

**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION OF OHIO**

**THE DAYTON POWER AND LIGHT COMPANY**

**CASE NO. 18-1875-EL-GRD**  
**18-1876-EL-WVR**  
**18-1877-EL-AAM**

**Distribution Modernization Plan**

**DIRECT TESTIMONY**  
**OF ROBERT J. ADAMS**

- ☐ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
- ☐ **ALLOCATIONS**
- ☐ **RATE OF RETURN**
- ☐ **RATES AND TARIFFS**
- ☒ **OTHER**

**ON BEHALF OF  
THE DAYTON POWER AND LIGHT COMPANY**

**TABLE OF CONTENTS**

I.	INTRODUCTION.....	1
II.	SMART GRID RIDER.....	3
III.	SCHEDULES, WORKPAPERS, AND TARIFFS.....	7
IV.	TYPICAL CUSTOMER BILL IMPACT.....	9
V.	CONCLUSION.....	10

1    **I.        INTRODUCTION**

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

3    A.        My name is Robert J. Adams. My business address is 1065 Woodman Drive, Dayton,  
4              Ohio 45432.

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

7    A.        I am employed by The Dayton Power and Light Company ("DP&L" or "Company") as a  
8              Program Manager for Regulatory Operations.

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

11   A.        I have been in my present position since 2014.

12  
13   **Q.        What are your responsibilities in your current position and to whom do you report?**

14   A.        I am responsible for assisting in the development, analysis, revision, and administration  
15              of the Company's tariff schedules, rate designs, and policies. Specifically, I have  
16              responsibility for managing DP&L's Distribution Investment Rider and Smart Grid Rider  
17              recovery mechanisms for the department. I report to the Director of Corporate Planning  
18              and Analysis.

19  
20   **Q.        Will you describe briefly your educational and business background?**

21   A.        I earned a Bachelor of Science degree in Business Economics from Wright State  
22              University in April 2006 and a Master of Science Degree in Economics from Wright

1 State University in 2017. I have been employed by DP&L since 2006 where I have held  
2 positions as a Rate Analyst I and II before being promoted to my current position.  
3

4 **Q. Have you previously testified before this Commission?**

5 A. Yes. I filed testimony before the Public Utilities Commission of Ohio ("PUCO" or  
6 "Commission") in support of DP&L's Electric Security Plan in Case Number 16-395-EL-  
7 SSO and also the Company's Base Distribution Case Number 15-1830-EL-AIR. Also, I  
8 provided testimony in support of the Stipulation on behalf of DP&L before the  
9 Commission in Case No. 12-1832-EL-ESS.  
10

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

12 A. The purpose of this testimony is to support and explain the Smart Grid Rider revenue  
13 requirement estimate, recovery treatment of the Grid Modernization R&D Asset, rate  
14 design, true-up schedule, and typical customer rate impacts associated with DP&L's  
15 Distribution Modernization Plan ("DMP") to be recovered through the Company's Smart  
16 Grid Rider ("SGR").  
17

18 **Q. What Schedules are you supporting?**

19 A. I am supporting the following Schedules:

- 20 1. Schedule A – Revenue Requirement Summary and Rate Design
- 21 2. Schedule E – Typical Bill Comparisons

22

**II. SMART GRID RIDER**

**Q. Can you describe DP&L's Smart Grid Rider ("SGR")?**

A. Yes, DP&L's SGR was established by Commission Order as part of the Company's Electric Security Plan filing in Case No. 16-395-EL-SSO. The SGR was initially set at zero and will include "costs of DP&L's grid modernization efforts as outlined in the to-be-filed Modernization Plan." March 13, 2017 Amended Stipulation and Recommendation, § II.3.c (Case No. 16-395-EL-SSO, et al.)

