

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 20-1651-EL-AIR

CASE NO. 20-1652-EL-AAM

CASE NO. 20-1653-EL-ATA

2020 DISTRIBUTION BASE RATE CASE

BOOK III – TESTIMONY

VOLUME 1 OF 4

Dayton Power and Light Company
DP&L Case No. 20-1651-EL-AIR
Standard Filing Requirements for Rate Increases
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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY OF
ROBERT J. ADAMS**

- ☐ **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
ROBERT J. ADAMS

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 Robert J. Adams. My business address is 1065 Woodman Drive, Dayton,
4 OH 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 "Company") as a
7 Regulatory Program Manager in the Regulatory Operations department.

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

9 A. I am responsible for assisting in the development, analysis, revision, and administration
10 of the Company's tariff schedules, rate designs, and policies. I have responsibility for
11 regulatory compliance with the electric service and safety standards, load research and
12 sales forecasting for the department.

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

14 A. Yes. I earned a Bachelor of Science degree in Business Economics from Wright State
15 University in April 2006 and a Master of Science Degree in Economics from Wright
16 State University in 2017. I have been employed by DP&L since 2006 where I have held
17 positions as a Rate Analyst I and II before being promoted to my current position.

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

19 Yes. I filed testimony before the Public Utilities Commission of Ohio ("PUCO" or
20 "Commission") in support of DP&L's Distribution Modernization Plan in Case Number
21 18-1875-EL-GRD, DP&L's Electric Security Plan in Case Number 16-395-EL-SSO, and

DP&L's most recent Distribution Rate Case in Case Number 15-1830-EL-AIR. Also, I presented testimony in support of the Stipulation on behalf of DP&L before the Commission in Case No. 12-1832-EL-ESS.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will support the schedules that I sponsor, which are required by the Standard Filing Requirements in distribution rate proceedings. They are current and proposed tariffs, rationale for tariff changes, tariff class revenue summary, annual test year revenue at proposed vs. current rates, actual test year revenues, results of the Company's load research study, and typical bill comparisons.

III. SPONSORED SCHEDULES AND WORKPAPERS

Q. What schedules and workpapers in the filing are you sponsoring?

A. I am sponsoring the following schedules included in the Standard Filing Requirements:

- Schedule C-3.24 – Adjust Test Year Revenues
- Schedules E-1, E-2, E-2.1 – Clean Copy of Proposed Tariff Schedules; Current Tariff Schedules; Redlined Copy of Proposed Tariff Schedules
- Schedule E-3 – Rationale for Tariff Changes
- Schedules E-4, E-4.1 – Tariff Class Revenue Summary; Test Year Revenue at Proposed vs. Current Rates
- Schedule E-4.3 – Actual Test Year Revenues; Information for this Schedule is not available at this time and will be supplemented
- Schedule E-5 – Typical Bill Comparison

- Workpaper E-4.1a & b – Billing Determinant Forecast – Base Distribution Rate

Blocks and Billing Determinant Forecast - Customer Bills

Q. Were the schedules and supporting workpapers that you are sponsoring prepared or assembled by you or under your direction or supervision?

A. Yes.

Q. Please explain Schedule C-3.24.

A. Schedule C-3.24 illustrates the adjustment made to reconcile the adjusted jurisdictional test year revenues in Schedule C-3, to the actual and projected revenues located on Schedule E-4.

Q. Is the adjustment proposed in Schedule C-3.24 reasonable?

A. Yes. The calculation of projected revenues presented in Schedule E-4 more closely follows how the Company collects revenues from customers today. This calculation applies tariff class level billing determinants to tariff class level rates while the adjusted jurisdictional test year revenues are based on an average kilowatt hour rate applied to revenue class total kilowatt hours.

Q. Please explain Schedule E-3.

A. Schedule E-3 contains the narrative rationale for the modifications to the tariff terms and the conditions that the Company has proposed as part of this case. Generally, the proposed amendments were included to clarify the Company's Policies and Procedures.

Q. Did the Company propose a new provision for its Secondary Class in Tariff D19?

1 A. Yes. The Company proposes to include a provision for Small Constant Unmetered
2 Service. Company Witness Bentley supports this new provision for Secondary Service.

3 **Q. Please explain Schedule E-4.**

4 A. Schedule E-4 is the revenue summary showing distribution revenues at current and
5 proposed rate levels. This schedule is a summary of the sales, current revenue, proposed
6 revenue by rate schedule as calculated in Schedule E-4.1 and the percentage of revenue
7 that each rate schedule contributes to total distribution service revenue. In addition,
8 Schedule E-4 displays the proposed amount and percentage increase by rate class.

9 **Q. Please explain Schedule E-4.1.**

10 A. Schedule E-4.1 provides the detail of the revenue calculations by rate class as
11 summarized in Schedule E-4. This schedule also displays the billing determinants
12 associated with the respective rate schedules. The sales revenues for the 12 months
13 ended May 31, 2021 are based upon a kilowatt hour sales and customer forecast.

14 **Q. Please explain Workpaper E-4.1a.**

15 A. Workpaper E-4.1a summarizes the billing determinants for the Company's Base
16 Distribution, Universal Service Fund and Excise Tax rates required for Schedule E-4.1.
17 The billing determinants are comprised of a forecast for the period June 2020 through
18 May 2021.

19 **Q. Describe how the forecasted billing determinants were derived for Workpaper E-**
20 **4.1a.**

1 A. The forecasted billing determinants were derived from historical billing data. The
2 historical data was used to develop allocators that represent the percentage of total for
3 each respective kWh, kW and kVar rate block. The respective allocators were then
4 applied to the Company's Long term Forecast Report filed in Case No. 20-0768-EL-FOR
5 ("LTFR").

6 **Q. Please explain why separate Billing Determinant Forecasts were prepared for the**
7 **Current and Proposed periods on page 1 of Workpaper E-4.1a?**

8 A As described by Company Witness Teuscher, DP&L's Low Load Factor Provision
9 proposal will amend the load factor at which a Secondary or Primary customer becomes
10 eligible for this provision. A separate billing determinant forecast was prepared
11 consistent with the LTFR for the Secondary and Primary classes in the proposed period to
12 accurately show the proposed revenue resulting from the proposed rates.

13 **Q. Describe how the forecasted billing determinants were derived for Workpaper E-**
14 **4.1a.**

15 A. The forecasted billing determinants were derived from historical billing data. The
16 historical data was used to develop allocators that represent the percentage of total for
17 each respective kWh, kW and kVar rate block. The respective allocators were then
18 applied to the Company's Long term Forecast Report filed in Case No. 20-0768-EL-FOR.

19 **Q. Can you explain why no actual billing determinants were included as part of**
20 **Workpaper E-4.1a?**

1 A. Yes. In order to keep the billing determinants in line with normal sales levels, sales
2 projections from the Company's most recent Long Term Forecast Report were used for
3 the test year.

4 **Q. Describe how the customer bills were derived for Workpaper E-4.1b.**

5 A. The customer bill totals were derived using 12 months historical data for the period June
6 2019 through May 2020.

7 **Q. Do you believe the projected values are reasonable?**

8 A. Yes. The values presented in Workpaper E-4.1a and Workpaper E-4.1b are based on
9 historical billing data.

10 **Q. Please explain Schedule E-5.**

11 A. Schedule E-5 is a typical bill comparison that illustrates the effect of the proposed rates
12 on customer bills by tariff class. Schedule E-5 shows the dollar amount and percentage
13 difference for a total bill at various kilowatt hour usage levels.

14 **Q. Can you describe the bill impact for a typical Residential customer as a result of this
15 proceeding?**

16 A. Yes. A typical Residential customer using 1,000 kWh per month can expect to
17 experience a bill impact of \$11.26 per month, or 11.76% increase.

18 **Q. How do residential bill impacts that result from this proceeding compare to bills
19 paid by residential customers of other electric distribution utilities in the State of
20 Ohio?**

1 A. Exhibit RJA-1 to my testimony illustrates that DP&L's bills are the lowest in the State of
2 Ohio. Even after the amount identified above is added, DP&L's rates for a typical
3 residential customer would remain lower than the typical residential bills of other Ohio
4 utilities.

5 **Q. Can you explain what is represented in column G on Schedule E-5?**

6 A. Yes. The value in column G represents the cost for the Company's current Energy
7 Efficiency Rider.

8 **Q. Why did you include the Energy Efficiency Rider as part of Schedule E-5?**

9 A. As described by Company Witness Campbell, DP&L has proposed to include Energy
10 Efficiency costs within base distribution rates. Since the current Energy Efficiency Rider
11 is included as part of the current bill amount in column E and will sunset in 2021, it is
12 appropriate to capture the decrease in column G.

13 **Q. Did the Company perform a load research study for this filing?**

14 A. Yes. DP&L hired Christensen Associates Energy Consulting ("CAEC") to complete a
15 load research study for the period January 2019 through December 2019, which is
16 sponsored by Company Witness Chapman.

17 **Q. How did you utilize the results of the load research study performed in preparation
18 for this filing?**

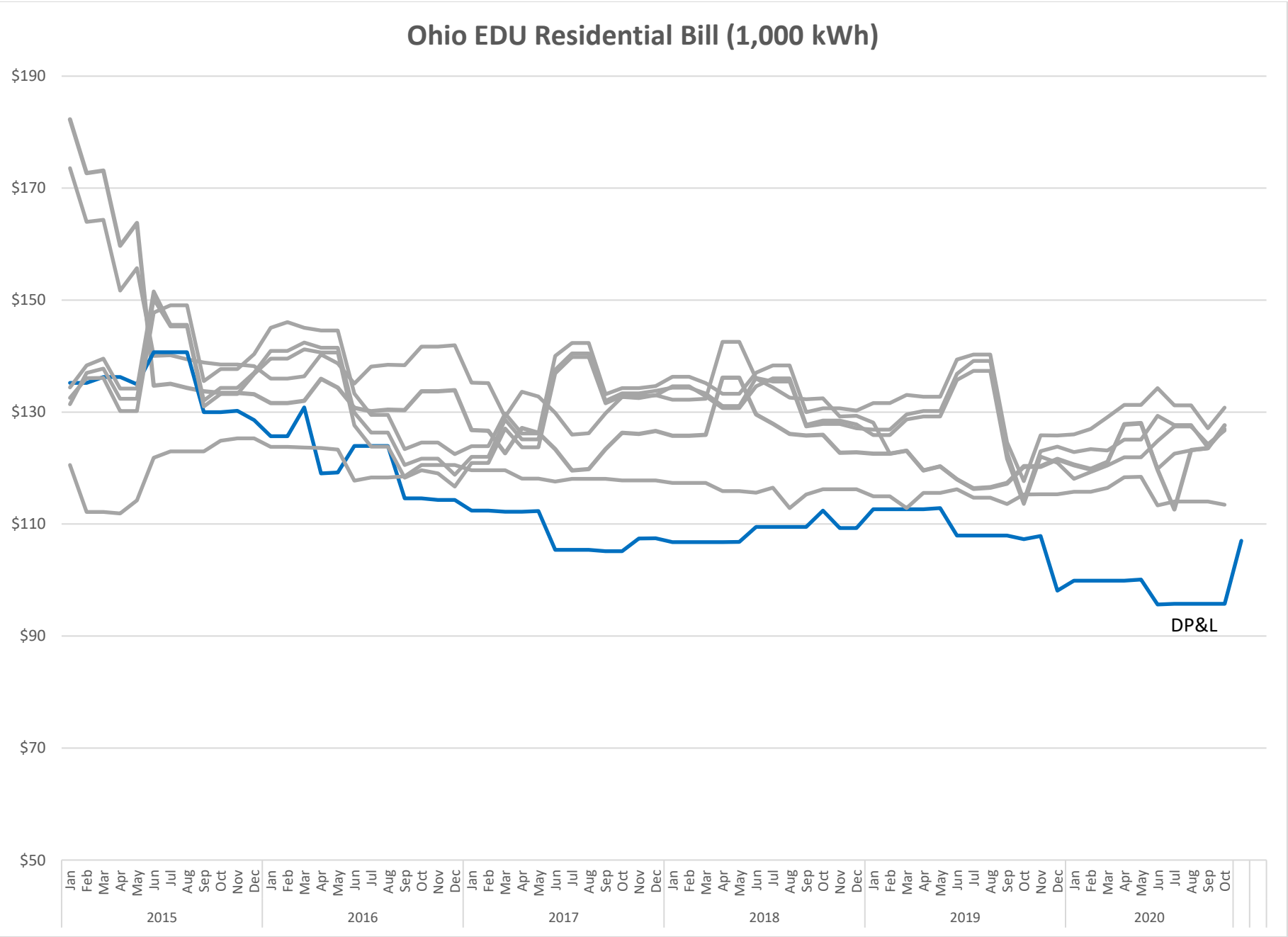
19 A. I used the results of the load research study to derive tariff class level non-coincident
20 peak values. I provided the non-coincident peak values to Company Witness Chapman
21 for the cost of service study.

1 **IV. CONCLUSION**

2 **Q. Does this conclude your testimony?**

3 **A. Yes. It does.**

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THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
OF MICHAEL J. AMORE**

- ☐ **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
MICHAEL J. AMORE**

**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 Michael Amore. My business address is 1 Monument Circle, Indianapolis,
4 Indiana 46204.

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

6 A. I am employed by AES US Services, LLC as Manager of Financial Planning and
7 Analysis in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES
8 Corporation ("AES"), with responsibilities for The Dayton Power and Light Company
9 ("DP&L" or "Company") and other AES businesses.

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

11 A. I assumed my present position in February 2018.

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

13 A. Yes. I received a Bachelor of Science degree in Finance from Butler University in 2008.
14 I joined AES in December 2016 as a Senior Financial Analyst within the U.S. SBU. In
15 2018, I was promoted to Financial Planning and Analysis Manager for the US Generation
16 assets within the U.S. SBU. In January of 2019, I assumed the responsibility of the
17 Financial Planning and Analysis Manager role over DP&L.

18 Prior to joining AES in December 2016, I worked as a senior financial analyst for several
19 years within the manufacturing industry in Indianapolis. I started my career within public
20 accounting in 2008 focusing on municipal and privately held utilities.

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

1 A. In my current position, I report to the U.S. SBU Chief Financial Officer and have direct
2 responsibility and oversight for the Financial Planning Process for the U.S. SBU. In that
3 capacity, I am responsible to lead and coordinate the short- and long- term forecasting
4 process, and I evaluate and oversee the development and utilization of all financial
5 planning models. Other activities under my responsibility include economic analysis,
6 studies and counsel on all matters of potentially significant financial effect to the U.S.
7 SBU, analyzing actual financial performance, and reviewing forecasted information for
8 use in regulatory proceedings.

9 **II. PURPOSE OF TESTIMONY**

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

11 A. The purpose of my testimony is to sponsor or co-sponsor the Company's pro forma
12 financial projections for the test year. I am supporting the methodologies and
13 assumptions and the overall forecast process for Operation and Maintenance ("O&M"),
14 capital expenditures, other revenue and taxes other than income tax embedded in the
15 Standard Filing requirements. I will also describe how such forecasts are validated for
16 reasonableness. I also am supporting Supplemental Filing Requirement S-1 and S-2..

17 **Q. How is your testimony related to the testimony of Company Witness Hale on the**
18 **subject of forecasting data?**

19 A. Yes. I am supporting Supplemental Filing Requirements S-1 and S-2 and the overall
20 forecasting methodology used to develop the pro-forma information for the Standard
21 Filing Requirements. Company Witness Hale sponsors the calculations and support for
22 the projected information contained in Schedule B and Schedule C

1 **III. PREPARATION OF FORECASTED FINANCIAL STATEMENTS**

2 **Q. What methodology and associated processes were used to develop the forecasted**
3 **financial statements embedded in the Standard Filing Requirements?**

4 A. The forecasted financial statements included in Schedule C's (sponsored by Company
5 Witness Hale), S-1 and S-2 were developed consistent with the methodology and process
6 used by DP&L for preparing its normal operating forecast. This methodology is a
7 "bottom up" approach to forecasting that requires input and assumptions from a variety of
8 areas within the Company.

9 **Q. What are the major components of the financial forecast?**

10 A. The inputs and assumptions received from the various areas within the Company are used
11 to derive the following major components of the forecast:

12 (1) distribution baseline sales volumes and Standard Service Offer ("SSO")

13 baseline sales volumes;

14 (2) retail revenue estimates;

15 (3) operations and maintenance expenses forecast; and

16 (4) capital expenditures forecast.

17 **Q. How are each of the above components developed?**

18 A. The development and methodology for each of these major components are as follows:

19 (1) Distribution Sales and SSO Sales – DP&L uses Itron's Statistically Adjusted End Use

20 load forecasting methodology to project distribution baseline sales and revenue for the

21 Company. This regression-based approach projects customer sales or average use using a

22 comprehensive set of independent variables as the forecast drivers, which include:

23 economics (Moody's), organically occurring equipment efficiency (Energy Information

Administration), utility price forecast, weather, and historic sales and customers. The Company forecasts each customer class independently in order to capture their unique load characteristics. This methodology is consistent with the Company's most recent Long Term Forecast filing, Case No. 20-0768-EL-FOR. All SSO sales are based on market auction rates and are a pass-through that does not contribute any margin to the company.

(2) Retail Revenue Estimates – Retail revenue estimates are developed by customer class.

