

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the	:	Case No. 20-1041-EL-UNC
Significantly Excessive Earnings Test under	:	
Section 4928.143(F), Ohio Revised Code, and	:	
Rule 4901:1-35-03(C)(10), Ohio	:	
Administrative Code for The Dayton Power	:	
and Light Company	:	

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**APPLICATION OF  
THE DAYTON POWER AND LIGHT COMPANY  
FOR ADMINISTRATION OF  
THE SIGNIFICANTLY EXCESSIVE EARNINGS TEST**

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This Application seeks a Commission Finding that The Dayton Power and Light Company (“DP&L”) did not have significantly excessive earnings under Ohio Rev. Code §4928.143(F) for calendar year 2019. DP&L files this Application to enable review by this Commission of its 2019 calendar year earnings. As supported in testimony by Company Witness Karin Nyhuis, the Company’s adjusted ROE excluding DMR revenues for calendar year 2019 is 11.6%. This amount is below the SEET threshold.

1. Under Ohio Rev. Code §4928.143(F), the Commission is to consider whether there were “excessive earnings as measured by whether the earned return on common equity of the electric distribution utility is significantly in excess of the return on common equity that was earned during the same period by publicly traded companies, including utilities, that face comparable business and financial risk, with such adjustments for capital structure as may be appropriate.” Pursuant to Ohio Rev. Code §4928.143(F) and Ohio Administrative Code §4901:1-35-03(C)(10), DP&L requests the Commission’s determination that significantly excessive earnings did not result for DP&L with respect to the annual period ending December 31, 2019.

2. In support of this requested determination, this application is supported by the following materials, required by Ohio Administrative Code §4901:1-35-03(C)(10)(a):

- a. DP&L's SEC Commission Form 10-K for the period ending December 31, 2019 is electronically available by doing a search on the SEC's website for "Dayton Power" at <http://www.sec.gov/edgar/searchedgar/companysearch.html>.
- b. DP&L's Federal Energy Regulatory Commission Form No. 1 for the annual period ending December 31, 2019 is electronically available on FERC's website by searching "Dayton Power and Light Company" at <http://elibrary.ferc.gov/idmws/search/fercadvsearch.asp>
- c. The attached testimony and exhibits of Company witness Karin Nyhuis, including DP&L's capital budget requirements which are attached as Exhibit KMN-5.

3. The testimony of witness Karin Nyhuis shows that DP&L earned an ROE of 11.6% for the annual period ending December 31, 2019, which is not significantly excessive.

WHEREFORE, DP&L requests that the Commission determine, and find as fact, that for the annual period ending December 31, 2019, DP&L's earnings were not significantly excessive.

Respectfully submitted,

/s/ Michael J. Schuler

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and Light Company

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**THE DAYTON POWER AND LIGHT COMPANY**

**CASE NO. 20-1041-EL-UNC**

**ANNUAL CALENDAR 2019 FILING REQUIRED BY  
RULE 4901:1-35-10, OHIO ADMINISTRATIVE CODE**

**DIRECT TESTIMONY  
OF KARIN M. NYHUIS**

- ☐ **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**  
**KARIN M NYHUIS**  
**ON BEHALF OF**  
**THE DAYTON POWER AND LIGHT COMPANY**

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1    **I.    INTRODUCTION**

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

3    A.    My name is Karin Nyhuis. My business address is One Monument Circle, Indianapolis, IN  
4        46204.

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

6    A.    I am employed by the AES Corporation, and serve as Controller for its US Strategic Business  
7        Unit (“SBU”), which includes The Dayton Power & Light Company (“DP&L” or “the  
8        Company”), Indianapolis Power & Light Company (“IPL”) and The AES Corporation US  
9        Generation Plants (“US GEN”).