**Q. Can you describe the Rate Design that DP&L proposes for the SGR?**

A. Yes, since the charges proposed to be included as part of the SGR are related to distribution infrastructure, the SGR will be assessed as a percentage of the base distribution revenue requirement approved as part of Case No. 15-1830-EL-AIR. This percentage will be applied to the customer's monthly base distribution and customer charge to arrive at the SGR charge, as reflected in Schedule E.

**Q. Does DP&L plan to offer a time-of-use rate design? If so, please explain.**

A. Yes. DP&L intends to offer a time-of use rate ("TOU") design for Standard Service Offer ("SSO") customers as set forth in the Commissions' PowerForward Roadmap. Once the required information systems are in place and a meaningful number of smart meters have been deployed, DP&L will introduce an opt-in TOU program. Based on the proposed DMP plan, DP&L will conduct research and program design starting in year two and initiate a TOU program in year four after appropriate filing and tariff approval from PUCO. TOU attributes will include:

- i. Number of potential TOU programs for different customer segments;
- ii. Pricing tiers for the different TOU programs;
- iii. Difference between on-peak and off-peak rates;
- iv. Customer channels to be used while marketing the program; and
- v. Messaging used while marketing the program.

**Q. Can you describe the proposed filing schedule for the SGR?**

A. Yes. Initially, DP&L proposes to first file and charge a projected revenue requirement for the DMP and then file updated revenue requirements quarterly, with updated estimates and replacing any estimates with actual data as it becomes available. The Company also proposes to track actual SGR customer billings against the final approved revenue requirements for each period and settle any over and under collections through the future SGR rates.

**Q. Why is it appropriate to use a projected revenue requirement?**

A. Consistent with the Commission's goal to reduce regulatory lag, a projected revenue requirement recovery mechanism is appropriate as "the expeditious deployment of grid modernization projects will require significant up-front capital investments." October 20, 2017 Opinion and Order, ¶ 60 (Case No. 16-395-EL-SSO, et al.) The benefit is twofold. First, recovery of projected investment allows DP&L access to funds for distribution modernization capital deployments. Second, customers benefit through gradual rate increases, spread out over time.

1   **Q.    How will the revenue requirement be developed?**

2    A.    The revenue requirement will include: (i) recovering a return on DP&L's DMP capital  
3        investments, (ii) operation and maintenance ("O&M") expense estimates for the DMP,  
4        and (iii) recovery (including a return) of certain grid modernization research and  
5        development costs over seven years, as described below, less (iv) DP&L's O&M savings  
6        provided by the DMP, as described and supported in testimony of Witness Hall. The  
7        DMP net capital investments will include all capitalized DMP costs, less accumulated  
8        depreciation, accumulated deferred income taxes on distribution plant and the net book  
9        value of any replaced equipment. The O&M will include non-capitalized DMP costs  
10       including expenses associated with maintaining the new equipment, the net book value of  
11       replaced equipment, depreciation of the new equipment and increases in property taxes as  
12       a result of the new equipment.

13  
14   **Q.    What O&M benefits have you included to offset the revenue requirement?**

15    A.    The revenue requirement includes estimates of O&M savings related to reductions in call  
16        center, meter reading, and field expenses associated with DP&L's DMP. Witness Hall  
17        supports the calculations behind these O&M savings.

18  
19   **Q.    Is DP&L proposing to include recovery of any existing equipment as part of the**  
20        **DMP?**

21    A.    Yes. As part of the DMP, DP&L will be deploying AMI meters system-wide and will  
22        replace certain outdated meters currently in service. In addition, and per Witness Gebele,  
23        the Company will be upgrading capacitor banks currently in service on DP&L's system.

1 The cost of meters and capacitor banks that are taken out of service before the end of  
2 their useful lives represent a necessary effort to implement the DMP. As a result, the  
3 equipment costs, less salvage value, are included in the DMP revenue requirement  
4 estimate on a net plant basis, consistent with the timing at which the meters and  
5 capacitors are taken out of service.

