony is to support the Joint Stipulation and
13 Recommendation (Stipulation) in this case by confirming that the
14 Stipulation complies with the Commission's three-part test for determining
15 a stipulation's reasonableness.

16 7. Q. What are the components of the three-part test?

17 A. A stipulation before the Commission must: (1) be the product of serious
18 bargaining among capable, knowledgeable parties; (2) as a package,
19 benefits ratepayers and the public interest; and (3) not violate any important
20 regulatory principle or practice.

1 8. Q. Is the Stipulation a product of serious bargaining among capable,
2 knowledgeable parties?

3 A. Yes. The Stipulation is the product of an open process in which all
4 intervenors were given an opportunity to participate. All parties were
5 represented by experienced and competent counsel that have participated in
6 numerous regulatory proceedings before the Commission. There were
7 extensive negotiations among the parties and the Stipulation represents a
8 comprehensive compromise of the issues raised by parties with diverse
9 interests.

10 9. Q. Which parties have signed the Stipulation?

11 A. The Signatory Parties to the Stipulation are the Staff of the PUCO (Staff),
12 Dayton Power and Light Company (DP&L), The Office of the Ohio
13 Consumers' Counsel, Ohio Energy Group, The Kroger Company, Wal-
14 Mart Stores East, LP, and Sam's East, Inc., Ohio Hospital Association,
15 Natural Resources Defense Council, Ohio Environmental Council and
16 Environmental Defense Fund, Environmental Law & Policy Center,
17 Edgemont Neighborhood Coalition, Ohio Partners for Affordable Energy,
18 and City of Dayton.

1 10. Q. Please list the non-opposing parties to the Stipulation.

2 A. Industrial Energy Users-Ohio, Ohio Manufacturers' Association Energy
3 Group, Buckeye Power, Inc. and One Energy Enterprises, LLC, do not
4 oppose the Stipulation.

5 11. Q. Does the Stipulation benefit ratepayers and the public interest?

6 A. Yes. The Stipulation results in a just and reasonable resolution of the
7 matters pending in these Commission dockets. Included in this reasonable
8 resolution is a revenue requirement that benefits ratepayers, through a
9 balanced approach by recognizing some of the objections to the Staff
10 Report of Investigation raised by intervening parties, rejecting some of the
11 objections, and considering alternative approaches. Additionally, the
12 following are some of the key benefits that are achieved from the
13 Stipulation:

- 14 • Reduces the requested \$65,771,725 revenue increase to a stipulated
15 increase of \$29,784,955.
- 16 • Reflects the lowered federal income tax rate of the Tax Cuts and
17 Jobs Act of 2017 ("TCJA") and establishes a framework for
18 returning excess accumulated deferred income taxes resulting from
19 the TCJA and the full balance of the regulatory liability ordered by

1 the Commission effective January 1, 2018 in Case No. 18-47-AU-
2 COI to ratepayers.

- 3 • Establishes a rate of return of 7.27% that is lower than the range
4 (7.33% - 7.82%) recommended as part of the Staff Report of
5 Investigation.
- 6 • Establishes a \$7.00 customer charge for DP&L's residential
7 customers, which is lower than both the \$13.73 customer charge
8 recommended in DP&L's Application and the \$7.88 customer charge
9 recommended in the Staff Report of Investigation.
- 10 • Facilitates incremental distribution system investments through
11 DP&L's Distribution Investment Rider (DIR), subject to annual caps
12 which include a \$2.0 million reduction for failure to meet certain
13 reliability standards.
- 14 • Commits DP&L to develop innovative electric vehicle charging
15 infrastructure and a non-wires pilot program.
- 16 • Implements Revenue Decoupling through DP&L's existing
17 Decoupling Rider.
- 18 • Provides deferral authority, with no carrying costs, for incremental
19 annual expenses for vegetation management performed by third-
20 party vendors.

1 12. Q. What adjustments were made from the Staff Report of Investigation to
2 arrive at the stipulated recommended revenue requirement?

3 A. Embedded within the stipulated revenue requirement are the following
4 adjustments to the Staff Report of Investigation:

- 5 • An addition of \$5,610,653 to reflect employee labor costs incurred
6 by DP&L during the Test Period as shown on Exhibit 2–4 -
7 Schedules C-3.11, C-3.12, and C3.13;
 - 8 • An addition of \$1,910,790 to reflect property tax expense incurred
9 by DP&L during the Test Period as shown on Exhibit 1 – Schedule
10 C-3.9;
 - 11 • An addition of \$5,000,000 included in the Stipulated Operating
12 Expenses to reflect known increases in vegetation management as
13 shown on Exhibit 7 – Schedule C-3.27;
 - 14 • A reduction of \$1,500,000 to test year revenues associated with
15 Staff's adjustment for energy efficiency as shown on Exhibit 6 –
16 Schedule C-3.26; and
 - 17 • A reduction of \$329,774 to test year expenses associated with
18 Miscellaneous General Expenses as shown on Exhibit 5 – Schedule
19 C-3.21.
- 20

1 13. Q. Does the settlement package violate any important regulatory principles or
2 practices?