10   **Q.    Please summarize your work experience with AES.**

11   A.    I was an employee of DP&L from October 2007 through December 2013, when I became an  
12        employee of AES US Services. During my tenure with DP&L, I worked in various positions  
13        including senior accountant, supervisor of accounting and financial reporting, payroll supervisor,  
14        and manager of accounting and financial reporting. Since 2013, I have held various positions  
15        including Director of Financial Reporting, Assistant Controller and have been Controller of DPL  
16        and IPALCO since March 2018 and I transitioned into my current role as Controller of the AES  
17        US SBU in March 2019 where I am responsible for financial reporting and accounting functions  
18        for all United States SBU businesses and SEC reporting for both DP&L and IPL.

1    **Q.    Have you testified in front of this Commission before?**

2    A.    Yes. I developed pre-filed testimony in support of DP&L's distribution rate case Nos. 15-1830-  
3    EL-AIR, 15-1831-EL-AAM and 15-1832-EL-ATA.

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

5    A.    I hold a Bachelor of Arts Degree in Accounting and Finance from Cedarville University, a  
6    Masters of Business Administration from Wright State University. I am a Certified Public  
7    Accountant, licensed with the State of Ohio. I have over 15 years of accounting experience in  
8    various industries including public accounting and 12 years of electric utility accounting  
9    experience.

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

11   A.    The purpose of this testimony is to support the calculation of the Company's Return on Equity  
12   ("ROE") and provide the accounting and financial information required by Section 4901:1-35-10  
13   of the Ohio Administrative Code regarding the Significant Excessive Earnings Test ("SEET").  
14   My testimony and supporting schedules will show that DP&L's adjusted return on equity is  
15   11.6% for the year 2019.

16   **Q.    What Exhibits are you supporting?**

17   A.    I am supporting Exhibits KMN-1 through KMN-5, all of which are attached.

1 **II. SEET BACKGROUND**

2 **Q. Why is it necessary for DP&L to show that it does not have significantly excessive**  
3 **earnings?**

4 A. On May 1, 2008, the Governor signed into law Amended Substitute Senate Bill No. 221 (“SB  
5 221”). This bill amended a number of laws involving electric utilities and requires electric  
6 utilities to provide customers with a default Standard Service Offer (“SSO”) established through  
7 either a Market Rate Offer (“MRO”) or an Electric Security Plan (“ESP”). Pursuant to the law,  
8 the Public Utilities Commission of Ohio (“PUCO” or “the Commission”) is required to evaluate  
9 the earnings of each electric distribution utility’s approved MRO or ESP and to determine  
10 whether the adjustments in the MRO or ESP result in significantly excessive earnings. Certain  
11 mechanics of the SEET review were included in the PUCO’s Finding and Order dated June 30,  
12 2010 in Case No. 09-786-EL-UNC that developed the test pursuant to SB 221.

13 **Q. Are DP&L’s rates for the 2019 review period based upon an ESP or a MRO?**

14 A. DP&L’s 2019 rates were collected based upon an ESP, approved by the Commission on October  
15 20, 2017, in Case No. 16-0395-EL-SSO through December 18, 2019, and then pursuant to an  
16 ESP approved by the Commission on December 18, 2019, in Case No. 08-1094-EL-SSO.

17 **Q. Where can one find copies of DP&L’s 2019 financial statement filings with the Securities &**  
18 **Exchange Commission (“SEC”) and the Federal Energy Regulatory Commission**  
19 **(“FERC”)?**

20 A. DP&L’s Annual Report on Form 10-K can easily be found by doing a search on the SEC’s  
21 website for “Dayton Power” at <http://www.sec.gov/edgar/searchedgar/companysearch.html> .



Likewise, DP&L's FERC Financial Report FERC Form 1 can easily be found on FERC's website by searching "Dayton Power and Light Company" at <http://elibrary.ferc.gov/idmws/search/fercadvsearch.asp>

**III. EXHIBITS AND DISCUSSION**

**Q. Please list the exhibits for which you are responsible.**

A. I am responsible for the following exhibits:

Exhibit KMN-1: Calculation of Per Books Return on Equity – Base

Exhibit KMN -2: Calculation of Per Books Return on Equity – Base with Adjustments

Exhibit KMN -3: Return on Equity Pro Formas – Without Major Regulatory Asset Deferrals

Exhibit KMN -4: Major Regulatory Asset Changes

Exhibit KMN -5: Future Estimated Ohio Capital Expenditures

**Q. Please explain Exhibit KMN -1, the Calculations of Per Books Return on Equity.**

A. Exhibit KMN-1 shows the per books ROE using the unadjusted per books amounts from the FERC Form 1, with one exception. I have removed DP&L's Distribution Modernization Rider ("DMR") revenues, net of income taxes, from all of the ROE calculations provided herein.