6  
7 **Q. How will DP&L ensure there is no double revenue recovery associated with the**  
8 **recovery of existing equipment?**

9 A. The net book value of the retired meters and capacitors will be subtracted from the gross  
10 plant additions in each year of the DMP, so that the value is not double counted in rate  
11 recovery. Although the revenue requirement estimate includes this adjustment for  
12 illustrative purposes, the gross plant offset will occur through the Distribution Investment  
13 Rider as the meters and capacitor banks are retired.

14  
15 **Q. Is DP&L requesting approval of new depreciation rates for assets included as part**  
16 **of this filing?**

17 A. Yes. DP&L is requesting approval of a depreciation rate for Electric Vehicle Charging  
18 ("EV") stations. DP&L proposes a 10-year life for EV Charging stations, because it  
19 matches the expected life of those assets. Depreciation rates for all other asset categories  
20 were approved as part of the Company's Base Distribution Rate Case No. 15-1830-EL-  
21 AIR.

22



**III. SCHEDULES, WORKPAPERS, AND TARIFFS**

**Q. Can you explain Schedule A?**

A. Yes. Schedule A represents the overall financial summary of DP&L's DMP. This schedule identifies the projected annual revenue requirements that will be recovered through the SGR.

**Q. What rate of return was used in DP&L's projected revenue requirement calculations?**

A. DP&L used 7.27%, which is the rate of return approved as part of the Company's most recent Base Distribution Rate Case, Case No. 15-1830-EL-AIR.

**Q. Can you explain the Grid Modernization R&D Asset on Schedule A?**

A. Yes. As described by witness Hall, this asset represents the investment made in the development, planning, and design of the Company's DMP.

**Q. What is the nature of the Grid Modernization R&D Asset on Schedule A?**

A. As discussed by Witness Hall, the asset balance on page 2 of Schedule A consists of deferred costs that have not been included previously in a rate recovery rider. They consist of labor, consulting, training, and legal fees associated with the development of the plan for a total of about \$11.9 million.

1   **Q.     Why is it reasonable for customers to pay for that asset?**

2   A.     As described by Witness Hall, all of this preparation and analysis has served as the  
3           foundation and will provide substantial and significant benefits in this immediate case  
4           and well into the future. In addition, the PUCO has traditionally allowed the full  
5           recovery of prudently incurred costs in developing rate proceedings.<sup>1</sup>

6  
7   **Q.     How does the Company propose to recover the Grid Modernization R&D Asset**  
8           **costs?**

9   A.     DP&L proposes to recover the Grid Modernization R&D Asset costs over a 7-year period  
10          because it is congruent with the deployment schedule of the other capital expenditures for  
11          which the asset was incurred. In addition, the Company proposes to treat the consultant  
12          portion of the asset as capital and apply a revenue requirement calculation. The  
13          remaining portion of the asset will be amortized and recovered over a 7-year period.

14  
15   **Q.     Why is it reasonable to treat the consultant portion of the Grid Modernization R&D**  
16          **Asset as capital?**

17   A.     Similar to labor capitalized as part of a capital project, the consultant cost is an  
18          investment made by the Company for the future benefit of customers that should be  
19          capitalized as part of the Company's DMP rollout. As depicted in Schedule A, the  
20          Company proposes to apply a rate of return to this portion of the asset.

21  

---

<sup>1</sup> Opinion and Order in Case Nos. 07-551-EL-AIR; 11-352-EL-AIR; 12-1682-EL-AIR; 16-907-WW-AIR.

1 **Q. Are you supporting any tariff changes as part of the DMP?**

2 A. Yes. I'm proposing that the Commission approve the proposed D7 "Meters and Metering  
3 Equipment – Location and Installation" tariff, which is supported by Witness Storm.  
4 Tariff D7 is attached to my testimony as Exhibit A.

5  
6 **IV. TYPICAL CUSTOMER BILL IMPACT**

7 **Q. Please explain Schedule E.**

8 A. Schedule E is a typical bill comparison that illustrates the effect of the proposed rates on  
9 customer bills by tariff class for the term of the plan. Schedule E shows the dollar  
10 amount and percentage difference for a total bill at various kilowatt hour usage levels.

