



**Public Utilities
Commission**

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FILE

July 26, 2018

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of application of The Dayton Power and Light Company for authority to recover certain storm-related service restoration costs, Case No. 18-0077-EL-RDR.*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) in regard for authority to recover certain storm-related service restoration costs, Case No. 18-0077-EL-RDR.

Tamara S. Turkenton
Director, Rates and Analysis Department
Public Utilities Commission of Ohio

David Lipthrott
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
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The Dayton Power and Light Company
Case No. 18-0077-EL-RDR

SUMMARY

In Case No. 16-0395-EL-SSO, the Public Utilities Commission of Ohio (Commission) approved a nonbypassable Storm Cost Recovery Rider (SCRR). This rider is used as a placeholder for The Dayton Power and Light Company (DP&L or the Company) to file an application to recover the prudent costs from major storms. The SCRR allows DP&L to recover all Operating and Maintenance (O&M) expenses incurred from storms that are determined to be “Major Events” as defined by Ohio Adm.Code 4901:1-10-01. As part of the Opinion and Order in Case No. 16-395-EL-SSO, prior to resolution of the rate case pending in Case No. 15-1830-EL-AIR, storm cost recovery will be offset by the three-year average of major storm repair expense (less any outlier storms).

In Case No. 16-2464-EL-AAM, DP&L requested and was approved deferment of major storm expenses beginning January 2016. On February 2, 2018, DP&L filed an application to recover storm-related O&M expenses that were deferred from the test year of 2016.

FINANCIAL AUDIT

In its review, Staff examined the as-filed schedules for consistency with previous storm rider cases to ensure proper accounting and regulatory treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, allocation and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories.

Staff has completed its review of the filing and finds that the Company has appropriately included in its SCRR only those restoration costs incurred due to major storms in Ohio, with the exception of the following recommended adjustments totaling \$63,372. A detailed list of the adjustments is located in the appendix.

Meals

Staff eliminated from the rider expenses associated with purchases of snacks and meals. Staff has found that it is inappropriate to include expenses related to food unless the purchases were made while on travel status. Staff noted that the Company used the accounts, Contract – Parts & Equip and Office Supplies to record food that was purchased. These two accounts are not appropriate for food related items. The total amount of the items removed is \$488.

Labor

The Company removed part of the incremental straight time labor as well as “straight time equivalent” labor. The “straight time equivalent” labor was caused by situations where an

employee worked less than 80 hours of regular time in a pay period because he or she was working storm duty at overtime or double time rates.¹ Staff agrees with this methodology and believes the Company should remove *all* straight time labor and “straight time equivalent” labor, as they represent costs that are not incremental to expenses included in base rates. Staff analyzed payroll data provided in a response to a Staff interrogatory² and determined the Company’s methodology did not remove all straight time labor. Based on Staff’s calculations, Staff found an additional \$21,507 that should be removed from the rider. Staff recommends removal of this amount.

Stock Issuance (Material and Supplies Issuance)

As part of Stock Issuance, the Company uses materials and supplies from inventory in storm restoration work. Based on Staff data requests,³ the Company advised that employees complete Material Charge/Recovery Forms for necessary Stock Issuance and Stock Returns, and must submit the form to the stockroom to receive or return materials.

Staff identified deficiencies in the documentation related to the Company’s material requisition and material returns process. Staff requested samples of \$39,919 in Stock Issuance expenses. Of these, only 8.90% (\$3,551) had correct documentation. The rest of the sampled Stock Issuance transactions had some form of error. The errors and deficiencies included: missing documentation, documentation where the Project ID# or Task ID# were for capitalized project numbers instead of Operation and Maintenance (O&M) project numbers, and transactions where the Item Date in the transactional listing preceded the date on the material requisition form. Staff recommends an adjustment totaling \$33,792 associated with Stock Issuance for which no documentation was provided. Going forward, Staff recommends that the Company review and improve its internal controls and documentation associated with materials and supplies.

Stock Returns (Material and Supplies Returns)

In providing storm restoration, the Company may issue supplies and materials as part of Stock Issuance that is not actually used and is then returned to stores as part of Stock Returns. Staff sampled ten Stock Return transactions, but the Company was only able to provide documentation for two of these transactions. Lack of documentation violates Company policy.³ Although documentation was missing, Staff does not recommend an adjustment because the transactions are immaterial and due to the fact that Stock Returns are credits to the rider. Going forward, Staff recommends that the Company review and improve its internal controls and documentation associated with materials and supplies.

¹ For example, if an employee works 65 regular hours in a pay period and 28.5 hours of Storm Time (split between straight time pay, overtime pay, and double time pay), the Company removed 15 hours (80 – 65) of labor, calculated at straight time rates.

² See PUCO 3rd Set, INT-4, Attachment 1.

³ See response to Staff DR #10 (Confidential).

Stores Handling

The Company applies an 18% multiplier⁴ to the Stock Issuance expense to determine the Stores Handling expense. As a result of this direct, causal relationship between Stock Issuance and Stores Handling, an adjustment of \$7,584 must be made to Stores Handling, which represents 18% of the Stock Issuance adjustment.

CONCLUSION

Staff recommends that the SCCR be approved subject to Staff's recommended adjustments as listed above, which reduce the major storm expenses for 2016 by \$63,371. This reduces the annual revenue requirement, as calculated on Schedule B-1, to \$1,705,219. The monthly billed amount for residential customers is reduced to \$.20 from \$.21 and the non-residential customers will see a reduction to \$.81 from \$.84. The rate for private outdoor lighting remains unchanged at \$.06.

⁴ See response to Staff DR #7. "Multiplier" is used to mean the Company multiplies the Stock Issuance expense by 18% to determine the Stores Handling Expense.