3 A. Based on my experience, involvement in this proceeding, and review of the
4 Stipulation, Staff concludes that it complies with all relevant and important
5 regulatory principles and practices.

6

7 14. Q. Are you recommending that the Commission approve the Stipulation?

8 A. Yes. In my opinion, the Stipulation represents a fair, balanced, and
9 reasonable compromise of the issues in this proceeding. I believe that the
10 Stipulation meets all of the Commission's criteria for adoption of
11 settlements, and it is my recommendation that the Commission issue an
12 order approving the Stipulation.

13 15. Q. Does this conclude your testimony?

14 A. Yes, it does.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Testimony of **David Liphtratt** submitted on behalf of the Staff of the Public Utilities Commission of Ohio via electronic mail upon the following parties of record, this 16th day of July 2018.

/s/Thomas W. McNamee

Thomas W. McNamee

Assistant Attorney General

Parties of Record:

Michael J. Schuler
Dayton Power & Light Company
1065 Woodman Drive
Dayton, OH 45432
michael.schuler@aes.com

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

Trent A. Dougherty
Ohio Environmental Council
1145 Chesapeake Avenue, Suite 1
Columbus, OH 43212
tdougherty@theoec.org

Robert Dove
The Law Office of Robert Dove
P.O. Box 13442
Columbus, OH 43213
rdove@attorneydrove.com

Kimberly W. Bojko
Carpenter Lipps & Leland
280 North High Street, Suite 1300
Columbus, OH 43215
bojko@carpenterlipps.com

Charles J. Faruki
Jeffrey S. Sharkey
Faruki Ireland & Cox
500 Courthouse Plaza, S.W.
10 North Ludlow Street
Dayton, OH 45402
cfaruki@ficlaw.com
jsharkey@ficlaw.com

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

David F. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@bkllawfirm.com

David D. Parram
Taft Stettinius & Hollister
65 East State Street, Suite 100
Columbus, OH 43215
dparram@taftlaw.com

Joseph E. Oliker
IGS Energy
6100 Emerald Parkway
Dublin, OH 43016
joliker@igsenergy.com

Justin Vickers
Environmental Law and Policy Center
35 East Wacker Drive, Suite 1600
Chicago, IL 60601
jvickers@elpc.org

Matthew R. Pritchard
Frank P. Darr
McNees Wallace & Nurick
21 East State Street, #1700
Columbus, OH 43215
mpritchard@mwncmh.com
fdarr@mwncmh.com

Madeline Fleisher
Environmental Law and Policy Center
21 West Broad Street, Suite 500
Columbus, OH 43215
mfleisher@elpc.org

John Finnigan
Environmental Defense Fund
128 Winding Brook Lane
Terrace Park, OH 45174
jfinnigan@edf.org

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

Stephen M. Chmiel
Michael Austin
Thompson Hine
41 South High Street, Suite 1700
Columbus, OH 43215
stephanie.chmiel@thompsonhine.com
michael.austin@thompsonhine.com

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

Beren S. Argetsinger
Keyes Fox & Wiedman
401 Harrison Oaks Boulevard
Suite 100
Cary, NC 27513
bargetsinger@kfwlaw.com

Jacob Schlesinger
Keyes Fox & Wiedman
1580 Lincoln Street, Suite 880
Denver, CO 80203
jschlesinger@kfwlaw.com

Thomas A. Jernigan
AFCEC/JA-ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403
thomas.jernigan.3@us.af.mil

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

Attorney Examiners:

Greg Price

gregory.price@puco.ohio.gov

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

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

Dylan F. Borchers
Bricker & Eckler
100 South Third Street
Columbus, OH 43215-4291
dborchers@bricker.com

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Annualize Property Tax to Reflect Plant In Service on Date Certain
For the Twelve Months Ended May 31, 2016

Schedule C-3.9

Page 1 of 1

Work Paper Reference No(s): Staff WPC-3.9a, WPC-3.9b

Line No.	Acct. No.	Description	Total Adjustment	Allocation %	Allocation Code	Jurisdictional Amount
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (D) * (E)
1		Purpose and Description:				
2		Adjust property taxes to be calculated based on jurisdictional plant-in-service as of September 30, 2015				
3						
4		Expense				
5	408	Taxes Other Than Income Taxes	<u>\$ (1,233,606)</u>	100.00%	ALLDIST	<u>\$ (1,233,606)</u>

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Annualize AES Services Labor, Benefits, and Payroll Tax
For the Twelve Months Ended May 31, 2016