The retail revenues shown in the Company's forecasted financials include existing tariff rates for 2020, and starting in 2022, include the proposed tariff increase requested in this case, retail riders that are cost trackers (such as the universal service fund rider and the standard offer rider), and the distribution baseline sales volumes and SSO baseline sales volumes described earlier.

(3) O&M Expense Forecast – O&M expenses are forecasted by, and reviewed with, all of the business areas within the Company. Underlying the O&M forecast are projections for various items such as projected salary increases and inflationary factors. Each area's O&M forecast includes staffing plans, labor costs, and other operational costs necessary to perform the functions of the specific area.

(4) Capital Expenditures Forecast – Capital expenditures are forecasted by, and reviewed with, all of the relevant business areas within the Company, although a substantial portion of the forecast is driven by the Company's operational groups, Transmission and Distribution. The forecast includes specific projects with estimated in-service dates as well as dollars allocated to fund projects under a blanket capital budget. The capital

1 expenditures and related in-service dates are used to estimate book depreciation, tax
2 depreciation, and capitalized interest.

3 **Q. Please describe the overall process used to allocate indirect O&M into the financial**
4 **projections for DP&L.**

5 A. As mentioned earlier, our forecasting budget uses a "bottom up" methodology; therefore,
6 each cost center leader (e.g., department) is responsible for preparing their pertinent part
7 of the budget. The budget costs are based on the responsibilities and activities that will be
8 developed to benefit or support DP&L operations. Once we consolidate the information,
9 we review and check the expected indirect O&M costs against historical and actual data.

10 **Q. Please describe the guidelines provided to the cost center leaders in developing their**
11 **cost center budget.**

12 A. There are detailed instructions for budgeting employee labor costs such as escalation
13 factors for both union and non-union employees, the treatment of indirect labor and how
14 to handle fluctuations in headcount. Detailed instructions for non-labor related expenses
15 such as travel and training expenses are also included, which the instructions indicate
16 appropriate classification of the expenses, periodicity and escalation factors. Budget
17 coordinators and cost center leaders are required to use these instructions in projecting
18 their future departmental expenses.

19 **Q. Does DP&L evaluate the reasonableness of its projections?**

20 A. Yes. As part of our standard validation process, we work to identify changes in trends of
21 costs. We review the trend of the current projections and identify the major drivers of
22 variances on a year-over-year basis. In addition to this review, we compare the first year

1 of projections with the prior year historical data. Once we identify the major drivers of
2 changes, we validate them with the budget owners to ensure that those changes have
3 merit. All of the information is consolidated into a DP&L projection and it then reviewed
4 by various levels of the U.S. SBU management. Last, as we progress through the business
5 year, we track and monitor actual results compared to the forecast. Based on actual
6 results combined with potential changes in business and market conditions, the forecast is
7 adjusted as needed. This ongoing review process makes the forecast reliable.

8 **IV. SUPPLEMENTALS**

9 **Q. What is Supplemental Filing Requirement S-1?**

10 A. Supplemental Filing Requirement S-1 contains a five year financial forecast of capital
11 expenditure information for the Distribution segment. The schedule shows capital
12 expenditure information exceeding five percent of the annual budget for the five years
13 2021 through 2025.

14 **Q. What is Supplemental Filing Requirement S-2?**

15 A. Supplemental Filing Requirement S-2 contains a five-year projected Income Statement,
16 Balance Sheet and Cash Flow statement as well as the associated assumptions underlying
17 the forecasted values. The financial statements represent a proxy for the expected
18 financial performance of DP&L operations for the five years 2021 through 2025.

19 **Q. Does DP&L maintain the information contained in Supplemental Filing** 20 **Requirement S-2 as confidential?**

21 A. Yes. DP&L makes reasonable efforts to keep the information contained in Supplemental
22 Filing Requirement S-2 secret. This information is not generally known within DP&L or
23 AES affiliates providing services to DP&L, and is disseminated within those

1 organizations only if there is a legitimate business need. Further, this information is not
2 generally known outside of DP&L. This information would be nearly impossible to
3 acquire or duplicate without access to the same information.

4 **Q. Does the information contained in Supplemental Filing Requirement S-2 derive**
5 **independent economic value from not being publicly available?**

6 A. Yes. DP&L could be harmed if its projected Income Statement, Balance Sheet, and Cash
7 Flow Statement and associated assumptions were publicly disclosed for three reasons.

8 First, DP&L must retain the ability to attract capital on favorable terms in order to
9 provide cost-effective service to its customers. Releasing the information contained in
10 Supplemental Filing Requirement are not known to DP&L's bond holders, and DP&L
11 anticipates issuing new debt to accomplish its Smart Grid investments as provided in Pub.
12 Util. Comm. No. 18-1875-EL-GRD, *et al.* If this information were publicly disclosed,
13 then it could interfere with DP&L's negotiations with prospective bond purchasers and,
14 thus, could adversely affect DP&L's cost of debt.

15 Second, DP&L is regulated by the U.S. Securities and Exchange Commission ("SEC"),
16 and if certain financial and other material information of DP&L is released that is not
17 usually publicly disclosed by DP&L, like the information at issue here, it could require
18 DP&L to broadly disseminate that information, such as by filing a Form 8-K. The
19 financial projections contained in Supplemental Filing Requirement S-2 are not typically
20 provided by DP&L in the Company's SEC filings, and the disclosure of such information
21 in the Form 8-K could expose DP&L and its affiliates to increased litigation risk by
22 investors and debt holders who rely on such information if those projections materially
23 differ from actual results.

1 Third, DP&L is a significant subsidiary of AES, which is also regulated by the SEC. If
2 DP&L's projected revenues, return and earnings information were publicly disclosed,
3 such disclosure could potentially affect AES's share price.

4 **Q. Are the pro forma statements included in Supplemental Filing Requirements S-1**
5 **and S-2 accurate?**

6 A. Yes, based on the various assumptions and input received, and the review that the
7 Company performed, the statements are accurate.

8 **V. CONCLUSION**

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

10 A. Yes, it does.

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THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
BARRY J. BENTLEY**

- ☐ **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
BARRY J. BENTLEY**

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

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, employer and business address.

A. My name is Barry J. Bentley. My business address is 1900 Dryden Road, Dayton, Ohio.

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

A. I am employed by AES US Services, LLC as Vice President – Utilities Operations in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with responsibilities for The Dayton Power and Light Company ("DP&L" or "Company") and other AES businesses.

Q. Please summarize your educational background and professional experience.

A. I hold a Bachelor of Science degree in Electrical Engineering from Purdue University. I have attended several management courses from the University of Michigan, the University of Indianapolis, and the University of Virginia Darden School of Business. I also serve on the National Event Response Committee ("NREC") for the Edison Electric Institute ("EEI").

Including my Cooperative Engineering assignments while attending Purdue University, I have been employed at Indianapolis Power & Light Company ("IPL") for nearly 30 years. My experience includes positions of increasing responsibility in the areas of power generation, transmission and distribution, customer service, corporate venture capital, fuel supply, and energy dispatching and marketing. I began my career with IPL in 1984 as a Cooperative Engineering student while attending Purdue University. In 1988, I became a full-time employee, working as an engineer in Power Production. In 1990, I became Supervisor, Instrument Electrical at the H. T. Pritchard Generation

1 Station. In 1992, I moved to Supervisor, Maintenance for all electrical and mechanical
2 maintenance at the Pritchard Plant. Between 1993 and 1998, I was Supervisor and then
3 Director, System Operation, responsible for the operation of the transmission system and
4 dispatching of generation assets. In 1999, I became Manager, Bulk Power, which
5 included responsibility and oversight of the planning, engineering, operations, and
6 maintenance for all IPL transmission and substation assets. In 2000, I was promoted to
7 Principal in IPL's Corporate Venturing Group. In 2002, I was promoted to the Director,
8 Demand Coordination, responsible for strategic account management for IPL's top 300
9 retail customers. In 2003, I transitioned to the Director, Supply Coordination and later to
10 the Vice President, Fuel and Energy supply, responsible for energy dispatching,
11 wholesale sales, and fuel procurement for IPL's generation fleet. In 2008, I transitioned
12 from generation supply to the Vice President, Power Delivery, in IPL's electric delivery
13 organization. In 2014, I became Vice President, Customer Operations in AES's U.S.
14 SBU with responsibilities over IPL and DP&L. In March 2018, I was appointed to my
15 current position of Vice President – US Utilities Operations for the AES Strategic
16 Business Unit.

17 **Q. Have you previously testified in regulatory proceedings?**

18 A. Yes, I submitted written testimony in support of the application in DP&L's last
19 distribution rate case, Pub. Util. Comm. Case Nos. 15-1830-EL-AIR, *et al.*, and also
20 testified at a hearing in support of the Stipulation and Recommendation filed in that
21 proceeding regarding DP&L's tree-trimming costs.

1 Additionally, I testified on behalf of IPL in support of its Transmission, Distribution,
2 Storage System Improvement Charge ("TDSIC") Plan in Cause No. 45264. I further
3 testified on behalf of the Joint Petitioners in Indiana in Cause No. 42685, involving their
4 request to recover their costs associated with taking transmission service under the
5 Midwest Independent Transmission System Operator, Inc.'s Open Access Transmission
6 and Energy Markets Tariff, and on behalf of the Joint Petitioners in Cause No. 42962
7 involving Day Ahead and Real Time Revenue Sufficiency Guarantee credits and charges.
8 I also testified in Cause No. 43414 regarding IPL's Purchased Power Benchmark
9 proceeding. I also have testified in numerous Fuel Adjustment Clause proceedings in
10 Indiana.

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

12 A. The purpose of this testimony is to support and explain DP&L's distribution capital
13 projects and expenditures, including capital projects relating to the 2019 Memorial Day
14 tornado outbreak. I also support and explain DP&L's proposed tariff language changes
15 regarding small constant unmetered service.

16 **II. CAPITAL BUDGET**

17 **Q. Please provide an overview of DP&L's electric distribution system as June 30, 2020.**

18 A. The distribution system used to serve DP&L's customers as of June 30, 2020, consists of
19 utility properties used and useful for such purposes, including approximately 125
20 distribution substations feeding 490 distribution circuits, 29 additional substations
21 dedicated to transmission or specific customers, towers, poles, conductors, transformers,
22 station structures and equipment, meters and overhead distribution wire of approximately

1 10,481 miles and underground cable distribution conductors of approximately 3,781
2 miles.

3 **Q. Were DP&L's expenditures on capital projects, which resulted in distribution plant**
4 **in service, reasonable and prudent?**

5 A. Yes. DP&L makes annual capital investments on its electric distribution system in order
6 to achieve three goals: (1) provide infrastructure to serve new or growing customers and
7 load; (2) maintain or improve the overall condition of the distribution infrastructure
8 (replacements) and any supporting assets; and (3) return to service failed assets, such as
9 those suffering from catastrophic equipment failures or damage from storms. Those
10 expenditures were prudent and necessary to allow DP&L to continue to provide safe and
11 reliable services to its customers.

12 Further, the materials, labor and other resources used to complete capital projects are
13 obtained through our supply chain organization, which ensures that such materials and
14 services meet the quality and technical standards and are competitively priced.

15 **Q. Is the equipment on which DP&L seeks a return in this case used and useful?**

16 A. Yes. Pursuant to internal DP&L policy, as capital projects are completed, the project
17 manager(s) must submit appropriate documentation to the Fixed Asset Accounting area
18 indicating that assets were placed on service and the date in which they were placed in
19 service.

20 **Q. What types of projects are included within DP&L's capital expenditures?**

21 A. There are numerous types of projects, including Blanket Budget Projects, that make up
22 DP&L's capital investments on an annual basis. These are categorized by investment

1 type, categories include providing new or upgraded services to customers, planned
2 replacements, forced replacements caused by equipment failures and storms, meter
3 installations, and transformer installations.

4 **Q. What are Blanket Budget Projects?**

5 A. Blanket Budget Projects include providing new or upgraded services to customers,
6 planned replacements, forced replacements (failures and storms), meter installations and
7 transformer installations. Additionally, DP&L has capital programs designed to maintain
8 or replace key electric distribution infrastructure including poles, underground cable,
9 cutouts and network equipment, among others.

10 **Q. Are the Blanket Budget Projects typical for DP&L in any budget year?**

11 A. Yes. DP&L's annual capital budget is typically made up of the types of projects
12 described above. The amount of spending within each category or group of projects
13 varies somewhat year-over-year based on factors that include economic conditions,
14 localized load growth, equipment failure rates, and storm activity.

15 **Q. How is Contribution In Aid to Construction ("CIAC") determined for capital**
16 **projects?**

17 A. For customers requiring new service, CIAC is addressed according to the Commission's
18 rules, which are incorporated into DP&L's Tariff Sheet No. D12 "Extension of Electric
19 Facilities." There are other situations where customers desire to relocate their service or
20 a third party asks DP&L to move or relocate its facilities. In those situations, CIAC is
21 determined based on DP&L's tariff as well as existing rights-of-way. In any situation
22 where CIAC is applicable, the payment from the requesting entity is credited to that

specific project's work order. In that way, net plant in service is reflective of all CIAC payments.

III. DISTRIBUTION INVESTMENTS AND TORNADO RESPONSE

Q. Does DP&L have a rider to recover incremental capital investment?

A. No. DP&L previously recovered incremental capital investments recorded in Account 101 Plant in Service related to FERC Plant Accounts 360-374 through the Distribution Investment Rider ("DIR"), which was established in Pub. Util. Comm. Nos. 16-0395-EL-SSO, *et al.* ("ESP III") and populated in Pub. Util. Comm. Nos. 15-1830-EL-AIR, *et al.* ("2015 Distribution Rate Case"). The DIR terminated, however, when the Commission allowed DP&L to terminate ESP III and implement its current Electric Security Plan, as approved by the Commission in the December 18, 2019 Second Finding and Order in Case Nos. 08-1094-EL-SSO, *et al.* ("ESP I"). ESP I does not have a rider that allows DP&L to recover incremental capital investment.

Q. Was DP&L's distribution system affected by the 2019 Memorial Day tornado outbreak in the Dayton, Ohio area?

A. Yes. Beginning late in the evening on Memorial Day 2019, approximately 15 tornadoes hit DP&L's service territory, resulting in more than 100,000 outages and severe damage to DP&L's distribution system. DP&L crews and contractors restored service to 100% of customers within 10 days, dedicating 80,000 man-hours to recovery efforts, and the damage to the distribution system required significant capital expenditures to reasonably restore safe and reliable service. DP&L's capital expenditures in response to the tornadoes were \$18.6 million.

1 **Q. Is the equipment on which DP&L seeks a return in this case relating to the 2019**
2 **Memorial Day tornado outbreak used and useful?**

3 A. Yes. As described above, pursuant to internal DP&L policy, as capital projects are
4 completed, the project manager(s) must submit appropriate documentation to the Fixed
5 Asset Accounting area indicating the assets that were placed in service and the date in
6 which they were placed in service. The same process was used for capital investments
7 relating to the 2019 Memorial Day tornado outbreak.

8 **Q. Were DP&L's capital expenditures relating to the 2019 Memorial Day tornado**
9 **outbreak reasonable?**

10 A. Yes. As described above, much of the materials, labor and other resources used to
11 complete capital projects are obtained through the efforts of the supply chain
12 organization, which ensures that such materials and services meet the quality and
13 technical standards as well as delivery schedule specified and are competitively priced.
14 Other capital expenditures were made through mutual aid agreements in which DP&L
15 participates. Those agreements include clauses designed to ensure that participating
16 utilities charge reasonable market rates for the services they provide.

17 **IV. SMALL CONSTANT UNMETERED SERVICE PROVISION**

18 **Q. Is the Company proposing to include a small constant unmetered service provision**
19 **in Tariff Sheet D19?**

20 A. Yes. Service under that tariff is limited to customer locations with a small constant load
21 for which metered service is not readily available and the customer's equipment draws
22 less power than can be practically or economically metered at each individual service
23 location, as determined by DP&L.

1 The rate proposed under Tariff Sheet D19 would be available upon application to
2 customers with small constant load. Small constant load requirements are intended to be
3 25 watts or less that can be served at one point of delivery. The Term of Contract with a
4 customer who elects this rate would be a minimum period of one year or such shorter
5 period as may be agreed upon between DP&L and the customer.

6 **Q. How would the rate proposed in the unmetered service provisions in Tariff Sheet**
7 **D19 be calculated?**

8 A. For each monthly billing period, the kilowatt billing demand would be the estimated or
9 measured, and the kilowatt-hours consumed would be the product of the estimated or
10 measured load in kilowatts multiplied by 730 hours.

11 **Q. Would the customer have responsibility for notifying DP&L of changes to its load?**

12 A. Yes. The customer would be required to notify DP&L in advance of every change in
13 connected load, and DP&L would reserve the right to inspect the customer's equipment at
14 any time to verify or measure such load. In the event that the customer failed to notify
15 DP&L of an increase in load, DP&L would reserve the right to refuse to serve the
16 location thereafter under this proposed rate, and would be entitled to bill the customer
17 retroactively on the basis of the increased load for the full period such load was
18 connected. If the character of such load should change, so as to require metered service,
19 the customer would provide the facilities to permit the metering.

20 Customers who elect to maintain service under this provision shall provide written
21 validation of the type and quantity of service to DP&L annually.