The overall per books ROE for calendar year 2019 reflected for this scenario in Exhibit KMN-1 was 11.9%.

1   **Q.     Please explain Exhibit KMN-2, the Calculation of Per Books Return on Equity with**  
2       **Adjustment.**

3   A.     Exhibit KMN-2 has one adjustment to the per-books “Adjusted Earnings for Common”  
4       calculation that is incremental to Exhibit KMN-1. The adjustment is to add-back a loss on the  
5       disposal of a retired asset of \$38,000 net of tax. Consistent with DP&L’s 2015 SEET in case No.  
6       16-920-EL-UNC, I have also added the \$38,000 to the penalties and losses removed from the  
7       prior year’s common equity (on an after-tax basis). The overall per books ROE with the above  
8       adjustments is 11.6%.

9   **Q.     What does Exhibit KMN-3 demonstrate?**

10  A.     Exhibit KMN-3 demonstrates the removal of the regulatory asset deferral impact from earnings  
11       and equity. I started with the Earnings for Common and Common Equity previously developed  
12       on Exhibit KMN-2. As was done on Exhibit KMN-2, I added back to Earnings for Common the  
13       disposition loss and removed DMR revenues, all on an after-tax basis. I then removed the major  
14       regulatory asset deferral/feedback impacts for 2019, net of tax, to arrive at the adjusted earnings  
15       for Common Equity. The 2019 regulatory asset deferral impacts are calculated separately on  
16       Exhibit KMN-4. The reversal of the major regulatory asset deferrals represents a net decrease in  
17       earnings. I also removed the major regulatory asset deferral from Common Equity.

18       After removing the impact on Earnings for Common and adjusting Common Equity, the pro  
19       forma ROE for the period is 11.1%.

1    **Q.     Please explain the major regulatory asset changes on Exhibit KMN-4.**

2    A.     Exhibit KMN-4 summarizes the major regulatory asset balances at the beginning and end of the  
3           calendar year 2019 to reflect the changes as the net impact of deferrals for each period. The  
4           exhibit also shows the after-tax impact of each item using DP&L's statutory tax rates. The  
5           results of this exhibit are used on Exhibit KMN-3, lines 8 and 16.

6    **Q.     Please explain Exhibit KMN-5, Future Estimated Ohio Capital Expenditures.**

7    A.     Exhibit KMN-5 shows the future estimated Ohio jurisdictional capital expenditures for each of  
8           the calendar years 2020 through 2024.<sup>1</sup> It is based on DP&L's current estimates of future capital  
9           spending based on its filings before the Commission. I did not adjust the 2019 ROE to consider  
10          these planned investments.

11   **IV.    CONCLUSION**

12   **Q.     Please summarize your testimony.**

13   A.     DP&L's adjusted ROE for calendar year 2019 is 11.6%, as calculated on Exhibit KMN-2.

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

15   A.     Yes, it does.

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<sup>1</sup> The future estimated Ohio Capital Expenditures contained in KMN-5 is trade secret financial information that should be kept confidential. This information has not been shared outside of the Company other than counterparties in negotiation subject to non-disclosure agreements, and is not disseminated to internal employees unless those employees have a legitimate business need to know the information. Public disclosure of this information would have a negative competitive impact in Ohio's market as well as the financial markets.