11  
12 **Q. Can you describe the rate impact for a typical Residential customer in Year 1 as a  
13 result of this proceeding?**

14 A. Yes, the impact that results for a typical Residential customer using 1000 kWh per month  
15 can expect to experience a bill impact of \$1.99 per month, or 1.77% increase. This  
16 impact represents an annual increase for customers. This impact will be assessed on  
17 customers more gradually through quarterly filings of the SGR. The year-over-year  
18 incremental projected impacts for years 1 through 10 are also displayed in the chart  
19 below.

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>
\$/Impact	\$1.99	\$3.46	\$3.51	\$1.95	\$1.28	\$1.10	(\$0.08)	(\$0.73)	(\$1.65)	(\$1.30)
%/Impact	1.77%	3.02%	2.98%	1.61%	1.04%	0.88%	-0.06%	-0.58%	-1.31%	-1.05%

1    **V.     CONCLUSION**

2    **Q.     Please summarize your testimony.**

3    A.     In conclusion, the rate design and periodic true-ups are appropriate and should be  
4           approved. DP&L's revenue requirement and Grid Modernization R&D Asset included in  
5           the Smart Grid Rider are designed to facilitate infrastructure investments for the benefit  
6           of its customers. Finally, DP&L has provided options for residential customers who  
7           prefer to take service under the AMI Opt-Out provision in tariff D7.

8

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

10   A.     Yes.

11   1318879.1

# EXHIBIT A

P.U.C.O. No. 17  
ELECTRIC DISTRIBUTION SERVICE  
RULES AND REGULATIONS  
METERS AND METERING EQUIPMENT – LOCATION AND INSTALLATION

A. Location

1. Each Customer will provide without charge to the Company a suitable location for the meters and metering equipment to be installed by the Company. The Company will have the right to determine where its meters and metering equipment will be located on the Customer's premises. The meters and metering equipment must be located to allow reasonable access by the Company's employees or agents. The meters and metering equipment will not be set nor allowed in a place where there is a likelihood of damage. If the Company requires a relocation of its meters and metering equipment to satisfy the conditions contained in this provision, the Customer shall provide for such relocation at its expense.
2. Any additional metering desired by the Customer, whether for customer use or use by another service provider, will be installed in addition to and separate from the Company's required metering. In order to ensure the safety of the Customer, the Company and third parties, any metering equipment not belonging to the Company will be installed at the Customer's expense as separate, distinct and after the Company's metering equipment. The Company is not responsible for any injuries to person(s) or property arising from, caused by, or incident to the failure on the part of the Customer to properly install, operate or maintain the Customer's metering equipment, or for any defects therein. Any metering at the Customer's location, that is in addition to the Company's metering, will in no circumstance be used in the billing of Company services.
3. Any Customer or its AGS that desires an hourly meter may choose to have the Company install such equipment or may otherwise provide for hourly metering at the Customer's or its AGS's expense. If the meter is not installed by the Company, the meter must meet the qualifications of and be approved by the Company prior to installation. Should the Customer change service locations, the Customer may be entitled to a credit at the new service location for equipment installed at previous service location.

B. Installation

1. The Company will install no more than one meter or one unified set of meters and metering equipment for one class of service for each Customer, at one delivery point as required to provide the contracted customer services. The meters and metering equipment

---

Filed pursuant to the Finding and Order in Case No. 15-1830-EL-AIR dated September 26, 2018 of the Public Utilities Commission of Ohio.

Issued September 28, 2018

Effective October 1, 2018

Issued by

JUDI L. SOBECKI CRAIG L. JACKSON, Vice President President and Chief Executive Officer

P.U.C.O. No. 17  
ELECTRIC DISTRIBUTION SERVICE  
RULES AND REGULATIONS  
METERS AND METERING EQUIPMENT – LOCATION AND INSTALLATION

furnished and installed by the Company will at all times remain the property of the Company. Former Power Rate P-1 Customers who were also served under the General Service Rate may retain presently installed multiple metering at the same premises, provided however, that such metering shall not be combined for billing purposes.