22 **Q. Why has DP&L decided to make this change?**

1 A. DP&L has heard from customers of an interest in this type of service and believes it is
2 important to ensure its service options align with customer's needs.

3 V. **CONCLUSION**

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

5 A. Yes, it does.

6 1467514.1

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY OF
JEREMY BUCHANAN**

- ☐ **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
JEREMY BUCHANAN**

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

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, employer and business address.

A. My name is Jeremy Buchanan. I am employed by AES US Services, LLC.

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

A. I am employed by AES US Services, LLC as Director of Human Resources in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with responsibilities for The Dayton Power and Light Company ("DP&L" or "Company") and other AES businesses.

Q. Please describe your duties as Director of Human Resources.

A. In my role, I oversee a team of HR Business Partners and we provide HR services to all of the AES US businesses, one of which is DP&L. My team and I oversee the daily HR Operations for DP&L such as employee relations, labor relations, annual compensation; performance; talent cycles, and other various HR Operational items.

Q. Please summarize your educational and professional qualifications.

A. I have an undergraduate degree in Human Resources and Business Marketing from Wright State University, Dayton, Ohio. I have also obtained a Masters of Professional Studies in Human Resources and Employee Relations, from The Pennsylvania State University.

Q. Please summarize your prior work experience.

A. My career began with Georgia Pacific in 2008, which is one of the world's leading makers of tissue, pulp, packaging, building products and related chemicals. My first role

1 was an HR Associate, and was eventually promoted HR Manager. I worked for Georgia
2 Pacific just under four years. Later, in 2011, I joined Norfolk Southern Railway, one of
3 the nation's premier transportation companies where I began working as a labor relations
4 management trainee. I worked various roles for approximately four years where my final
5 role was Assistant Director, Labor Relations. I then accepted my current position with
6 AES US Services, LLC., in 2015.

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of this testimony is to support and explain DP&L's labor expenses, including
9 expenses associated with short-term bonuses and long-term compensation, and to
10 demonstrate that the Commission should allow DP&L to include all of them as allowable
11 expenses.

12 **II. THE TOTAL COMPENSATION DP&L PAYS TO EMPLOYEES IS**
13 **CONSISTENT WITH MARKET RATES**

14 A. **Goals and Objectives of DP&L's Compensation and Benefits Plan**

15 **Q. What are the goals and objectives of DP&L's compensation and benefits programs?**

16 A. DP&L's in alignment with AES' global compensation and benefits programs are intended
17 to attract, retain, and engage the talented employees necessary to deliver safe, reliable,
18 low-cost service to our customers. The goal is to provide employees with market-
19 competitive compensation through the use of base salaries and short and long-term
20 compensation, along with other employee benefits. I will explain how base salary, and
21 short and long-term compensation programs advance this goal.

22 **Q. Why it is important for DP&L to provide compensation and benefits consistent with**
23 **market rates?**

1 A. DP&L competes for talent within the utility sector and the non-utility sector. Utility-
2 sector competition generally takes place for jobs specific to transmission and distribution
3 services. DP&L continually needs to attract applicants who have the technical expertise
4 necessary to safely manage, operate and maintain its electric utility system such as
5 engineers, technicians, professionals and managers. In particular, the Company must
6 focus on retaining and attracting employees with specialized skills and experience
7 specific to its industry and systems. Non-utility sector competition generally occurs for
8 jobs that encompass a broader skill-set such as functional roles (i.e., human resources,
9 finance, customer service, digital).

10 DP&L's competitive compensation package has allowed it to attract and retain employees
11 with the skill and talent needed to provide quality service. DP&L's employees are
12 experts in the utility industry and have a long-standing commitment to DP&L and its
13 customers.

14 **Q. Please generally describe DP&L's employee compensation programs.**

15 A. In order to attract and retain highly qualified candidates, DP&L offers a competitive
16 Total Rewards package (base salaries, short and long-term compensation, and other
17 employee benefits). As base salaries are a fixed form of compensation, DP&L utilizes
18 short and long-term compensation to promote retention and a pay-for-performance
19 philosophy and provide a mechanism to compensate employees based on performance.

20 The benefits offered by the Company are competitive with the market. As discussed
21 below, market data and salary surveys are used to evaluate the competitiveness and
22 reasonableness of DP&L's compensation and benefit programs.

1 **Q. Does the labor market in Ohio have an effect on costs and the need for the Company**
2 **to maintain a competitive compensation package?**

3 A. Yes, definitely. To attract and retain the talent that DP&L needs, DP&L has to compete
4 with large-sized companies within the state (as well as on a national scale). For example,
5 DP&L competes with Duke Energy Ohio and American Electric Power among others, to
6 hire employees with technical skills. Such a competitive environment makes it difficult
7 for DP&L to fill some of its highly specialized technical roles, such as professional
8 engineers and operators. For non-utility positions (e.g., accounting and office
9 employees), DP&L typically has to compete with companies in and around the Dayton
10 region and nationally. Specifically, as the digitization of work becomes more prevalent,
11 we must compete nationally for new digital talent. Competition from companies and
12 larger utility organizations for qualified employees creates an environment that requires
13 DP&L to provide market-competitive compensation and benefits programs to
14 successfully attract and retain necessary talent.

15 **B. Base Salary**

16 **Q. How does DP&L determine base salary?**

17 A. Base salary of DP&L employees is dependent on the Company's compensation
18 philosophy, which is to pay a base salary at the median of the competitive market, as well
19 as taking into consideration a number of internal and external factors, such as:

- 20 • Company goals and objectives
- 21 • Industry trends
- 22 • Competitive-market
- 23 • Economy

1 In fiscal year 2013, AES businesses underwent organizational realignments, which
2 resulted in the implementation of a realigned compensation program that allows for
3 consistent pay-for-performance compensation across the Company. This compensation
4 program became effective in January 2014.

5 All US positions were evaluated, and all positions were placed into salary grades based
6 on results from a formal job evaluation process performed internally by HR. The Hay
7 Group method of job evaluation was used to measure three aspects of each job:

8 knowledge required (input), problem-solving requirements (throughput), and expected
9 results (output). All non-bargaining U.S. roles were assigned a salary grade. A salary
10 structure of 26 grades was then developed. Each salary grade was assigned a market-
11 based salary range (minimum, mid-point and maximum). Each grade also has a short-
12 term compensation target percentage, which progresses throughout the salary structure.

13 The development of the current structure included a review of market data to ensure
14 external competitiveness. Positions were matched to published salary surveys based on
15 job content (job descriptions and role responsibility's feedback from the business) and
16 relevant labor markets.

17 The current salary structure better aligns DP&L's compensation program with the AES
18 pay for performance compensation philosophy (which reflects market total
19 compensation), as it places more compensation at risk. The current target for base salary
20 is at the median of the market, with the opportunity to earn increases in short-term
21 compensation, which is based on the employee's performance. The realigned
22 compensation program motivates DP&L's employees to strive for high performance
23 which, in turn, will directly benefit DP&L's customers.

1 DP&L believes that the pay-for-performance philosophy places the right emphasis on an
2 employee's commitment to quality service.

3 **Q. Please explain why a 3.0 percent increase in base salary included in DP&L's long-**
4 **term budget for non-bargaining employees was appropriate for 2021.**

5 A. Annually, DP&L reviews and establishes a five-year, long-term operating budget.
6 During the budgeting process, DP&L reviews nationally-recognized surveys published by
7 third parties, such as Willis Towers Watson Consulting, and Aon Hewitt IEHRA Energy
8 Industry Compensation survey, which provide the projected average national merit
9 increase for the year. Such studies demonstrated that a 3.0 percent increase in base salary
10 is comparable to what the market is providing. It is a common occurrence to update this
11 budgeted guidance during the year of the actual merit increase to reflect actuals. The
12 same methodology is being used for year 2021 and is currently being reviewed.
13 In addition to the annual review of the most recently-available survey data, merit
14 increases are also dependent on the Company's key drivers and compensation philosophy.
15 DP&L also considers the following factors when determining the appropriate merit
16 increase for the year:

- 17 • Industry trends
- 18 • Cost of living
- 19 • Actual or anticipated financial results (company performance)
- 20 • The need to attract and retain talent needed to meet objectives

21 The conclusion of this extensive process is that a 3.0 percent base salary increase for
22 2020 was reasonable and competitive with the market.

23 **Q. What is the status of DP&L bargaining unit employees' compensation?**

1 A. Bargaining unit employee contracts are negotiated on a multi-year basis. DP&L has a
2 bargaining agreement with Local 175, UWUA, AFL CIO. Generally, wage increases are
3 provided annually effective date November 1st of the given year. The wage increase
4 follows the bargained pay schedule.

5 **C. Short-Term Compensation**

6 **Q. During the test year, please summarize how the Company's Short-Term**
7 **Compensation Plan is structured.**

8 A. The Short-Term Compensation Plan is designed to place a portion of the employees'
9 compensation at risk while rewarding performance of both the business and the
10 individual. The pool of available incentive dollars is determined by how well the
11 Company scores in three areas: Safety, Financial, and Strategic Objectives (inclusive of
12 Operational goals). Each eligible employee has a targeted short-term compensation
13 expressed as a percentage of base salary. The percentage is determined by position level
14 within the organization and, when combined with the employee's base salary, delivers
15 total cash compensation that is competitive with the market. The targeted short-term
16 compensation levels assume 100-percent achievement of individual and Company's
17 performance as measured by a weighted scorecard factoring in the above-referenced
18 areas. The scoring range is between 0-120%, with an at-target performance resulting in a
19 100% score. At year-end, the final score is calculated and applied to each individual's
20 short-term compensation target, as determined by salary grade. The total incentive
21 dollars awarded in aggregate should not exceed the incentive pool by area. Based on
22 performance, actual payments may exceed or fall below target for a given performance

period. The variable component of compensation is delivered to the employee annually, in March.

Q. Please describe in more detail the three performance components in DP&L's Short-Term Compensation Plan.

A. For the test year, the Company's Short-Term Compensation Plan includes the following components:

1. *Safety.* The Safety performance category consists of the following performance measures: (1) Fatalities, (2) Lost Time Incidents ("LTI") and (3) Safety Walks/Meeting Attendance.

2. *Financial.* The Financial performance category consists of the following performance measures: (1) Adjusted Pre-Tax Contribution, (2) Proportional Free Cash Flow, and (3) Subsidiary Distributions.

3. *Strategic Objectives* aligned to DP&L's strategic initiatives. The Operations category consists of Key Performance Indicators ("KPIs"), specific to each area, including but not limited to System Average Interruption Duration Index, System Average Interruption Frequency Index, Customer Satisfaction Index.

Q. If DP&L did not offer the Short-Term Compensation Plan would its compensation costs be reduced?

A. No. To attract and retain the talent that DP&L needs, it must offer a total cash compensation package that is market competitive. If no short-term compensation is offered, then DP&L would need to increase base salaries to compensate for the employees' loss in short-term compensation. It is the total compensation amount that is

important in order to attract and retain talent, not the breakdown between base salaries and short-term compensation.

Q. What amount of the Short-Term Compensation Plan is reflected in DP&L's proposed revenue requirement?

A. The proposed revenue requirement reflects short-term compensation at target.

D. Reasonableness of Overall Total Cash Compensation

Q. How does the Total Cash Compensation (both base salary and short-term compensation) offered by DP&L compare to the market?

A. As part of AES, DP&L has worked on developing a strategic approach to aligning compensation across the organization and implementing the current compensation philosophy. In 2013 and 2014, an in-depth analysis was completed to determine the market competitiveness of total cash compensation. The Company utilized the Hay Group market data along with surveys from Willis Towers Watson to determine that DP&L's total cash compensation levels are comparable to those of other utility organizations. Multiple data sources with robust market data were used to make sure DP&L's benchmark with the market is accurate. Overall, DP&L's total cash compensation is competitive with the market. DP&L continues to perform total cash compensation analyses on an annual basis to ensure total cash compensation remains competitive.

Q. What were the results of the analyses you referenced in the above response?

A. General market practice considers a position to be competitively paid if the position's compensation is within +/- 20% of benchmark compensation levels. This practice is

1 validated by external compensation consultants and benchmarking groups that AES
2 leverages to stay informed of market practices. On average, the Company's total cash
3 compensation levels, including the annual short-term compensation at target levels fall
4 within this range, and therefore are considered competitive with the utility market and
5 comparable to pay levels in the Ohio region where DP&L competes for talent.

6 **Q. Is it common for companies to rely upon survey studies such as the ones referenced**
7 **above for compensation comparison purposes?**

8 A. Yes. It is very common for companies that are market-competitive to utilize a variety of
9 independent consulting firm survey data information for benchmarking purposes.

10 **Q. What is the goal of the Company with regard to compensation data?**

11 A. DP&L's goal is to identify data that: (1) reflects the market-competitive rate for a given
12 skill set; and (2) is inclusive of companies with which DP&L competes for talent.

13 **E. Long-Term Compensation Plan**

14 **Q. Please summarize how the Company's Long-Term Compensation ("LTC") Plan is**
15 **structured.**

16 A. The LTC plan is designed to reward senior management employees for their performance
17 and to incent employees to continue to create long term value for the company. The LTC
18 plan also helps facilitate in the recruitment and retention of key talent. The LTC rewards
19 are comprised of a combination of Performance Units ("PUs") and Restricted Stock Units
20 ("RSUs"), which are typically split evenly at grant (50% PUs and 50% RSUs). LTC
21 awards are formula based and vest over a three- year period. The PU award is based on
22 AES' achievement of the Proportional Free Cash Flow metric. Proportional Free Cash

1 Flow is defined as Net Cash from Operating Activities less Maintenance and
2 Environmental Capital Expenditures adjusted for AES ownership percentage. The RSUs
3 are time based and are not subject to performance metrics. Senior management
4 employees are eligible for LTC rewards. These employees manage and lead various
5 departments and play an integral part in helping achieve operational and financial goals.

6 **Q. How common is it for utility organizations to offer LTC to their employees and how**
7 **does DP&L compare to the market?**

8 A. LTC plans at utility and non-utilities companies at a senior management level are highly
9 prevalent. The rationale behind LTC is that managers are closer to the Company's
10 decision making and are responsible for long-term results. Additionally, the vesting
11 period helps drive retention in roles that typically require extensive industry and/or
12 functional knowledge and are difficult to replace.

13 LTC reinforces the pay-for-performance philosophy at the senior management level.
14 Holding senior management accountable for Company's long-term decisions and
15 rewarding them for it has a direct impact on the Company's operational efficiency and
16 this plan benefits customers.

17 LTC is just as important as short-term compensation in paying senior management
18 market competitive total comp packages. LTC promotes high performance and retention
19 of key talent and keeps senior management accountable for decisions that will affect
20 DP&L's performance in the long-term.

1 **F. Financial Incentives Should Be Recoverable**

2 **Q. Do you know whether there is Commission precedent for excluding employee**
3 **compensation that is based upon financial incentives from recoverable expenses?**

4 A. Yes, I am aware that the Commission has excluded such portions of compensation in the
5 past. For example, the Commission has stated: "To the extent that financial incentives
6 are awarded for achieving financial goals, the primary benefit of such financial incentives
7 accrues to shareholders and that portion of incentive compensation should not be
8 recovered from ratepayers."¹

9 **Q. Do you agree with the Commission's rationale?**

10 A. No. The Commission's reasoning fails to consider that individual employees have much
11 more control over expenses than revenue.

12 On the revenue side, individual employees have very little control. The Commission sets
13 the rates that a utility is permitted to charge, and the utility is required to charge those
14 rates. It is very difficult for individual utility employees to increase the revenue earned
15 by the regulated utility.

16 However, on the expense side, utility employees have much more control. By acting
17 efficiently and responsibly, utility employees at all levels can reduce expenses.

18 **Q. Why is the ability of a utility employee to reduce expenses relevant here?**

¹ In the Matter of the Application of Ohio Edison Co., The Cleveland Illuminating Co., and Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices, and for Tariff Approvals, Case. No. 07-551-EL-AIR, et al., Opinion and Order (January 21, 2009) at 17.

1 A. DP&L's employees have an added incentive to lower expenses so that they can receive
2 the financial compensation component of their bonus. Lower expenses directly benefit
3 DP&L's customers, since DP&L recovers its expenses from customers. It is because of
4 this direct benefit to customers that I disagree with the Commission's statement that the
5 "primary benefit of such financial incentives accrues to shareholders." The primary
6 benefit in fact is ultimately to DP&L's customers.

7 Further, as demonstrated below, the total compensation received by DP&L's employees is
8 consistent with market rates. The fact that a portion of that total compensation is tied to
9 achieving financial goals -- i.e., incentivizing employees to keep expenses low -- is not a
10 sound reason for precluding recovery of those expenses. DP&L's financial incentives
11 encourage its employees to keep expenses low, which directly benefits DP&L's
12 customers.

13 **Q. What alternatives does a utility have?**

14 A. As explained below, a utility needs to pay compensation that in total is consistent with
15 market rates. If utilities cannot recover from customers amounts paid to employees to
16 achieve financial goals, then there is an incentive for utilities to remove that element from
17 the employees' compensation package, and to increase the employees' salary in some
18 other way that is recoverable from customers (e.g., base pay, bonuses based on operation
19 goals). Such a compensation package would be disadvantageous for customers, as it
20 would eliminate financial incentives that employees have to keep expenses low.