**The Dayton Power and Light Company**  
**Case No. 20-1041-EL-UNC**

**Calculation of Per Books Return on Equity - Base**

Exhibit KMN-1  
Page 1 of 1

Line No.	Description	Calendar 2019 Income Statement	Balance Sheet December 31, 2018	Balance Sheet December 31, 2019	Average Beginning and Ending Balances	Comments
(A)	(B)	(C) (\$000's)	(D) (\$000's)	(E) (\$000's)	(Col. (D)+(E))/2 = (F) (\$000's)	(G)
1	<u>Earnings for Common</u>					
2	Net Income	125,042				2019 FERC Form 1, Page 117, Line 71, Col (C)
3	Distribution Modernization Revenues	(70,596)				Accounting Records
4	Preferred Dividends	-				2019 FERC Form 1, Page 118, Line 29, Col (C)
5	Earnings for Common	<u>54,446</u>				Sum of Lines 2 thru 4
6	<u>Common Equity</u>					
7	Proprietary Capital		445,143	473,504	459,324	2019 FERC Form 1, Page 112, Line 16
8	Preferred Stock Outstanding		-	-	-	2019 FERC Form 1, Page 112, Line 3
9	Common Equity		<u>445,143</u>	<u>473,504</u>	<u>459,324</u>	Line 7 plus Line 8
10	Return on Equity - Base				<u>11.9%</u>	Line 5 divided by Line 9, Col (F)

**The Dayton Power and Light Company**  
**Case No. 20-1041-EL-UNC**

**Calculation of Per Books Return on Equity - Base with Adjustments**

Exhibit KMN-2  
Page 1 of 1

Line No.	Description	Calendar 2019 Income Statement	Balance Sheet December 31, 2018	Balance Sheet December 31, 2019	Average Beginning and Ending Balances	Comments
(A)	(B)	(C) (\$000's)	(D) (\$000's)	(E) (\$000's)	(Col. (D)+(E))/2 = (F) (\$000's)	(G)
1	<u>Earnings for Common</u>					
2	Net Income	125,042				2019 FERC Form 1, Page 117, Line 71, Col (C)
3	Distribution Modernization Revenues	(70,596)				Accounting Records
4	Preferred Dividends	-				2019 FERC Form 1, Page 118, Line 29, Col (C)
5	Earnings for Common	54,446				Sum of Lines 2 thru 4
6	Accrued Penalty in Account 426.3	-				2019 FERC Form 1, Page 117, Line 47, Col (C)
7	Loss on Disposition of Retired Asset	38				Accounting Records
8	Adjusted Earnings for Common	54,484				Sum of Lines 5 thru 8
9	<u>Common Equity</u>					
10	Proprietary Capital		445,143	473,504	459,324	2019 FERC Form 1, Page 112, Line 16
11	Preferred Stock Outstanding		-	-	-	2019 FERC Form 1, Page 112, Line 3
12	Common Equity		445,143	473,504	459,324	Line 10 plus Line 11
13	Accrued Penalty in Account 426.3		17	17	17	Line 6
14	Loss on Disposition of Retired Asset		9,700	9,738	9,719	Line 7
15	Adjusted Common Equity		454,860	483,259	469,060	Sum of Lines 12 thru 14
16	Return on Equity - Base with Adjustment				11.6%	Line 8 divided by Line 15, Col (F)