Schedule C-3.11

Page 1 of 1

Work Paper Reference No(s): WPC-3.11

Line No.	Acct. No.	Description	Jurisdictional Amount
(A)	(B)	(C)	(D)
1		Purpose and Description:	
2		Annualize AES Services labor, benefits, and payroll tax	
3			
4		Labor	
5		Total Service Company Labor Expense	\$ (159,352)
6			
7			
8		Payroll Taxes	
9		Total Payroll Tax Expense	\$ 28,711
10			
11			
12		Pension and Benefits	
13		Total Pension and Benefits Expense	\$ (620,314)

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Annualize Test Year Labor and Payroll Taxes
For the Twelve Months Ended May 31, 2016

Schedule C-3.12

Page 1 of 1

Work Paper Reference No(s): WPC-3.12

Line No.	Acct. No.	Description	Jurisdictional Amount
(A)	(B)	(C)	(D)
1		Purpose and Description:	
2		Annualize labor and payroll taxes	
3			
4			
5		Labor	
6		Total O&M Expense Adjustment	\$ (1,216,111)
7			
8			
9		Payroll Taxes	
10		Total Payroll Tax Adjustment	\$ 322,707
11			
12			

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Annualize Employee Benefits Expense
For the Twelve Months Ended May 31, 2016

Schedule C-3.13

Page 1 of 1

Work Paper Reference No(s): WPC-3.13

Line No.	Acct. No.	Description	Jurisdictional Amount
(A)	(B)	(C)	(D)
1		Purpose and Description:	
2		Annualize employee benefits expense	
3			
4		<u>Expense</u>	
5	926	Employee Pensions and Benefits (Pension)	\$ (1,832,760)
6	926	Employee Pensions and Benefits (OPEB)	(113,148)
7	926	Employee Pensions and Benefits (401k)	(39,803)
8	926	Employee Pensions and Benefits (Health Benefits)	(1,738,541)
9	920	Administrative and General Salaries (LTC)	(143,605)
10			
11		Total Expense	<u>\$ (3,867,857)</u>

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Miscellaneous Expense Adjustments
For the Twelve Months Ended May 31, 2016

Schedule C-3.21

Page 1 of 1

Work Paper Reference No(s): None

Line No.	Acct. No.	Description	Total Adjustment	Allocation %	Allocation Code	Jurisdictional Amount
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (D) * (E)
1		Purpose and Description:				
2		Adjust for miscellaneous run-rate and out-of-period items and eliminate certain non-jurisdictional expenses from the test year				
3						
4		Expense				
5	580	Operation Supervision and Engineering	\$ 200	100.00%	DIRECT	\$ 200
6	590	Maintenance Supervision and Engineering	(5,591)	100.00%	DIRECT	(5,591)
7	593	Maintenance of Overhead Lines	(429)	100.00%	DIRECT	(429)
8	921	Office Supplies and Expenses	(84,252)	37.82%	DIRECT	(31,867)
9	923	Outside Services Employed	(187,016)	41.25%	DIRECT	(77,139)
10	924	Property Insurance	(759,955)	95.97%	DIRECT	(729,329)
11	930.2	Miscellaneous General Expenses	(843,808)	39.6398%	DIRECT	(334,484)
12	935	Maintenance of General Plant	194,122	100.00%	DIRECT	194,122
#REF!		Total Expense	<u>\$ (1,686,730)</u>			<u>\$ (984,517)</u>

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Adjust Test Year Revenues to Eliminate Forecasted Energy Efficiency
For the Twelve Months Ended May 31, 2016

Schedule C-3.26

Page 1 of 1

Work Paper Reference No(s): WPC-3.26

Line No.	Acct. No.	Description	Total Adjustment	Allocation %	Allocation Code	Jurisdictional Amount
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (D) * (E)
1		Purpose and Description:				
2		Adjust test year jurisdictional revenues to equal calculated amount on Sch. E-4				
3						
4		Revenue				
5	440-446	Sales to Ultimate Customers	<u>\$ 765,949</u>	100.00%	ALLDIST	<u>\$ 765,949</u>

The Dayton Power and Light Company
Case No. 15-1830-EL-AIR
Adjust Overhead Lines Maintenance Expense
For the Twelve Months Ended May 31, 2016

Schedule C-3.27

Page 1 of 1

Work Paper Reference No(s): WPC-3.27 & WPC-3.27a

Line No.	Acct. No.	Description	Total Adjustment	Allocation %	Allocation Code	Jurisdictional Amount
(A)	(B)	(C)	(D)	(E)	(F)	(G) = (D) * (E)
1		Purpose and Description:				
2		Adjust for excessive expense in Company test year.				
3						
4		Revenue				
5	593	Maintenance of Overhead Lines	<u>\$ 3,326,111</u>	100.00%	ALLDIST	<u>\$ 3,326,111</u>

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/16/2018 2:52:58 PM

in

Case No(s). 15-1830-EL-AIR, 15-1831-EL-AAM, 15-1832-EL-ATA

Summary: Testimony of David Lipthratt electronically filed by Ms. Tonnetta Scott on behalf of PUC