21 **Q. Are there any other reasons you believe that the financial metrics of the Company**
22 **are an appropriate consideration for ratemaking?**

1 A. Yes. It is important for a utility to be financially healthy. DP&L has been dealing with
2 financial difficulties and is making efforts to rectify that situation. Giving employees
3 incentives to promote the financial health of the Company thus benefits customers.

4 **G. Total Direct Compensation**

5 **Q. How does DP&L's Total Direct Compensation (base salary, short-term**
6 **compensation, and long-term compensation) offered by DP&L compare to the**
7 **market?**

8 A. In accordance with the market data, analysis, and surveys referenced above, on average,
9 the Company's total direct compensation levels fall within +/- 20% of benchmark
10 compensation levels. Therefore, DP&L's total direct compensation is also considered
11 competitive with the utility market and comparable to pay levels in the Ohio region
12 where DP&L competes for talent.

13 **III. CONCLUSION**

14 **Q. Can you please summarize your testimony?**

15 A. The level of compensation provided to DP&L's employees is comparable to what other
16 utilities companies offer as well as to what non-utility companies with whom DP&L
17 competes for talent offer and, therefore, represents a reasonable and necessary cost of
18 providing service. DP&L has taken the appropriate steps to keep employee
19 compensation and benefits at reasonable levels while maintaining a level of
20 competitiveness to attract and retain the talent necessary to provide safe, reliable, and
21 low-cost service to our customers.

1 Aligning a portion of DP&L's incentive pay to financial results appropriately incentivizes
2 employees to lower expenses so that they can receive the financial compensation
3 component of their bonus. Lower expenses directly benefits DP&L's customers and
4 therefore this component should not be excluded from the recovery of expenses.

5 **Q. Does this conclude your testimony?**

6 A. Yes.

7 1467515.1

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY OF
STEFANIE S. CAMPBELL**

- ☐ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
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STEFANIE S. CAMPBELL**

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

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I. INTRODUCTION AND SUMMARY

Q. What is your name and business address?

A. My name is Stefanie S. Campbell. My business address is 1900 Dryden Road, Dayton, Ohio 45439.

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

A. I am employed by The Dayton Power & Light Company ("DP&L" or "Company") as the Manager of Customer Programs.

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

A. I have been in my present position since October of 2010.

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

A. I report to the Director of Strategic Accounts and Customer Programs. In this role, I am responsible for managing all aspects of demand side management ("DSM") programs for DP&L, overseeing planning, implementation, marketing, execution, evaluation and reporting of the compliance programs.

Q. Can you please describe your employment history?

A. Yes. In January of 2009, I started with DP&L as a Business Program Manager, leading the implementation of Commercial and Industrial customer energy efficiency programs. Prior to joining DP&L I worked as a project engineer for several companies, including AFS Technology from 2007 to 2009, Duke Energy from 2001-2006 and Sunoco, Inc. from 1997-2001.

Q. Will you describe briefly your educational background and professional certifications?

1 A. I received a Bachelor of Science in Civil Engineering degree from Northwestern
2 University in 1997. In 2002, I obtained my Professional Engineer ("PE") licensure in the
3 State of Ohio. While employed at Duke Energy in 2005, I obtained my Certified Energy
4 Manager ("CEM") certification. Since being employed at DP&L, I completed a Master
5 of Business Administration at the University of Dayton in 2015. I have worked in the
6 energy industry for more than 20 years and continue to maintain both my PE licensure
7 and CEM certification.

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

9 A. The purpose of my testimony is to support and explain the DP&L Customer Programs
10 Plan. The Customer Programs offered in the plan educate customers on how to manage
11 their energy and peak demand use, as well as incentivize customers to reduce energy and
12 peak demand through more efficient use of technology.

13 **Q. Please summarize your testimony.**

14 A. DP&L plans to narrow the scope of the DSM programs that it currently provides, and
15 requests to recover the costs of those programs through distribution rates. The ongoing
16 programs for residential customers include low income programs, school education,
17 efficient home products, and smart homes, including demand response. The ongoing
18 programs for business customers include incentives to purchase energy efficient products
19 and implement energy efficient processes, as well as installation of equipment for small
20 businesses.

21 In addition to DP&L's DSM programs being cost effective (i.e., the benefits exceed
22 costs): (1) they reduce greenhouse gases and other environmental pollutants; (2) the

1 associated expenditures stimulate the Ohio economy; and (3) they promote the policies of
2 the State of Ohio. For those reasons, the Commission should allow DP&L to recover the
3 costs of the programs in rates.

4 **Q. What exhibits and workpapers are you supporting?**

5 A. I am supporting the following Customer Program exhibits and workpapers:

- 6 • Exhibit SSC-1 – Customer Programs Plan
- 7 • WPC-3.25 "Customer Programs"

8 **II. THE COMMISSION SHOULD ALLOW DP&L TO RECOVER THE COSTS OF**
9 **ITS DSM PROGRAMS**

10 **Q. Please provide an overview of DP&L's plans for Customer Programs.**

11 A. The Customer Programs that DP&L plans to continue provide savings opportunities for
12 all residential customers as well as small- and medium-sized business customers.

13 Residential programs include rebates on efficient products and appliances, normative
14 comparison reports to encourage efficient behavior modifications, demand response,
15 school education, and income eligible assistance. Business customers will be able to
16 participate through traditional prescriptive and custom rebate programs, and small
17 businesses can take advantage of direct installation programs at little- to no-cost to
18 business owners. A modest education and marketing budget is included to promote the
19 programs and raise energy conservation awareness. Program performance will be
20 evaluated each year and savings and expenditures will be filed with the Commission.
21 The Customer Programs, when taken together, provide higher benefits than costs to
22 customers.

23 **Q. What do the Customer Programs cost and how much savings will they generate?**

1 A. The cost of the proposed Customer Programs is \$11.9 million annually. Collectively,
2 participants in the program are expected to save 79.6 GWh in energy usage and 18.8 MW
3 in peak demand reduction on an annual basis.

4 **Q. How do the costs of the Customer Programs compare to DP&L's prior DSM**
5 **programs?**

6 A. DP&L plans to narrow the scope of its previous Energy Efficiency/Peak Demand
7 Reduction ("EE/PDR") Plans that were implemented over the last decade, which will lead
8 to a reduction in costs. To illustrate, over the three-year period ended June 30, 2020,
9 energy efficiency program costs and shared savings averaged \$27.9 million per year. The
10 Company is not seeking any shared savings associated with customer programs included
11 in this petition. Customer program costs included on Schedule C-3.25 total \$11.9 million
12 per year, which is a decrease of \$16.0 million a year, or more than 57%.

13 **Q. Do the Customer Programs provide an overall benefit to customers??**

14 A. Yes. The plan relies on cost-effective programs that generate total benefits for customers
15 of \$23.7million annually. Cost effectiveness is determined using the utility cost test
16 ("UCT") and societal cost test ("SCT") at both the individual program level and the Plan
17 level. Table 1 summarizes the annual energy and peak demand savings, as well as annual
18 budgets, benefits generated and benefit/cost ratios.

19

20

Table 1 – Customer Program Plan – Benefit-Cost Detail

	Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	UCT Benefits	UCT Ratio	SCT Benefits	SCT Ratio
Residential Programs							
Efficient Home Products	1.93	13.97	\$ 2,168,991	\$ 4,370,640	2.02	\$ 5,855,749	1.43
Smart Homes	8.99	15.05	\$ 2,573,910	\$ 1,639,399	0.64	\$ 1,705,287	0.92
School Education	0.17	2.70	\$ 212,337	\$ 696,091	3.28	\$ 912,439	4.30
Income Eligible Services	0.36	2.60	\$ 1,763,881	\$ 955,471	0.54	\$ 1,366,822	0.77
Residential Total	11.44	34.33	\$ 6,719,120	\$ 7,661,601	1.14	\$ 9,840,296	1.24
Business Programs							
Prescriptive Rebates	5.03	32.57	\$ 2,493,203	\$10,412,601	4.18	\$13,702,529	1.34
Custom Rebates	1.19	6.03	\$ 548,298	\$ 2,712,843	4.95	\$ 3,809,981	1.71
Small Business Direct Install	1.14	6.70	\$ 1,228,929	\$ 2,934,063	2.39	\$ 4,102,308	3.34
Business Total	7.36	45.30	\$ 4,270,430	\$16,059,507	3.76	\$21,614,818	1.58
Cross Sector							
Cross Sector	-	-	\$ 938,618	-	-	-	-
Cross Sector Total	-	-	\$ 938,618	-	-	-	-
PLAN TOTAL	18.80	79.63	\$ 11,928,168	\$ 23,721,108	1.99	\$ 31,455,114	1.40

Q. Why are the UCT and SCT the appropriate cost-benefit tests for evaluating the Customer Programs?

A. The UCT measures the benefits of a program with respect to the utility's cost, namely administrative costs and customer incentives, of achieving those benefits. The UCT treats DSM programs like a supply-side resource in the same way wholesale energy or new generation is assessed. Passing the UCT means the utility is running more efficiently, thereby benefitting customers.

The SCT measures all of the benefits and costs of the Customer Programs investment from a broad societal view. Benefits include reduced emissions, improved health care, improved comfort, job creation, and economic growth.

Q. Are there additional benefits of the programs that you have not quantified?

A. Yes. Participants and non-participants alike will benefit from avoided costs of generation in the company's service territory, which will reduce greenhouse gases and other pollutants. Additionally, as I mentioned previously, program expenditures will help stimulate the local economy. Further, avoided transmission and distribution costs, while

not included in the cost/ benefit effectiveness calculation, would further increase the cost effectiveness of the Customer Programs.

Q. Does DP&L's Customer Programs Plan advance the State's policy objectives?

A. Yes. DP&L's proposed Customer Programs advance both Ohio Rev. Code § 4905.70 and the State's energy policy as written in 4928.02. Specifically, Ohio Rev. Code § 4905.70, states that the "commission shall initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption."

Further, Ohio Rev. Code § 4928.02(D) states that it is the policy of Ohio to "[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, waste energy recovery systems, smart grid programs, and implementation of advanced metering infrastructure."

The Customer Programs proposed here promote the conservation of energy and improve demand side management by providing incentive programs and educating customers about energy conservation.

Q. How do these Customer Programs differ from DP&L's previously-mandated EE/PDR portfolio?

A. The Plan is reduced in scope to focus on a more narrowly targeted group of customers. There is a proportionally larger budget for serving the income eligible population. Targeting residential and small and medium-size business customers provides resources to those who may not have the resources to manage their energy optimally on their own. DP&L is able to reduce the cost of the programs provided by over fifty-seven percent

1 compared to historical spend by eliminating utility incentives and reducing the number of
2 programs, while still providing benefits to targeted customer groups.

3 **Q. How does the Company's Customer Programs Plan align with the pending DSM**
4 **Plan of Vectren Energy Delivery of Ohio ("Vectren")?**

5 A. As identified in Vectren's 2021-2023 Gas Energy Efficiency Plan filed in Case No. 19-
6 2084-GA-UNC, and reflected in this Plan, DP&L and Vectren intend to partner on
7 School Education, Behavior Change, Smart Thermostats, and HVAC Equipment and
8 Weatherization. These joint programs allow both DP&L and Vectren to deliver these
9 programs more cost effectively as designed in both utilities' filed DSM plans, while also
10 increasing customer benefit by expanding rebates available to customers and improving
11 customer experience with programs providing both gas and electric savings opportunities.

12 **Q. Please provide a brief overview of the proposed Residential Customer Programs.**

13 A. The residential programs include income eligible programs, school education, efficient
14 home products, and smart homes, including demand response (Exhibit SSC-1, pp. 6-8).
15 The programs will provide incentives for the purchase and installation of new energy-
16 efficient products, direct installation of energy-efficient products in the homes of income-
17 eligible customers, and educational offerings to encourage energy reduction.

18 **Q. Please provide a brief overview of the proposed Business Customer Programs.**

19 A. The business programs are targeted at small- and medium-sized businesses, and include
20 small business direct installation, and prescriptive and custom rebates (Exhibit SSC-1,
21 pp. 9-10). The prescriptive and custom programs will offer incentives for the purchase of
22 energy efficient products and equipment as well as for industrial process improvements

that reduce energy consumption and demand. The small business direct install program will offer installation of new energy efficient equipment.

Q. Please provide a brief overview of the Cross Sector Programs.

A. The cross sector programs include raising customer education and awareness and evaluation of programs. Customer education and awareness will be supported through mass communication channels, promotional events and technical trainings. Evaluation activities will ensure reported savings are verified, program delivery is effective, customers are satisfied, and the Plan is cost-effective (Exhibit SSC-1, pp. 10).

Q. Is the Company proposing a Shared Savings mechanism?

A. No. DP&L is not proposing a shared savings mechanism associated with its Customer Programs.

Q. Will DP&L continue to use a collaborative process to share timely information on the Customer Programs with stakeholders?

A. Yes. DP&L will continue to meet quarterly with stakeholders to share implementation activities as well as progress toward meeting program savings goals.

Q. How will Customer Program costs and savings be managed and reported?

A. DP&L will manage the Customer Program costs to the proposed budget of \$11.9 million. DP&L will be able to shift program dollars within programs to be flexible and responsive to customer needs and improve cost effectiveness. DP&L will evaluate the effectiveness of the Customer Programs annually, including impact and process evaluations. DP&L will report evaluated savings and recommendation results to the collaborative stakeholder group no later than four months following each program delivery year.

1 **Q. Were DSM expenditures included in the test year expenses?**

2 A. Yes. DSM program costs in the test year operating expenses are \$15.6 million, including
3 \$4.1 million of actual expenses (June through August) and \$11.5 million of forecasted
4 costs (September through May), including amortization of regulatory deferrals. This
5 information is detailed on Workpaper C-3.5, which is supported by DP&L Witness
6 Forestal. Such costs were removed from the test year on Schedule C-3.5, because they are
7 recoverable through the Energy Efficiency Rider, which is expected to be eliminated
8 before the end of the test year.

9 **Q. Are you the only company witness providing testimony in support of the Customer**
10 **Programs Plan?**

11 A. No. I support the DSM programs and cost recovery through base rates and charges of the
12 reduced annual program budget of \$11.9 million. Company Witness Forestal supports
13 Schedule C-3.25, which shows the calculations, by FERC account, to incorporate the
14 program costs into test year Operating Expenses, so they may be included in the revenue
15 requirement DP&L is seeking in this proceeding. In addition, Company Witness
16 Teuscher proposes deferral of costs related to these programs as an alternative option to
17 distribution base rate recovery.

18 **III. CONCLUSION**

19 **Q. Does this conclude your testimony?**

20 A. Yes.

Dayton
Power
and Light

December 14

2020

Customer Programs Plan
Exhibit SSC-1



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I. EXECUTIVE SUMMARY

The Dayton Power and Light Company ("DP&L") plans to significantly narrow its Demand Side Management ("DSM") expenditures and costs to provide Customer Programs Plan ("Plan") detailed in this document. The ongoing customer energy management programs offer numerous benefits, including, reducing energy bills, creating jobs and economic growth, reducing greenhouse gas emissions and helping customers to reach their sustainability goals. Just as importantly, DP&L's proposed Customer Programs advance both Ohio Rev. Code § 4905.70 and Ohio's energy policy as written in Ohio Rev. Code § 4928.02.

DP&L's plan to continue to offer a suite of DSM programs reaffirms DP&L's commitment to serving its customers. DP&L's goal is to continue to bring solutions to customers and help them become smarter about their energy consumption while providing personalized customer engagement at the customer's convenience. This plan will benefit customers by offering discounted products and services that will help customers to reduce energy consumption, thereby reducing their bills. The plan will also help customers to shift their load to off peak periods, thereby reducing generation costs and greenhouse gas emissions.

DP&L projects that it will spend \$11.9 million annually on a Plan that provides benefits that outweigh costs to customers, as compared to \$27.9 million that it formerly spent on DSM programs. The Plan passes both the traditional Utility Cost Test ("UCT") and Societal Cost Test ("SCT"), confirming that the benefits of the programs outweigh the total costs to deliver the programs. This investment will yield an annual savings of 79.6 GWH and 18.8 MW.



II. DEVELOPMENT OF A NARROWED PLAN

A. DP&L's Goals

When narrowing DP&L's DSM plan, DP&L established the following goals:

- Help the Commission to comply with Ohio Rev. Code § 4905.70 and Ohio energy policy as defined in Ohio Rev. Code § 4928.02
- Develop cost-effective programs that provide value to customers
- Offer a variety of programs in which customers can participate
- Partner with Vectren Energy Delivery of Ohio, Inc. (Vectren), a CenterPoint Energy Company, the local gas company, when possible to offer integrated programs that provide both gas and electric savings
- Partner with the community and other stakeholders when possible to reach various customer groups
- Reduce wasteful and inefficient use of electricity

DP&L takes pride in providing a high-quality customer experience which adds value to customers' lives. To that end, DP&L prepared this suite of programs to help customers reduce their energy consumption and maximize their investments in energy resources. DP&L undertook a comprehensive development approach that considered its own experience delivering customer programs, success of programs currently being implemented by other utilities and cost effectiveness results. This program plan will leverage the momentum gained through twelve years of successful program delivery to serve customers' needs.