**The Dayton Power and Light Company**  
**Case No. 20-1041-EL-UNC**

**Return on Equity Pro Forms - Without Major Regulatory Asset Deferrals**

Exhibit KMN-3  
Page 1 of 1

Line No.	Description	Calendar 2019 Income Statement	Balance Sheet December 31, 2018	Balance Sheet December 31, 2019	Average Beginning and Ending Balances	Comments
(A)	(B)	(C) (\$000's)	(D) (\$000's)	(E) (\$000's)	(F) (Col. (D)+(E))/2 = (F) (\$000's)	(G)
1	<u>Earnings for Common</u>					
2	Net Income	125,042				2019 FERC Form 1, Page 117, Line 71, Col (C)
3	Distribution Modernization Revenues	(70,596)				Accounting Records
4	Preferred Dividends	-				2019 FERC Form 1, Page 118, Line 29, Col (C)
5	Earnings for Common	54,446				Sum of Lines 2 thru 4
6	Accrued Penalty in Account 426.3	-				2019 FERC Form 1, Page 117, Line 47, Col (C)
7	Loss on Disposition of Retired Asset	38				Accounting Records
8	Major Regulatory Asset Deferrals	(2,455)				Exhibit CAF-4, Page 1 of 1, Line 13
9	Adjusted Earnings for Common	<u>52,030</u>				Sum of Lines 5 thru 8
10	<u>Common Equity</u>					
11	Proprietary Capital		445,143	473,504	459,324	2019 FERC Form 1, Page 112, Line 16
12	Preferred Stock Outstanding		-	-	-	2019 FERC Form 1, Page 112, Line 3
13	Common Equity		445,143	473,504	459,324	Line 10 plus Line 11
14	Reduction of Accrued Penalty in Account 426.3		17	17	17	Line 6
15	Loss on Disposition of Retired Asset		9,700	9,738	9,719	Line 7
16	Major Regulatory Asset Deferrals		3,258	(2,455)	402	Line 8
17	Adjusted Common Equity		<u>458,118</u>	<u>480,805</u>	<u>469,462</u>	Sum of Lines 13 thru 16
18	Return on Equity - Without Major Regulatory Asset Deferrals				<u>11.1%</u>	Line 9 divided by Line 17, Col (F)

**The Dayton Power and Light Company**  
**Case No. 20-1041-EL-UNC**

**Major Regulatory Assets Changes**

Exhibit KMN-4  
Page 1 of 1

Line No.	Description	2019	2018	Change Before Tax Impact	Change After Tax Impact	Comments
(A)	(B)	(C)	(D)	(E)	(F)	(G)
				(\$000's)	(\$000's)	
1	<u>Impact on 2019 Earnings Favorable (Unfavorable)</u>					
2	Fuel and purchased power recovery costs	3,770	8,373	(4,603)	(3,577)	Per Accounting Records
3	Energy efficiency program	4,000	9,744	(5,744)	(4,463)	Per Accounting Records
4	TCRR	(14,839)	(20,105)	5,266	4,092	Per Accounting Records
5	Competitive bidding	(4,750)	(1,197)	(3,553)	(2,761)	Per Accounting Records
6	Regulatory Compliance Rider	6,313	9,790	(3,477)	(2,702)	Per Accounting Records
7	Deferred Storms	15,535	10,150	5,385	4,184	Per Accounting Records
8	Decoupling Rider	13,793	11,040	2,753	2,139	Per Accounting Records
9	Deferred Pension/Benefit Costs	83,872	87,514	(3,642)	(2,830)	Per Accounting Records
10	Reconciliation Rider	553	(2,912)	3,465	2,692	Per Accounting Records
11	Vegetation Management Deferral	9,140	4,600	4,540	3,528	Per Accounting Records
12	Uncollectible Rider	4,446	1,677	2,769	2,152	Per Accounting Records
13	Total	<u>121,833</u>	<u>118,674</u>	<u>3,159</u>	<u>2,455</u>	Sum of Lines 2 thru 12

The exhibit shows the 2019 earnings impact of DP&L's major regulatory asset deferrals.  
Column (F) is the product of Column (E) times the inverse of the tax rate of 22.3%.

The Dayton Power and Light Company  
Case No. 20-1041-EL-UNC

Future Estimated Ohio Capital Expenditures

Exhibit KMN-5  
Page 1 of 1

Line No.	Description	2020	2021	2022	2023	2024	Comments
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	
1	Ohio Estimated Capital Expenditures	<u><u>██████████</u></u>	<u><u>██████████</u></u>	<u><u>██████████</u></u>	<u><u>██████████</u></u>	<u><u>██████████</u></u>	



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**Commission of Ohio Docketing Information System on**

**5/15/2020 3:58:59 PM**

**in**

**Case No(s). 20-1041-EL-UNC**

Summary: Application of The Dayton Power and Light Company for Administration of the Significantly Excessive Earnings Test electronically filed by Mr. Michael J Schuler on behalf of The Dayton Power and Light Company