2. All locations provided for meters and metering equipment installations will be subject to the approval of the Company and will conform to the National Electrical Safety Code, any other codes and regulations in effect in the area served and the standards contained in the latest revision of the Company's electric booklet entitled "Service Handbook", copies of which are available at any of the Company's offices and on the Company's website.
3. All meter and metering equipment installations will be sealed by the Company. Unless otherwise provided herein, if the Customer breaks the Company's seals, the Company may discontinue service to the Customer.
4. The type of meter and metering equipment installation will be determined by the size and character of the Customer's load, its location, and the type of service to be rendered. These meters and metering equipment will be determined by the Company as required to provide for contracted services.
5. DP&L will provide a Customer or its AGS with access to meter information at no charge. The Customer or its AGS must reimburse DP&L for the costs of installing such information gathering equipment. If DP&L is requested to process the information then it will charge its costs therefor.

C. Advanced Meter Opt Out Service

Residential customers may choose to opt out of the installation of an advanced meter capable of two way communication and retain a traditional meter. The Advanced Meter Opt Out Service ("Opt Out Service") will include provisions for residential customers who are to have an advanced meter installed and those who already have an advanced meter and wish to have it removed.

---

Filed pursuant to the Finding and Order in Case No. 15-1830-EL-AIR dated September 26, 2018 of the Public Utilities Commission of Ohio.

Issued September 28, 2018

Effective October 1, 2018

Issued by

JUDI L. SOBECKI  
CRAIG L. JACKSON, Vice President  
President and Chief Executive Officer



THE DAYTON POWER AND LIGHT COMPANY  
MacGregor Park  
1065 Woodman Drive  
Dayton, Ohio 45432

Second Revised Sheet No. D7  
Cancels  
First Revised Sheet No. D7  
Page 3 of 3

P.U.C.O. No. 17  
ELECTRIC DISTRIBUTION SERVICE  
RULES AND REGULATIONS  
METERS AND METERING EQUIPMENT – LOCATION AND INSTALLATION

1. Residential customers that elect to receive Opt Out Service under this tariff shall be assessed a monthly charge for obtaining actual meter readings. The Opt Out Service will be subject to Section 4901:1-10-05(I)(1), Ohio Administrative Code.
2. Residential customers that already have an advanced meter installed and wish to take Opt Out Service, will be billed a one-time charge for the installation of a traditional meter in addition to the monthly charge for manual meter readings.
3. All charges assessed for the Opt Out Service are subject to approval by the Public Utilities Commission of Ohio.

The Company may refuse to provide Opt Out Service in either of the following circumstances:

1. If such a service creates a safety hazard to consumers or their premises, the public, or the electric utility's personnel or facilities.
2. If a customer does not allow the electric utility's employees or agents access to the meter at the customer's premises.

The charge to remove an advanced meter for this Opt Out Service and to install a traditional, non-communicating, meter is \$56.499. The one-time charge to administer the Opt- eOut Service program is \$98.89. In addition, Opt- eOut Service customers will receive-be charged a monthly customer charge of \$36.470.

---

Filed pursuant to the Finding and Order in Case No. 15-1830-EL-AIR dated September 26, 2018 of the Public Utilities Commission of Ohio.

Issued September 28, 2018

Effective October 1, 2018

Issued by

JUDI L. SOBECKI CRAIG L. JACKSON, Vice President President and Chief Executive Officer



**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**12/21/2018 4:42:45 PM**

**in**

**Case No(s). 18-1875-EL-GRD, 18-1876-EL-WVR, 18-1877-EL-AAM**

Summary: Testimony Direct Testimony of Robert J. Adams electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company