B. Partnership with Vectren

DP&L pursued an open dialogue and program collaboration with other utilities and stakeholder groups. DP&L has historically partnered with the local gas company Vectren to offer several programs for both residential and commercial customers where opportunities exist to save both electricity and gas. DP&L is proposing to offer joint programs in this plan. As identified in Vectren's 2021-2023 Gas Energy Efficiency Plan filed in Case No. 19-2084-GA-UNC, DP&L and Vectren partner on:

- School Education
- Behavior Change
- Smart Thermostats
- HVAC Equipment and Home Weatherization

These joint programs allow both DP&L and Vectren to deliver DSM programs in a more cost-effective manner, while also improving customer experience. For example, by offering a joint



behavior change program, 34,000 customers receive home energy reports with both electric and gas consumption information as well as neighbor comparisons, offering the customer a more holistic view of their home's energy profile. The joint delivery of the school education program allows teachers to educate thousands of students each year about both gas and electric usage and conservation within the same lesson plan. The partnership on the smart thermostat program doubles the customer rebate value and has provided more than 7,000 customers an instant joint rebate through DP&L's online marketplace.



III. CUSTOMER PROGRAMS

Estimated program budgets and savings have been developed and demonstrate the expected size and scope of each program based on past experience, best practices, the Ohio Technical Reference Manual (TRM), and implementation vendor projections.

Several programs and program management activities will be implemented by third-party implementation vendors, which will serve as extensions of the utility.

A summary of the annual program costs, energy and peak demand savings is presented in Table 1. Costs include customer incentives and implementation vendor charges. Table 1 also presents a summary of benefits generated and benefit-to-cost ratios using the UCT and SCT.

Table 1. Customer Programs Savings, Budget, and Cost Effectiveness

	Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	UCT Benefits	UCT Ratio	SCT Benefits	SCT Ratio
Residential Programs							
Efficient Home Products	1.93	13.97	\$ 2,168,991	\$ 4,370,640	2.02	\$ 5,855,749	1.43
Smart Homes	8.99	15.05	\$ 2,573,910	\$ 1,639,399	0.64	\$ 1,705,287	0.92
School Education	0.17	2.70	\$ 212,337	\$ 696,091	3.28	\$ 912,439	4.30
Income Eligible Services	0.36	2.60	\$ 1,763,881	\$ 955,471	0.54	\$ 1,366,822	0.77
Residential Total	11.44	34.33	\$ 6,719,120	\$ 7,661,601	1.14	\$ 9,840,296	1.24
Business Programs							
Prescriptive Rebates	5.03	32.57	\$ 2,493,203	\$10,412,601	4.18	\$13,702,529	1.34
Custom Rebates	1.19	6.03	\$ 548,298	\$ 2,712,843	4.95	\$ 3,809,981	1.71
Small Business Direct Install	1.14	6.70	\$ 1,228,929	\$ 2,934,063	2.39	\$ 4,102,308	3.34
Business Total	7.36	45.30	\$ 4,270,430	\$16,059,507	3.76	\$21,614,818	1.58
Cross Sector							
Cross Sector	-	-	\$ 938,618	-	-	-	-
Cross Sector Total	-	-	\$ 938,618	-	-	-	-
PLAN TOTAL	18.80	79.63	\$ 11,928,168	\$ 23,721,108	1.99	\$ 31,455,114	1.40

A. Residential Programs

DP&L will offer programs to help residential customers improve the efficiency of their homes. These programs are offered in four categories: Efficient Home Products, Smart Homes, School Education, and Income Eligible Services.

1. *Efficient Home Products*

Efficient Home Products will offer incentives for increasing the efficiency of the home through purchases of energy efficient residential measures such as smart thermostats, appliances, lighting, heating and cooling equipment, and through services like appliance recycling. Product incentives will be available through a variety of channels including retail outlets, a participating contractor network, and DP&L's online marketplace. As new energy-efficient



products are introduced to the market or emerge as valuable to customers, they will be evaluated for inclusion in the program.

DP&L will partner with Vectren to offer rebates on smart thermostats. Vectren will utilize the DP&L online marketplace to offer joint rebate validation for dual utility customers, creating a streamlined rebate experience. In addition, through the HVAC equipment program, DP&L will offer rebates on home insulation projects completed through Vectren's home insulation program.

Table 2. Efficient Home Products Summary

Efficient Home Products				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
1.93	13.97	\$ 2,168,991	2.02	1.43

2. *Smart Homes*

Smart Homes will offer services that will either directly reduce energy consumption or will motivate customers to better manage their energy use through education. Services may include home energy reports, a customer insight portal, online home energy assessments, and demand response services. Education offerings will include periodic customer communications from the utility regarding customer-specific benchmarking and tips about how to reduce their usage. Demand response services will reward customers for allowing DP&L to better manage electricity demand during summer months. As new energy-efficient services are introduced to the market or emerge as valuable to customers, they will be evaluated for addition to the program.

DP&L will partner with Vectren to jointly offer the behavior change program by sending cobranded reports and sharing vendor costs. Additionally, customers procuring a new smart thermostat, pre-provisioned for demand response, through the marketplace will have the opportunity to bundle Vectren rebates with DP&L rebates.

Table 3. Smart Homes Summary

Smart Homes				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
8.99	15.05	\$ 2,573,910	0.64	0.92



3. *School Education*

The Residential School Education program is designed to educate students in grades 5-12 about energy and energy management and reduce electricity use of program participants. Take-home energy savings kits are provided to students and accompanying classroom curriculum and training is provided for teachers. Additional educational events and opportunities, like an Energy Fair, are offered to schools and students throughout the year.

DP&L will partner with Vectren to jointly offer the school education program by sharing the costs of energy savings kits and educational programming.

Table 4. School Education Summary

School Education				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
0.17	2.70	\$ 212,337	3.28	4.30

4. *Income Eligible Services*

Home energy audits and inspections will be conducted, and cost-effective efficiency measures will be installed in qualifying customers' homes, at no charge. Property landlords may be required to pay for a portion of the measures installed. Health and safety measures may also be addressed through the program.

Digital engagement tools are designed to help income eligible customers identify new opportunities for energy savings. After analyzing a customer's home energy usage and creating a customer profile, DP&L will provide customer-specific recommendations of the next best actions for savings. Communication channels may include customer contact center representatives, email, web and mobile tools.

Table 5. Income Eligible Services Summary

Income Eligible Services				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
0.36	2.60	\$ 1,763,881	0.54	0.77

B. Small- and Medium-Size Business Programs

DP&L will offer programs to help small- and medium-sized businesses, local governments, and schools improve the efficiency of their facilities. These programs will be offered in three categories: Prescriptive Rebates, Custom Rebates, and Small Business Direct Install.

1. Prescriptive Rebates

The Prescriptive Rebates program will offer incentives for the purchase of energy efficient commercial measures such as lighting, heating and cooling equipment, motors, drives, and compressed air. Customers will either file an online application or utilize a midstream channel to receive an instant discount at the point of sale through a participating distributor.

Table 6. Prescriptive Rebates Summary

Prescriptive Rebates				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
5.03	32.57	\$ 2,493,203	4.18	1.34

2. Custom Rebates

The Custom Rebate program provides business customers with incentives for equipment purchases and industrial process improvements that reduce energy consumption and demand. Custom Rebates are for equipment not covered by DP&L's Prescriptive Rebates program and is generally best suited for customized industry-specific or facility-specific applications.

Table 7. Custom Rebates Summary

Custom Rebates				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
1.19	6.03	\$ 548,298	4.95	1.71

3. Small Business Direct Install

The Small Business Direct Install program ("SBDI") provides small business customers with a one-stop option for professionally installed new equipment that reduces energy consumption and demand. Technologies covered in the program include, but are not limited to, energy efficient lighting, variable frequency drives, refrigeration equipment, and other efficiency products and services.



Table 8. Small Business Direct Install Summary

Small Business Direct Install				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
1.14	6.70	\$ 1,228,929	2.39	3.34

C. Cross Sector

In order to ensure the successful implementation of Customer Programs, DP&L will undertake education and marketing activities as well as program evaluation.

Education and marketing will include efforts to increase knowledge of energy efficiency and encourage adoption of energy efficient measures. Education and marketing may include a broad-based mass communications effort to promote the value of energy efficiency, and, at the same time, to provide marketing support for DP&L's programs. DP&L may use a variety of mass communication channels to reach customers including television, radio print, the web, social media and promotional events. This effort may also include technical training for customers and DP&L employees.

Effective evaluation, measurement and verification ("EM&V") activities ensure that reported savings are verified, energy and demand calculations are valid, program delivery is effective, customers are satisfied, and the overall Plan creates more benefits for customers than costs.

Table 9. Cross Sector Summary

Cross Sector				
Demand Savings (MW)	Energy Savings (GWh)	Annual Budget	Utility Cost Test	Societal Cost Test
-	-	\$ 938,618	-	-

IV. COST EFFECTIVENESS

A. Calculating Cost Effectiveness

Cost effectiveness is calculated based on costs incurred by DP&L and participants, energy savings and avoided capacity and energy wholesale prices. The Utility Cost Test ("UCT") and Societal Cost Test ("SCT") are calculated for each program and the Plan as a whole.

A program is cost effective when the present value of the benefits is greater than the present value of the costs. What varies among the different cost effectiveness tests is which benefits and costs are included. Using the benefit/cost ratio, an offering is cost effective when the ratio is greater than one.

$$\frac{B}{C} \text{ ratio} = \frac{\text{Present Value of Benefits}}{\text{Present Value of Costs}} \geq 1$$

The UCT uses a discount rate of 7.71% and the SCT uses a discount rate of 2.91%.

B. Cost Effective Resource

In general, Customer Programs are cost-effective when their benefits exceed their costs—that is, when the benefit-cost ratio is greater than 1.0. Customer Programs with a benefit-cost ratio greater than 1.0 means that DP&L and its customers are better off *with* the programs than *without*. The DP&L Customer Programs, as presented in this plan, have benefit-cost ratios of 1.99 and 1.40, using the UCT and SCT tests, respectively. At about \$0.03 per kWh¹ per year over the life of the measure, energy efficiency as a resource remains the most cost-effective of all possible options (both fossil fuel-based and renewables).

To optimize the benefits, Customer Programs must be viewed as a resource, comparable to fossil fuels or renewable generation. As a resource, programs offer several advantages over traditional utility resources:

- Costs less
- Helps mitigate fuel price risk
- Improves system reliability and energy security
- Creates jobs through direct and induced impacts
- Offers a number of co-benefits, such as increased property values and improved health

¹ Maggie Molina. March 2014. The Best Value for America's Energy Dollar: A National Review of the Cost of Utility Energy Efficiency Programs. <https://aceee.org/sites/default/files/publications/researchreports/u1402.pdf>

The cost effectiveness for each program and for the Plan as a whole by the various tests is shown in Table 10.

Table 10. Summary of Plan Cost Effectiveness

	Utility Cost Test (UCT)	Societal Cost Test (SCT)
Residential Programs		
Efficient Home Products	2.02	1.43
Smart Homes	0.64	0.92
School Education	3.28	4.30
Income Eligible Services	0.54	0.77
Residential Total	1.14	1.24
Business Programs		
Prescriptive Rebates	4.18	1.34
Custom Rebates	4.95	1.71
Small Business Direct Install	2.39	3.34
Business Total	3.76	1.58
	Utility Cost Test (UCT)	Societal Cost Test (SCT)
PLAN TOTAL*	1.99	1.40

*Costs in plan total include Cross Sector.

C. Program Benefit Components

Benefits counted in the UCT and SCT include the full value of time and seasonally differentiated energy and capacity costs. They also take into account avoided line losses. Line loss assumptions are specified in Table 11. For each energy-efficiency measure included in a program, hourly (8,760) system-avoided costs were applied to estimate hourly impacts derived using hourly load shapes of the affected end use. Non-energy benefits such as water savings were not factored into the calculation.

Table 11. Line Loss Assumptions Used in Cost Effectiveness Calculations

Sector	Energy Line Losses	Demand Line Losses
Residential	7.05%	8.14%
Commercial & Industrial	3.90%	5.01%

D. Program Cost Components

The following are the cost components included in the cost-effectiveness analysis.

Incremental measure costs: The incremental purchase cost of the energy efficiency measure to the participant.

Utility administrative costs: The administrative costs incurred by the utility to run the program, including program development,

implementation vendor administrative costs, marketing, operation, and evaluations, measurement and verification.

Utility incentive costs: Direct incentives paid to customers by either the utility or the utility's implementation vendor.

Cost categories and whether they are applied at the program or Plan level are summarized in Table 12.

Table 12. Cost Categories and Descriptions

Cost Category	Level Cost Applied	Description
Vendor & Administrative	Program	Costs paid to program implementation vendors.
Incentives	Program	Incentives paid to customers for each program.
Education and Marketing	Plan	Costs associated with education and marketing activities.
Evaluations, Measurement & Verification	Plan	Costs associated with performing EM&V activities.

E. Projected Net Benefits

Table 13 provides the projected net benefits for each program and for the Plan as a whole by the various tests.

Table 13. Projected Net Benefits

	Utility Cost Test (UCT)	Societal Cost Test (SCT)
Residential Programs		
Efficient Home Products	\$ 2,201,648	\$ 1,757,262
Smart Homes	\$ (934,511)	\$ (145,873)
School Education	\$ 483,754	\$ 700,102
Income Eligible Services	\$ (808,411)	\$ (397,059)
Residential Total	\$ 942,481	\$ 1,914,431
Business Programs		
Prescriptive Rebates	\$ 7,919,398	\$ 3,472,955
Custom Rebates	\$ 2,164,545	\$ 1,585,260
Small Business Direct Install	\$ 1,705,134	\$ 2,873,379
Business Total	\$ 11,789,077	\$ 7,931,595
	Utility Cost Test (UCT)	Societal Cost Test (SCT)
PLAN TOTAL*	\$ 11,792,941	\$ 8,907,408

*Costs in plan total include Cross Sector.

F. Additional Economic and Environmental Benefits of the Programs

In addition to the benefits discussed above, the energy efficiency industry creates jobs. In Ohio, more than 81,000 jobs are attributed to energy efficiency, and in Dayton specifically, it is more than 5,600 jobs. Jobs created are in sectors like construction, manufacturing, sales, architecture, engineering, finance/accounting and building services.²

Under contract with the Midwest Energy Efficiency Alliance, The Cadmus Group, an energy efficiency research and consulting firm (and also DP&L's independent energy efficiency program evaluator), conducted an analysis that concluded that energy efficiency investments in Ohio have yielded, and will continue to generate, net benefits for the Ohio economy. In 2014 alone, these benefits included nearly 3,000 new jobs, more than \$175 million in increased statewide income, about \$270 million in total net economic value, and more than \$500 million in net sales. Cadmus also modeled the projected benefits 25 years into the future. 2014 energy efficiency programs were projected to create more than 14,000 jobs in 25 years, increase net statewide income by more than \$1.2 billion, add almost \$1.9 billion of total value to the state's economy, and generate nearly \$3.3 billion in net sales.³

In addition, investing in energy efficiency measures reduces greenhouse gases and is cheaper than any other carbon emission reduction alternative on a per ton of carbon dioxide avoided basis.^{4,5}

Strong Customer Programs, where benefits exceed costs, are a way to build and maintain positive customer experience and provide value to all customers. Research has shown that customers do not need to participate in energy efficiency programs because just being aware of the opportunity adds value.^{6,7}

² 2019 U.S. Energy and Employment Report. March 2019. <https://www.usenergyjobs.org/>

³ Cadmus. October 2016. *The Economic Impacts of Energy Efficiency Investments in Ohio*. Prepared for Midwest Energy Efficiency Alliance. <http://www.mwalliance.org/sites/default/files/media/Econ-Impacts-OH.pdf>

⁴ Renewables are getting cheaper but energy efficiency, on average, still costs utilities less. ACEEE. December 2018. <https://aceee.org/blog/2018/12/renewables-are-getting-cheaper-energy>

⁵ Pathways to a Low-Carbon Economy. 2009. McKinsey&Company. https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/Sustainability/cost%20curve%20PDFs/Pathways_lowcarbon_economy_Version2.ashx

⁶ SEEAAction Technical Brief. Impacts of Energy Efficiency Programs on Customer Satisfaction. October 2011

⁷ E Source. Charting a Path to Business Customer Satisfaction. March 6, 2019.

V. EVALUATIONS AND REPORTING

DP&L has long history of conducting independent third-party evaluations to determine how its Customer Programs are performing and how they might be improved. DP&L will continue to use multiple strategies to evaluate the effectiveness of the proposed Customer Programs, including annual impact and process evaluations. DP&L will report evaluated savings and recommendation results to its stakeholder group no later than four months following each program delivery year.

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
OF BRUCE R. CHAPMAN**

- ☐ **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
BRUCE R. CHAPMAN
CHRISTENSEN ASSOCIATES ENERGY CONSULTING, LLC

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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1 **I. INTRODUCTION**

2 **Q. Would you please state your name and business address?**

3 A. My name is Bruce R. Chapman. My business address is 800 University Bay Drive, Suite
4 400; Madison, Wisconsin 53705. I am a Vice President with Christensen Associates
5 Energy Consulting, LLC (“CA Energy Consulting”).

6 **Q. Would you please describe your educational background and employment
7 experience?**

8 A. I received a Bachelor of Arts degree from the University of Pittsburgh in 1976 and hold a
9 Master of Arts (in fact, a Ph.D., all but dissertation) in Economics from the University of
10 Wisconsin. I majored in Industrial Organization. I have been employed by three economic
11 consulting firms. Since 1986, I have worked at Christensen Associates Energy Consulting
12 or its parent, Laurits R. Christensen Associates, Inc., in positions of increasing
13 responsibility. The focus of my work has been regulated utility costing and pricing,
14 including both traditional and innovative rate design, embedded and marginal costing.
15 I have prepared, analyzed, and advised for more than a decade on both cost-of-service
16 (“COS”) studies and COS methodology. I have supervised the design of our firm’s most
17 recent COS model and an associated rate design model, and I have applied our models in
18 the service of clients. Additionally, I have undertaken COS studies making use of our
19 clients’ in-house models, and have provided advice on COS issues on numerous occasions.
20 Past work includes development and supervision of the COS study filed in DP&L’s most
21 recent distribution rate proceeding, Case No. 15-1830-EL-AIR. Finally, I have testified in
22 regulatory hearings on cost-of-service methodology issues before the Nova Scotia Utility

1 and Review Board and the Utah Public Service Commission. A copy of my curriculum
2 vitae is attached at Exhibit A.

3 **II. PURPOSE OF TESTIMONY**

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

5 A. The purpose of my testimony is to sponsor and explain the COS study filed by The Dayton
6 Power and Light Company ("DP&L" or "Company") in this proceeding.

7 **Q. Would you please describe your role in preparing the COS Study?**

8 A. The COS Study was conducted under my supervision and control. The COS model design
9 originated with DP&L. I reviewed that model for reasonableness and adopt it as a platform
10 for a COS study. DP&L provided the financial data necessary to populate the model, as
11 well as the original classification information and allocator designations. DP&L also
12 provided fixed cost breakdowns by service level and metering information detail that
13 supported the development of certain allocators. CA Energy Consulting advised DP&L
14 with respect to the selection of allocators and the development of classification
15 calculations. Subsequently, we reviewed all files and computations that develop
16 classification shares and allocators. Additionally, we tested the functioning of the model
17 under various alternative assumptions, and generally audited its performance. I supervised
18 this activity. My conclusion is that the model records the utility's full costs and reliably
19 computes costs allocated to the utility's various classes. As a result of my work with DP&L
20 in preparing the study and its underlying model, I adopt and sponsor the model and the
21 study results as my own.

1 **Q. Are you supporting any schedules with your testimony?**

2 A. Yes. I am supporting the following schedules, which represent DP&L's COS study:

- 3 • Schedules E-3.2, E-3.2a, E-3.2b, and E-3.2c.

4 **Q. Would you please summarize your testimony?**

5 A. Yes. In Section III, I provide an overview of the reasons for conducting a COS study, the
6 steps involved in a study, and the ways in which the study is used. Sections IV and V
7 describe how the financial costs of the utility are associated with the classes deemed
8 responsible for those costs. These sections include a discussion of DP&L's approach to
9 the various steps involved in developing the cost of service. In Section VI, I review the
10 results of the study, and Section VII provides conclusions.

11 **III. THE NATURE AND PURPOSE OF A COS STUDY**

12 **Q. Please explain the basis of and need for a cost of service study.**

13 A. An electric COS study separates a utility's total electric investments, revenues, and
14 expenses into the jurisdictions that a utility serves, and then among the rate classes or
15 groups within each jurisdiction. The primary goal is to identify the costs incurred by the
16 utility in providing service to each group of customers. A study is necessary to enable a
17 regulatory commission to review a utility's jurisdictional earnings and to evaluate the
18 contribution made by rates within its jurisdiction. DP&L, like other electric utilities,
19 maintains its books and records in accordance with the Uniform System of Accounts as
20 directed by the Federal Energy Regulatory Commission ("FERC") and the Public Utilities
21 Commission of Ohio ("PUCO" or "Commission"). This system of accounting contains
22 Company-wide information, but it does not attempt to separate the Company's

1 investments, revenues, and expenses by jurisdiction or by rate class or group within the
2 jurisdiction. A COS study performs this role. A thorough, well-performed COS study can
3 be a useful (and often the primary) tool for determining the adequacy of current rates. For
4 those rates that the study reveals to be inadequate at current tariff levels, the study can be
5 an appropriate tool for determining what rate changes should be made to achieve revenue
6 adequacy. Ultimately, a COS study establishes cost responsibility by tariff class that
7 enables the utility to determine just and reasonable rates. The COS study filed in this
8 proceeding accomplishes this objective of separating costs by rate class groupings.

9 **Q. How are COS studies used in the regulatory process?**

10 A. A COS study is often used as a tool to determine earnings and cost recovery by regulatory
11 jurisdiction (if the utility has multiple jurisdictions) and by customer group/rate class. The
12 regulatory body can use these COS results to ascertain the utility's overall revenue
13 requirement as well as to judge the adequacy of rates within the jurisdiction. The National
14 Association of Regulatory Utility Commissioners ("NARUC") identifies the COS study
15 among the basic tools of ratemaking, and it is used to attribute costs to different categories
16 of customers based on how those customers cause costs to be incurred.

17 **Q. Once the COS study was completed, was it used by DP&L in this rate filing?**

18 A. Yes. DP&L examined the results of the study to determine how well each rate class's
19 revenues were covering costs. Company Witness Teuscher then used the data to develop
20 the proposed target rate of return and rate design for each tariff class.

1 **Q. In preparing a COS study, is there a guiding principle that should be followed?**

2 A. Yes. The overall objective of a COS study is to assign or allocate costs fairly and equitably
3 to all customers. This objective is accomplished when the resulting study reflects the
4 principle of “cost causation.” This principle states that those customers who cause a
5 particular cost to be incurred by the company in providing service should be responsible
6 for those costs.

7 When certain costs are readily identified with a particular customer group, the assignment
8 of those costs to that group reflects cost causation, which is fair and equitable to all
9 customers. However, it must be recognized that most parts of an electric system are
10 planned, designed, constructed, operated, and maintained to serve all customers. The costs
11 incurred for this purpose are referred to as “joint” or “common” costs. Joint or common
12 costs must be allocated to (shared among) customer groups based on the cost-causative
13 nature, or “drivers” of the costs incurred, and the aggregate requirements and service
14 characteristics of the customers that caused the costs to be incurred. By adhering to this
15 fundamental and essential principle of cost causation, the results of the COS study will be
16 fair and equitable to all customers.

17 **Q. What are the major “drivers” that cause costs to be incurred?**

18 A. Costs are normally influenced by three factors that are observable for most customers. Cost
19 causation can be viewed as: (1) demand-related – costs incurred to serve peak needs for
20 electricity (kW); (2) energy-related – costs that vary with energy consumption (kWh); and
21 (3) customer-related – costs that vary with the number of customers. Utilities classify each
22 component of their rate base and expenses according to their cost-causative factors and

1 then allocate to rate class each line item of classified rate base and expenses. Each of these
2 three drivers has its own separate and appropriate allocators to spread respective costs to
3 rate groups within the utility.

4 **Q. Would you please summarize the steps to perform a COS study?**

5 A. Typically, a COS study consists of five major steps. These steps are: (1) functionalization
6 of the financial accounting data, (2) levelization of the data, (3) cost-causative
7 classification of the financial costs, (4) assignment of certain costs and revenues, and
8 (5) allocation of common costs. After these steps are completed, by comparing revenues
9 with cost to serve, by tariff class, one can observe how well customer groupings cover their
10 cost to serve.

11 **Q. What is the first step, functionalization?**

12 A. Functionalization is the subdivision of a utility's rate base and costs into the main functions
13 required to provide electricity to customers. DP&L follows the functional categories
14 contained in the FERC Uniform System of Accounts, namely production, transmission,
15 distribution, customer services (customer accounting, customer assistance, sales), and
16 administrative and general (A&G).

17 **Q. Does your analysis address all of those functions?**

18 A. All costs related to generation and transmission are recovered outside the rates that are
19 based on the costs recorded in the COS study. The COS study encompasses the rate base
20 and costs of the remaining functions: distribution, customer service, and A&G.

21 **Q. Please describe the second step, levelization.**

1 A. Levelization is the process of disaggregating costs by the customers' voltage service levels.
2 The service level designations are a means of identifying and associating investment and
3 expenses with customers and their loads at established points of service. In general, the
4 lower the voltage level of service required by the customer, the greater the cost of providing
5 service, because additional equipment is necessary to deliver lower voltage service and
6 additional load losses are incurred when stepping down the load to lower voltages.

7 **Q. At what voltage service levels are DP&L's customers served?**

8 A. DP&L has customers at secondary and primary distribution levels, at the substation level,
9 in which customers are connected directly to the primary voltage side of a substation, and
10 at the high voltage or transmission level of service. Representative voltage service levels
11 for these groups of customers are: 1) secondary – less than 2.4 kV; 2) primary – 2.4 kV or
12 higher; 3) substation – 2.4 kV or higher, with service taken directly from the substation;
13 and 4) transmission – 69 kV or higher.¹

14 **Q. What is the next step, classification?**

15 A. Classification segregates costs into the three primary “cost-causative” characteristics of
16 investment and expenses described above. Each type of cost varies in response to changes
17 in one or more of: energy consumed (kWh), peak demand (kW), and number of customers.

18 **Q. What is included in the assignment step?**

19 A. As noted above, if costs are the responsibility of certain customers or groups of customers,
20 these costs can be assigned directly to the customers responsible for them.

¹ See The Dayton Power & Light Company's Proposed Tariff Sheet No. D14, Electric Distribution Service, General Service Rules and Regulations, Definitions and Amendments, pages 3-4.

1 **Q. What is allocation, the final step?**

2 A. Allocation is the process of dividing common costs (costs that cannot be assigned to
3 specific customers) among rate groups. This process requires the development of
4 allocators. An allocator provides the share of each type of costs for which each rate group
5 bears responsibility.

6 **Q. Which jurisdictional tariff classes are used in this COS study?**

7 A. The jurisdictional classes used in this COS study are Residential, Secondary, Private
8 Outdoor Lighting, Street Lighting, Primary, Primary Substation, and High Voltage. The
9 first four classes are all served at the secondary voltage level.

10 **IV. CLASSIFICATION OF DISTRIBUTION COSTS AT DP&L**

11 **Q. How do utilities typically classify distribution costs?**

12 A. Utilities usually divide distribution costs between demand-related and customer-related
13 categories. For many line items of rate base and expenses, classification is not an issue,
14 since the cost can be related exclusively to peak demand or number of customers. For
15 example, substation costs are generally regarded as demand-related, while meter costs are
16 viewed as customer-related. However, in other cases, distribution classification is
17 complicated by recognition that both demand and customer numbers play a role in causing
18 costs. In particular, assets under FERC account numbers 364-368 must usually be studied
19 in order to classify costs successfully. Those accounts cover poles, towers, and fixtures
20 (364); overhead conductors and devices (365); underground conduit (366); underground
21 conductors and devices (367); and line transformers (368).

1 **Q. What methods are used to classify these accounts?**

2 A. Two methods are typically used: “minimum-size” and “minimum-intercept” (or “zero-
3 intercept”). The former postulates a hypothetical minimum-size version of the utility’s
4 distribution system capable of connecting all customers at minimum load and classifies the
5 costs of this hypothetical system as customer-related. This approach then classifies all
6 residual costs as demand-related. The analyst examines the assets of each account,
7 identifying the smallest type of pole, conductor, etc., valuing this smallest unit and
8 multiplying by the total number of units of that type. Comparison with the value of all the
9 assets in the account yields the result.

10 The “minimum-intercept” method calculates the costs associated with zero loads by
11 valuing the costs of all assets and conducting regression analysis of cost on current-carrying
12 capacity or demand rating to establish the cost of a zero-load system.

13 Each approach has its merits. The minimum-size approach is economical because the data
14 are available, and the computations are straightforward. The minimum-intercept approach
15 makes use of cost information on assets of all sizes in each class and computes a zero-load
16 estimate, as opposed to a minimum-load presumption generated by the minimum-size
17 method. Both methods are acceptable to the industry, as may be seen by referencing the
18 NARUC Electric Utility Cost Allocation Manual.²

19 **Q. What method does DP&L use?**

20 A. DP&L uses the minimum-size method. Its approach enumerates minimum system assets
21 and values them at current replacement cost to determine the customer-related cost. DP&L

² See Chapter 6, Section II, pages 90-96.

then analyzes each account's costs by vintage year, using the Handy-Whitman Index to determine the total account investment in today's dollars. The customer-related cost is divided into this adjusted total to determine the customer and demand shares. The results of its research are in the table below.³

FERC A/C	Account Name	Customer	Demand
364	Poles – Primary	14.60%	85.40%
	Poles – Secondary	14.72%	85.28%
365	Overhead Conductors – Primary	5.79%	94.21%
	Overhead Conductors – Secondary	12.34%	87.66%
367	Underground Conductors – Primary	4.46%	95.54%
	Underground Conductors – Secondary	5.35%	94.65%
368	Transformers – Primary	0.27%	99.73%
	Transformers – Secondary	14.24%	85.76%

Q. Have you reviewed the information provided by DP&L on its minimum size method?

A. Yes. I reviewed each account's asset enumeration and the computations that were used to derive the classification results. Based on my experience, the computations are reasonable, and should be accepted by the Commission.

V. ALLOCATION OF DISTRIBUTION COSTS AT DP&L

Q. How do utilities typically allocate demand-related distribution costs?

A. Utilities allocate demand-related distribution costs primarily by reference to class shares of non-coincident peak ("NCP") demand. Load research reveals each class's single maximum level of consumption over the course of a year. The 1NCP allocator is simply

³ Classification of FERC account 366, underground conduit, is based on analysis of other accounts. Such practice is common classification methodology.

1 each class's share of the sum of these values. (The "1" denotes the single annual maximum
2 value.) Investment in distribution is presumed to occur in response to the increase in peak
3 demands of subgroups of customers on individual feeder lines, with such peak demands
4 not necessarily corresponding in timing to system peak demands. Accordingly, measuring
5 each subgroup's peak or, more feasibly, each class's peak, and then estimating the class's
6 share in the sum of the peaks across all classes, is a reasonable way to judge responsibility
7 for demand-related cost causation applying to distribution investment.

8 **Q. How does DP&L allocate demand-related distribution costs?**

9 A. DP&L applies the 1NCP approach, in line with the practices of many other utilities. As
10 with other utilities, the allocator has several representations based on the levelization of
11 costs. Thus, the DP&L COS model features three NCP allocators applicable to substation,
12 primary, and secondary service levels. The "Pri_Sub_Dem" allocator is based on the peak
13 demands of all distribution customers and allocates substation-related costs to all
14 distribution customers. The "Pri_Dem" allocator is based on the peak demands of
15 distribution customers excluding substation customers and allocates costs at the primary
16 level, costs for which all customers whose classes are included in the allocator are
17 responsible. The "Sec_Dem" allocator, in contrast, includes only secondary service level
18 classes in the allocator computation, and allocates costs for which only secondary
19 customers are responsible. This practice is common among utilities.

20 **Q. Are you familiar with the development of DP&L's 1NCP allocators?**

21 A. Yes. I have reviewed their development and find them to be reasonable and acceptable for
22 cost allocation.

1 **Q. How did DP&L develop its 1NCP allocators?**

2 A. DP&L possesses load research data for its customer classes. The utility collaborated with
3 CA Energy Consulting to develop class load profiles for the period January 1, 2019 to
4 December 31, 2019. The results of the load research study are sponsored by Company
5 Witness Adams. DP&L then calculated annual class maxima and the resulting allocators
6 by voltage service level.

7 **Q. Why do you characterize this process as reasonable?**

8 A. This application of load research data to generate demand-related allocators is
9 conventional. Again, it is consistent with other utilities' practices and my experience.

10 **Q. How do utilities typically allocate customer-related distribution costs?**

11 A. Utilities develop customer-related allocators that record the shares of customers by class,
12 often weighted to represent cost variation for an accounting line item across customer
13 classes. For example, a utility might use customer numbers, weighted by meter cost in
14 each class as a customer-related allocator of meter costs.

15 **Q. How does DP&L allocate customer-related distribution costs?**

16 A. DP&L uses allocators based on customer numbers and defined by voltage service level for
17 various types of assets and expenses. In addition to these customer accounts allocators,
18 there are allocators for service drops and meter equipment, based on enumeration of the
19 utility's assets and expenses in these categories. In addition, the utility develops an

1 allocator for customer deposits, again based on enumeration of financial data pertaining
2 directly to this cost category.⁴

3 **VI. COST-OF-SERVICE RESULTS**

4 **Q. Would you please discuss the schedules that you are supporting with your testimony?**

5 A. I am supporting four schedules. They are Schedule E-3.2, Cost of Service - Total
6 Jurisdictional Costs; Schedule E-3.2a, Cost of Service - Demand Costs; Schedule E-3.2b,
7 Cost of Service - Customer Costs; and Schedule E-3.2c, Cost of Service - Allocators. The
8 first of these provides a summary of the computations in the next two schedules, while the
9 Allocators schedule provides the means by which classification and allocation shares are
10 developed.

11 **Q. Would you please describe the contents of Schedule E-3.2?**

12 A. Schedule E-3.2, Cost of Service - Total Jurisdictional Costs, presents summary information
13 for all financial accounts for the twelve-month adjusted test period ending May 31, 2021,
14 first classified into demand- and customer-related categories and then allocated (or
15 assigned) to the utility's rate classes. The schedule contains eight pages, the first of which
16 presents aggregate rate base, expense, net return, actual rates of return, revenue deficiency
17 given target rate of return, and culminates in proposed revenue increase overall and by
18 class. Subsequent pages present the details that produce the totals on the first page. This
19 schedule was prepared using information provided by other Company witnesses in
20 Schedules B, C, and D.

⁴ In previous COS studies, an allocator for contributions in aid of construction was created. However, the Commission eliminated this type of cost prior to the current rate application.

1 **Q. What does the first summary page (page 1 of 8) of Schedule E-3.2 show?**

2 A. In brief, the first summary page indicates that DP&L has a jurisdictional base revenue
3 requirement of \$358.121 million (line 32) and currently earns a rate of return of -3.96%
4 (line 21). This filing requests that the Commission approve a rate of return of 7.71% (line
5 14). That rate of return ("ROR") produces a revenue deficiency and proposed revenue
6 increase of \$120.772 million (lines 26 and 28).

7 Page 1 (line 21) also reveals that rates of return currently vary between -19.61% for the
8 Private Outdoor Lighting rate class and 24.41% for the High Voltage rate class. The
9 proposed revenue increases by tariff class are predicated upon the target rate of return noted
10 above.

11 **Q. Did you review the Company's proposed revenue change by tariff class and resultant**
12 **RORs?**

13 A. Yes. I reviewed the proposal and, given DP&L's proposed overall ROR, I believe that the
14 adjustments made to individual tariffs' present revenues are reasonable and that an
15 appropriate and fair methodology for adjustment was used. This methodology avoids
16 excessive rate changes, to the extent possible within classes, and moves all of the rate
17 classes' RORs to the Company's proposed overall ROR.

18 **Q. What does the second Schedule E-3.2a present?**

19 A. Schedule E-3.2a, Cost of Service - Demand Costs, provides information for the utility and
20 each rate class covering costs caused by demand. The schedule is structured to be exactly
21 parallel with Schedule E-3.2, with summary information on page 1 of 8. The two leftmost

columns containing numbers present jurisdictional total cost and demand-related cost. Columns to the right contain demand-related cost by tariff class.

Q. What is contained on the first page of Schedule E-3.2a?

A. The first page (page 1 of 8) shows that about 74% of rate base is deemed demand-related, and about 69% of operating expenditures are so deemed. (Column (F)/column (D), Lines 5 and 12, respectively.)

Q. What is shown on subsequent pages of Schedule E-3.2a?

A. Each subsequent page displays the allocator used to determine class shares of an account's demand-related costs. For example, line 8 on page 2 of 8 shows that the Dist_Land_Dem allocator was used to allocate the gross plant value of Land and Land Rights. As the name suggests, the allocator is a reflection of a demand-related allocator that, as shown on Schedule E-3.2c, is partially based on the 1NCP Pri_Sub_Dem allocator discussed earlier.

Q. How were these demand-related and customer-related allocators on Schedule E-3.2a selected?

A. CA Energy Consulting and DP&L reviewed the various investments, revenues, and expenses in need of allocation and collaboratively determined the appropriate allocation method for each item. CA Energy Consulting concluded that the allocators comport with industry practice and have a common-sense basis.

Q. Were these allocators correctly applied by the model?

A. Yes. CA Energy Consulting reviewed the model in detail and concluded that the allocators identified in the model in Schedules E-3.2a and E-3.2b utilize the proper allocator values and correctly calculate class shares.

1 **Q. If we turn to Schedule E-3.2b, Customer Costs, what are the salient points?**

2 A. This schedule is structured identically to its two predecessors. Page 1 of 8 provides the
3 shares of rate base and expenses that are customer-related. (Please see lines 5 and 12,
4 respectively.) Customer-related distribution costs are relatively less significant than
5 demand-related costs, in aggregate.

6 **Q. Should we note anything else in Schedule 3-2b?**

7 A. Yes. On rare occasion, an account will be allocated by the term “Direct.” An example
8 appears on page 2 of 8, at line 18. FERC account 371, Installations on Customer Premises,
9 is assigned entirely to the Private Outdoor Lighting class. In this case, lighting equipment
10 can be identified with a unique class, so an allocation of common costs is not necessary.

11 **Q. Turning to Schedule 3-2c, Cost of Service - Allocators, would you please describe the**
12 **purpose of this schedule and its functioning in the development of the preceding**
13 **schedules?**

14 A. Yes. This schedule computes or acquires the shares used in allocating individual accounts’
15 costs in Schedules E-3.2a and E-3.2b. Schedule E-3.2c consists of four pages. Page 1
16 contains the basic demand and customer allocators. The demand allocators are derived, as
17 mentioned, from the load research study of DP&L, while the customer allocators originate
18 with customer numbers and weights computed by DP&L for services, meters, and other
19 categories. I have reviewed the associated workbooks and verified their calculations.

20 **Q. What information appears on subsequent pages of Schedule 3-2c?**

21 A. Pages 2 and 3 of that schedule contain calculations of the demand and customer
22 components of the main distribution accounts (FERC accounts 360-368): land, structures,

1 poles, conductor, underground conduit, and line transformers. The calculations reveal
2 compartmentalization between primary and secondary voltage service levels, followed by
3 division between demand and customer components and, ultimately, rate classes. The
4 primary/secondary split occurs off-board based on calculations by DP&L staff, while
5 classification and allocation make reference to the previous basic demand- and customer-
6 related allocators.

7 Page 4 develops additional allocators based on aggregates that are computed in the
8 preceding schedules. Examples include gross and net plant, types of expenditures, and
9 income tax. Examination of Schedules E-3.2a and E-3.2b reveals that these allocators are
10 used in locations where no previous allocator is appropriate. For example, the allocation
11 of customer-related miscellaneous intangible plant (Schedule E-3.2b, page 2, line 38) is
12 based on shares of gross distribution plant that is customer-related (Gr_Dist_Plant_Cust).

13 **VII. CONCLUSIONS**

14 **Q. What are the conclusions of your testimony?**

15 A. The COS Study fairly and accurately presents the classification and allocation of the
16 utility's financial information to its retail customer classes. Reasonable and well
17 established allocators are used in cost allocation. Classification percentages are derived in
18 demonstrably reliable computations of cost shares by voltage service level and minimum
19 size for the major asset accounts. Classification for other accounts is consistent with
20 industry standards. Additionally, the COS study reveals the current rate of return for the
21 utility as a whole and for individual classes, based upon sound cost causation and provides
22 essential information for guidance in rate setting.

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

2 A. Yes.

3 1467522.1

Exhibit A

Bruce R. Chapman

RESUME

November 2020

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Academic Background:

All course work necessary for PhD, University of Wisconsin-Madison, 1981, Economics
MA, University of Wisconsin-Madison, 1979, Economics
BA, University of Pittsburgh, 1976, Economics

Positions Held:

Vice President, Christensen Associates Energy Consulting, LLC, 2015-present
Senior Economist, Christensen Associates Energy Consulting, LLC, 2005-2014
Senior Economist, Laurits R. Christensen Associates, Inc., 1992-2005
Economic Analysis Consultant, Laurits R. Christensen Associates, Inc., 1988-1992
Research Economist, Laurits R. Christensen Associates, Inc., 1986-1988
Associate Consultant, Coopers & Lybrand Consulting Group, Economics Practice,
Toronto, Canada, 1985-1986
Research Assistant, University of Wisconsin-Madison, 1980-1981
Research Analyst, Woods Gordon (Economics Group), Toronto, Canada, 1979-1980

Professional Experience:

I assist clients in the electricity and natural gas industries to improve their costing and pricing capabilities. I advise clients in such areas of expertise as: cost-of-service analysis and rate design based upon established regulatory and market-based principles; innovative rate design including demand response products, renewables pricing, fixed billing, and other market-based retail pricing products; load forecasting and load research analysis. I supervise and conduct analysis of costing and pricing issues for utilities, regulators, customers and other industry stakeholders. Additionally, I have supervised the development of software required for the implementation and support of innovative retail products. Examples include cost-of service and rate design models to support rate applications, and models to predict customer tariff choice and price response. I regularly present costing and pricing issues and concepts at industry conferences and workshops.

Major Projects:

Reviewed cost recovery practices with respect to energy efficiency costs at North American utilities.

Contributed to an EPRI report on measurement of non-energy impacts of efficient electrification.

Acted as a cost-of-service expert for a western U.S. state's regulator reviewing a utility's rate application.

Reviewed alternative rate classification schemes for a Canadian natural gas utility.

Prepared a memorandum reviewing a government-owned utility's market overview of an RTO's wholesale pricing components and comparability with other jurisdictions.

Assisted a utility to prepare testimony on a proposed electric fixed-bill experiment.

Assisted a Canadian utility to develop time-varying pricing for large customers.

Supported the preparation of a rate application by a natural gas utility.

Evaluated the advisability of contracted rate administration services for a vertically integrated utility.

Prepared an analysis of demand-side management cost allocation practices for a Canadian utility.

Reviewed alternative corporate treatment non-utility services by a Canadian utility.

Prepared an analysis of non-utility service marginal costs for a Canadian utility.

Supported a Canadian utility's rate filing with testimony on cost-of-service issues.

Conducted a review of commercial rate designs and rate levels across a sample of American electric utilities.

Prepared a survey of wholesale electric contract structures for a southeastern utility.

Conducted a comprehensive review of the retail rates of a hydro-electric generation dominated Canadian utility.

Conducted a comprehensive review of the retail rates of a Canadian utility with a conventional generation mix.

Prepared a cost-of-service study for a Great Plains electric utility.

Reviewed economic development and load retention rates for a Canadian utility.

Evaluated behavior of fixed billing customers following instances of very high consumption.

Reviewed the retail rate portfolio of a Canadian utility with respect to industry standards.

Reviewed the cost causation underpinnings of a utility's residential rate design.

Collaborated in a review of standby rate structures for a Midwestern utility.

Provided pricing and revenue recovery guidance to a Caribbean utility.

Provided guidance to a Southeast Asian utility in the design of time-of-use rates. Guidance included instruction in simulation of price response.

Directed a cost-of-service study for a large distribution utility.

Assisted a utility to adjust its costing and pricing methods following addition of significant new generation and transmission assets.

Assisted a utility to merge rates of two separate service territories following a corporate merger.

Reviewed a natural gas distribution utility's proposal for a commodity hedging arrangement.

Assisted in developing an electric vehicle tariff for a Midwestern utility.

Assisted in an evaluation of economic development and load retention rates for a Midwestern utility.

Led an evaluation of a Midwest utility's residential time-of-use rate in comparison with other TOU designs and current marginal costs. Evaluated means by which participation could be increased.

Participated in an evaluation of the merits of a special contract for a large customer of an Eastern utility.

Conducted an analysis of the relative cost-of-service implications of creating a separate class for a specialized subset of customers from an existing large customer class.

Assisted a Great Plains utility to develop a renewable tariff for large industrial customers.

Managed a project that assisted a Great Plains public service commission staff to evaluate natural gas utility submissions for safety-related cost recovery via new riders.

Participated in a load research data development project for a Midwestern utility, including sample design and selection, and class interval load profile development.

Conducted an analysis of the cost implications for a Caribbean utility of introducing LED street lighting.

Developed generic cost-of-service and rate design models for use in client rate cases.

Customized company cost-of-service and rate design models for an Asian utility. The project also included support for marginal cost capability development.

Led a rate case preparation process for a Southeastern utility that included load and energy forecasting, development of revenue requirements, and support for cost of service and rate design.

Participated in a Midwest utility's rate case by reviewing current mass market time-of-use and other rate designs and recommending modifications.

Collaborated in a review of a large Canadian utility's cost-of-service methodology, including a public review process with stakeholders. Testified before regulator regarding recommendations.

Conducted an assessment of a Great Plains public power utility's plans for three pricing concepts: green power, economic development rates, and unbundled retail pricing to facilitate customer choice.

Assisted a distribution utility to review aspects of its distribution cost allocation methodologies by conducting a survey of methodologies across a number of electric utilities.

Assisted a state energy office to review ways in which the state could improve its record of energy efficiency program achievements, as recorded by the ACEEE Scorecard.

Collaborated in the development of rate redesign alternatives for a utility's real-time pricing program structure.

Collaborated in the review of the potential for a Canadian utility to introduce a fuel adjustment mechanism.

Conducted an analysis of probable migration of customers to new time-of-use electricity programs offered by a southeastern utility.

Evaluated the accuracy of an electric utility's fixed bill offer algorithm and recommended modifications.

Led a project which conducted a review of an electric utility's avoided cost calculation and the application of those costs in energy efficiency reviews.

Managed and participated in reviews of rate and gas cost adjustment applications for a Great Plains public service commission's gas division.

Conducted a cost-of-service and rate design study for a Caribbean utility in preparation for a rate submission.

Supported review for an industrial customer group of a large filing by a utility, focusing on non-bypassable riders.

Managed a gas cost review process for a Great Plains regulatory agency.

Analysis of smart grid pricing issues for a Great Plains public power utility.

Contributed to load research sample development for an investor-owned utility.

Managed a review of a large electric and gas utility's costing methodologies.

Managed a cost-of-service and rate design study for a Caribbean utility.

Conducted analysis of distribution costing practices at a large Midwestern investor-owned utility.

Development of a time-of-use rider for two electric utilities.

Management of a study of interruptible pricing program improvements for a large Midwestern utility.

Management of a comprehensive cost-of-service and rate design study for a Caribbean utility.

Strategic pricing for a large hydro-dominated utility.

Evaluation of the net economic benefits of alternative power supply strategies: coal vs. renewables and energy efficiency.

Load forecasting project for a medium-sized electric utility with significant industrial load.

Analysis of alternative means of net metering.

Evaluation of alternative demand response programs for a municipal utility.

Analysis of treatment of margins from real-time pricing.

Analysis of a natural gas energy conservation funding mechanism.

Design and pricing of a small customer Time-of-Use program.

Evaluation of cost of capital for a small Caribbean utility.

Risk pricing of a long-term customer choice retail contract.

Evaluation of response by small customers to fixed billing programs.

Evaluation of response by medium-sized customers to a banded fixed billing program.

Cost-of-service project including marginal cost and traditional cost basis.

Preparation of load research survey sample via stratified random sampling.

Design and pricing of a Critical Peak Pricing product

Evaluation of residential customers' propensity to adopt a voluntary Time-of-Use product

Pricing of a fixed bill product for a new service territory based on response elsewhere

Evaluation of peak period response to a fixed billing product

Development of an electric utility fuel forecast

Customization of fixed bill software for use at a utility site

Design and pricing of a Banded Fixed Billing product.

Long-term wholesale power procurement for an electric utility.

Report on Adoption of Variable Pricing contracts in deregulated retail electricity markets.

Development of Fixed Bill software to generate offers and monitor customer behavior.

Quantitative evaluation of net benefits of demand response programs.

Quantitative evaluations of customer response to fixed billing.

Design and pricing of several pilot and permanent fixed-bill programs.

Development of Efficient Tariff Prices via Marginal Costing.
Analysis of Market Data Available to Estimate Marginal Cost of Reliability.
Evaluation of Risk of Fixed Billing Based on Customer Response.
Cost Allocation Analysis for Rate Case Filing.
Analysis of Customer Response to Fixed Billing.
Fixed Bill Scoping for a Natural Gas Provider.
Analysis of Risk Implications of Fixed Billing for an Electric Utility.
Strategic Assessment of an Electric Utility's Retail Tariff Portfolio.
Guaranteed Bill Product Design and Risk Assessment.
White Paper on Interruptible/Curtailable Service.
Marginal Cost-Based Cost of Service Development.
Software Scoping for Self-Designed Products.
Flat Bill Offer Software Development.
Comprehensive Rate Repricing.
RTP Price Hedging Product Development.
Retail Pricing Under Competition Conference.
Rate Optimization Plan.
Fixed Bill Product Development.
Weather Hedge Evaluation.
Real-Time Pricing Product Development.
Workshop: Creating a Diversified Retail Pricing Portfolio.
Product Mix Business Plan.
Prepared material for testimony in Federal District Court on Real-Time Pricing.
Risk-Based Pricing Workshops.
Survey of New Electricity Market Players.
Analysis of Fixed Bill Products.
Strategic Pricing Plan for a Midwestern Utility.
Product Mix Analysis for Small Customers.
Real-Time Pricing Workshop.
Innovative Pricing and Marginal Costing for a Co-op.
Real-Time Pricing with Multiple Options.

Real-Time Pricing for a G&T and its Co-ops.
Product Mix Analysis for Large Customers.
Real-Time Pricing Service Design for Commercial Customers.
Advanced Service Design Workshop.
Real-Time Pricing Program for a Midwestern Utility.
Evaluation of Customer Response to Real-Time Pricing.
Real-Time Pricing Program Development for an Eastern Utility.
Two-Part Pricing Service Design.
Real-Time Pricing Regional Workshops.
Real-Time Billing Program Support and Revision.
Electricity Efficiency Programs.
Real-Time Pricing Program Redesign for an Eastern Utility.
Real-Time Pricing Implementation for a Canadian Utility.
Real-Time Pricing Practitioners' Workshop.
Real-Time Pricing for a Canadian Utility.
Customer Evaluation of Real-Time Pricing.
Review of Competitive Pricing Strategies.
Evaluation of Process of Marketing Real-Time Pricing.
Review of Methods for Distinguishing Customer Response to Rate Change.
Real-Time Pricing Rate for a Southern Utility.
Review of Accounting and Incentives for a Real-Time Pricing Rate.
Analysis of Load Impact of Priority Service Alternatives.
Benefit/Cost Analysis of an Integrated Energy Management System.
Benefit/Cost Analysis of Marginal Cost-Based Rates for DSM Integrated Resource Plan.
Impact Evaluation of Curtailable Electric Service.
Survey of Households Who Were Candidates for Voluntary Time of Use Rates.
Audit of Energy Management Software.
Real-Time Pricing Rate for a Large Northeastern Public Utility.
Software Design for Real-Time Pricing.
Improved Approaches to Estimating Benefits of DSM Programs.
Load Shapes Assessment Program.

Fuel Purchase Contract Study.

Evaluation of the Effects of Canadian Energy Policy.

Evaluation of Energy Conservation Programs.

Professional Papers:

“Pricing Distributed Generation: Challenges and Alternatives,” *Natural Gas & Electricity*, March 2017.

“Pricing of Renewable Energy Made Difficult by Policy Challenges,” *Natural Gas & Electricity*, January 2016.

“Room for Fixed Billing in the World of Conservation?,” *Natural Gas & Electricity*, August 2008.

“Hedging Exposure to Volatile Retail Electricity Prices,” *The Electricity Journal*, June 2001 (with Ahmad Faruqui, Dan Hansen, and Chris Holmes).

“A Survey of Real-Time Pricing Programs,” *The Electricity Journal*, August–September 1993 (with Juliet Mak).

“Real-Time Pricing: DSM at Its Best?,” *The Electricity Journal*, August 1990 (with Tom Tramutola).

Conference Presentations:

“Green Tariff Pricing Structures”, EUCI’s Utility Green Tariffs A-Z, on-line course, November 2020.

“Pricing Distributed Energy Resources: the Canadian Challenge”, web-based workshop at EUCI’s Canadian Rate Design Symposium, September 2020.

“Standby Rates in Canada”, EUCI’s Canadian Rate Design Symposium, web-based, September 2020.

“Extending the Retail Portfolio: Fixed Billing for Mass Market Customers”, an EUCI web-based workshop with Seth Blocker, Georgia Power Company, June 2020.

“Green Tariff Pricing Structures”, EUCI’s Utility Green Tariff Conference, Denver, Colorado, September 2019.

“Cost Factors Inducing Change in the Pricing of Distributed Energy Resources”, EUCI’s NEM and Utility Solar Rates Summit, Denver, Colorado, September 2019.

“Whither Standby Rates”, EUCI’s Canadian Rate Design Symposium, Calgary, AB, June 2019.

“Retail Electricity: Costing and Pricing for Contemporary Challenges”, pre-conference workshop at EUCI’s Canadian Rate Design Symposium, Calgary, AB, June 2019.

“The Other Side of Residential Revenue Recovery: The Avoided Cost Controversy”, post-conference workshop at EUCI’s Residential Demand Charges Conference, Nashville, TN, May 2018.

“Attracting and Retaining Large-Customer Loads”, EUCI’s Canadian Rate Design Symposium, Vancouver, BC, April 2018.

“Basics of Retail Pricing: Traditional and Innovative”, pre-conference workshop at EUCI’s Canadian Rate Design Symposium, Vancouver, BC, April 2018.

“Retail Pricing to Support Electric Vehicle Charging”, EUCI’s 7th Annual Southeast Clean Power Summit, Nashville, TN, February 2018.

“Pricing Distributed Energy Resources: Issues and Approaches”, pre-conference workshop at EUCI’s 7th Annual Southeast Clean Power Summit, Nashville, TN, February 2018.

“The Other Side of Residential Revenue Recovery: the Avoided Cost Controversy”, post-conference workshop at EUCI’s Residential Demand Charges conference, Charleston, SC, July 2017.

“Net Metering and Solar Energy Pricing,” pre-conference workshop at EUCI’s Net Energy Metering and Utility Solar Rates Summit, Denver, CO, July 2016.

“Pricing the Purchase of Renewable Energy,” post-conference workshop at EUCI’s 4th Annual Southeast Clean Power Summit, Atlanta, GA, March 2015.

“Pricing Perspectives of Regulated Utilities on Solar Power,” EUCI’s Net Metering 2.0 and Utility Solar Rates Conference, Anaheim, CA, January 2015.

Cost of Service and Rate Design; Current Utility Costing and Pricing Challenges; Pricing Renewable Energy; Feed-in Tariffs and Demand Response Alternatives to Supply. Presentations to the Wisconsin Public Utility Institute’s Energy Utility Basics Course, 2009–2017.

“The Bill Please,” university course and public presentation within the “Decoding the Energy Industry” series; Wisconsin Public Utility Institute, 2014.

Electric Rate Design Principles and Designs (with Dr. Stephen Braithwait), and Pricing Renewable Resources; presentations to the Rate Design and Regulation Workshop, Wisconsin Public Utility Institute, Madison, Wisconsin, 2014.

“Customer Response to Dynamic Pricing: Who Responds and How?,” EUCI’s Smart Ratemaking Conference, Oct. 2009, Los Angeles; with Dr. Steven Braithwait.

Cost-of-Service, preconference workshop, EUCI’s Smart Ratemaking Conference, Oct. 2009, Los Angeles.

Critical Peak Pricing: Valuation and Viability, presented at AESP’s Innovations in Retail Pricing Conference, Chicago, IL, May 17, 2006.

Georgia Power’s FlatBill Program, Risks and Returns, presented, with Monamee Adhikari, Georgia Power Company, at AESP’s Innovations in Retail Pricing Conference, Chicago, IL, May 17, 2006.

Retail Pricing for Competitive Power Markets, six presentations on retail pricing and unbundling; Infocast conference February 28-March 2, 2001.

Retail Products and Pricing Under Competition, presented at the Canadian Electricity Association's seminar: Setting Up for New Energy Regulation, April 19, 1999.

Using Risk as the Maker of Prices: Risk-Based Pricing, presented at Infocast's conference: Power Industry Retail Pricing, June 23–25, 1999.

"Designing a Retail Pricing Product Mix for a Competitive Market: A C-VALU Case Study," presented at EPRI's Innovative Pricing Conference, Washington, DC, June 18, 1998, (with Kathleen King and David Kulha).

"Retail Products & Pricing in the Competitive Era," presented at IBC Conference: Successfully Implementing Retail Access, Washington, DC, April 27, 1998.

"Risk-Based Pricing: Making Money in Competitive Markets," EMACS Conference, Atlanta, Georgia, October 14, 1997, (with A. Faruqi, EPRI).

"Real-Time Pricing: Becoming Competitive Before Competition," presented at IBC Conference: Successfully Implementing Retail Profit Projects, Atlanta, Georgia, February 24, 1997, and Las Vegas, Nevada, July 17, 1997.

"Effective Retail Product Design for a Competitive Market," IBC Conference: Developing, Negotiating and Contracting Retail Electricity Prices, Atlanta, Georgia, February 24, 1997, (with Kathleen King).

"Innovative Pricing and Data Requirements," presented at the AEIC Load Research Conference, Washington, DC, August 4–6, 1995.

"Lessons Learned and the Path Forward," presented at EPRI's National Conference on Achieving Success in Evolving Electricity Markets, Atlanta, Georgia, October 10–12, 1995 (with Kathleen King).

"A Real-Time Pricing Primer: Service Design for a Competitive Market," presented at the Missouri Valley Electric Association Marketing Division Conference, Kansas City, Missouri, October 13, 1994.

"Real-Time Pricing: Service Design for a Competitive Market," presented at the American Public Power Association workshop, Scottsdale, Arizona, September 28, 1994.

"Customer Response to Real-Time Pricing: Results from Current Experiments," presented at the 6th National Demand-Side Management Conference, Miami Beach, Florida, March 25, 1993.

"Electricity Pricing Innovations for Retail Sales," presented at the Energy Utilities and Regulation Course, Wisconsin Public Utilities Institute, September 13, 1990; revised and presented again in 1992.

"Innovative Pricing in DSM: Recent Field Tests of Real-Time Pricing," presented at the Energy Demand-Side Research Seminar Series, University of Wisconsin-Madison, April 4, 1990 (with D. W. Caves).

Oral Testimony:

Docket UT 20-035-04, rate application hearings of Rocky Mountain Power, on behalf of the Utah Division of Public Utilities, regarding RMP's cost-of-service study, November 17, 2020.

Panelist in Cost-of-Service Methodology review hearings on behalf of Nova Scotia Power, before the Nova Scotia Utilities and Review Board, proceeding NSUARB-NSPI-P-892, Matter No. M05473, December 2013.

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
OF PATRICK DONLON**

- ☐ **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
PATRICK DONLON**

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

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Patrick Donlon. My business address is One Monument Circle, Indianapolis, Indiana, 46204.

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

A. I am employed by AES US Services, LLC as Director of Regulatory Accounting in the U.S. and Utilities Strategic Business Unit ("U.S. SBU"), with responsibilities for The Dayton Power & Light Company ("DP&L" or "Company") and other AES businesses.

Q. Please describe briefly your educational and business background.

A. I received a Bachelor of Science degree in Accounting with a minor in Economics Management from Ohio Wesleyan University in 2000. In 2010, I earned a Master of Business Administration degree from Franklin University. I worked for American Electric Power ("AEP") for just under ten years in two stints with the company serving in various roles. For AEP, I was an accountant in the Generation Accounting Department; an Hourly Energy Trader focusing in the Southwestern Power Pool market; a Fuel, Emissions and Logistics Coordinator; and a Financial Planning Analyst in Commercial Operations. I worked for the Public Utilities Commission of Ohio (the "PUCO" or "Commission") from August 2012 through January 2018. I served as a Manager of the Rates Division of the Utilities Department and then was promoted to Director of the Rates and Analysis Department and Executive Director of Power Siting. Following my time at the Commission I worked as a consultant and for a small energy startup prior to joining AES in June of 2020 as the Director of Regulatory Accounting.

1 **Q. Have you previously provided testimony before the PUCO?**

2 A. Yes, I have provided testimony in various gas and electric rate cases, electric Standard
3 Service Offer ("SSO") cases and natural gas cost recovery cases. A complete list of the
4 cases in which I have testified is attached as Exhibit PD-1.

5 **II. PURPOSE OF TESTIMONY**

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

7 A. The purpose of this testimony is to support and explain: (1) the pro forma adjustments
8 contained in schedules that I sponsor, and (2) the Company's COVID deferral and
9 treatment of COVID-related costs affecting DP&L's book and records.

10 **III. SCHEDULES AND WORKPAPERS**

11 **Q. Please provide a list of the schedules and workpapers that you sponsor or**
12 **cosponsor.**

13 A. The schedules and workpaper that I sponsor, or cosponsor are:

14 Schedule B-5.1 page 1 – Miscellaneous Working Capital Items

15 Schedule C-3.19 – Eliminate Wright Patterson Non-Jurisdictional Revenues and
16 Expenses

17 Schedule C-3.21 – Miscellaneous Expense Adjustments

18 Workpaper C-3.19 – Eliminate Wright Patterson Non-Jurisdictional Revenues and
19 Expenses

20 In those schedules and workpapers, I sponsor the portion of the test year derived from
21 DP&L's actual books and records, which are the months of June 2020 through August

2020. Company Witness Hale is sponsoring the projected information contained in those schedules and workpapers.

Q. Can you please explain the purpose of Schedule B-5.1 page 1?

A. Schedule B-5.1 page 1 is used to determine the net cash working capital requirement. DP&L is not requesting net cash working capital

Q. Can you please explain the purpose of Schedule C-3.19?

A. In 2011, DP&L purchased certain distribution equipment from the Wright Patterson Air Force Base ("WPAFB") under a fifty-year agreement. That equipment remains in place to serve WPAFB and is now maintained and operated by DP&L. As of June 30, 2020, the total plant in service value of that equipment was \$53.6 million and the total rate base related to that equipment after accumulated depreciation was \$31.6 million. Under a contract, WPAFB pays DP&L a fee for the use of that distribution equipment. The fee calculation includes a return on the net book value of that distribution equipment as well as an estimated annual operating and maintenance cost.

Schedule C-3.19 summarizes the revenue and operating expenses associated with the WPAFB distribution equipment owned by DP&L. Because WPAFB pays for this DP&L utility plant equipment separate from its rates for basic electric service, I am proposing an adjustment to eliminate both the operating expenses relating to the distribution equipment and the revenues received from WPAFB for the use of such equipment. This adjustment is carried forward to page 4 of Schedule C-3 in column D.

Q. Are there other adjustments specific to WPAFB?

1 A. Yes. Additional adjustments for WPAFB are discussed by Company Witness Forestal
2 and Company Witness Perrin.

3 **Q. Can you please explain the purpose of Schedule C-3.21?**

4 A. This schedule summarizes necessary adjustments for miscellaneous, out-of-period, and
5 other expenses. Those adjustments include the results of a detailed review of the
6 operation and maintenance expense account activity for the test year. This review was
7 conducted to identify items recorded in the test year that were incurred outside of the test
8 year, items miscoded to DP&L's operating expenses, or any other items that were not
9 reasonably necessary to provide reliable distribution service to our customers.

10 **Q. Is the Company currently recording a regulatory asset for COVID-19 related**
11 **expenses?**

12 A. Yes. On March 9, 2020, the Governor signed Executive Order 2020-01D, declaring a
13 state of emergency in Ohio due to the dangerous effects of COVID-19. On May 20, 2020,
14 in Case No. 20-650-EL-AAM et al., the Commission granted deferral authority to the
15 Company for both expenses and forgone revenues and ordered DP&L to track any costs
16 that it avoids due to the emergency.

17 **Q. Is the Company seeking recovery of the COVID-19 regulatory asset in this case?**

18 A. No, not at this time. As the effects of COVID-19 are still on-going and unknown, the
19 Company believes it is pre-mature to seek recovery of the regulatory asset. The Company
20 is tracking the savings, expenses and foregone revenues related to COVID-19 and netting
21 those in the regulatory asset. Given the uncertainty of the ongoing COVID situation, the

Company believes that it is in the best interest of our customers to not seek recovery at this time in case the long-term savings end up eliminating the regulatory asset.

Q. Please explain how DP&L is tracking COVID-19 related expenses and forgone revenue and recording the regulatory asset?

A. AES uses SAP accounting software for its general ledger accounting, within SAP there are tracking codes called Work Breakdown Structure (WBS). DP&L has assigned specific WBS codes to track COVID expenses and foregone revenues. The WBS codes are reviewed and reconciled monthly by regulatory accounting. A journal entry is created monthly to record the net balance of savings, expenses and foregone revenues related to COVID-19 in the regulatory asset and to record the offsetting amount against each net operating income account that those balances would have otherwise been recorded.

Q. Is the test year income statement affected by the COVID-19 journal entry to record the regulatory asset?

A. Yes, by recording the regulatory asset and adjusting DP&L's net operating income, DP&L has normalized the net operating income for COVID-19 related savings, expenses and foregone revenues.

Q. What is the impact to the Income Statement for the test year?

A. The chart below shows the adjustments in the general ledger to the operating income related to the COVID-19 regulatory deferral for the months of actual data in the test year.

FERC Account	June 2020	July 2020	August	Total
Revenues				
450 – Late Fees	\$87,758	\$92,051	\$44,842	\$224,651
Expenses				
580 – Electric Meter Supplies	\$0	\$0	(\$158)	(\$158)

FERC Account	June 2020	July 2020	August	Total
590 – Fleet – Non-Labor	(\$24,966)	(\$30,062)	(\$4,959)	(\$59,988)
903 – Collection Letters Printing	\$79,956	\$18,494	\$9,540	\$107,990
903 – Contract Services	\$176,278	\$6,579	(\$36,781)	\$146,077
903 – Foregone Credit Card Fees	(\$130,982)	(\$149,079)	(\$150,099)	(\$430,160)
909 – Communications	\$0	(\$201,866)	(\$6,810)	(\$208,676)
920 – Part-time Customer	\$85,018	\$0	\$0	\$85,018
920 – Stores	\$0	\$1,532	\$0	\$1,532
921 – Meals, Travel, Training -	\$36,359	\$36,359	\$36,359	\$109,076
921 – Meals, Travel, Training -	\$53,049	\$24,883	\$52,608	\$130,540
921 - DPL IT Purchases	(\$17,622)	(\$4,418)	(\$31,728)	(\$53,768)
921 – Servco IT Purchases	(\$881)	(\$827)	(\$412)	(\$2,121)
923 - Facilities Expenses – 59%	(\$18,509)	(\$8,147)	(\$10,293)	(\$36,950)
925 – Facilities Expense – 41%	(\$12,862)	(\$5,662)	(\$7,153)	(\$25,677)
Total Expense Adjustments	\$224,837	(\$312,215)	(\$149,888)	(\$237,267)
Net Operating Income	(\$137,079)	\$404,266	\$194,730	\$461,918

Q. Does the chart above reflect the Company's accounting for the total COVID-19 regulatory asset?

A. No, the chart represents only those amounts related to the COVID-19 regulatory asset that affect the distribution rate case filing. COVID related savings and expenses that were incurred outside the test year were excluded.

Q. Are the results of the adjustments described above reasonable, and if so, why?

A. Yes. As discussed above, the source of the information used in these adjustments is DP&L's books and records. These booked amounts have been further reviewed for accuracy and reasonableness for purposes of this proceeding. Further, as explained above, these adjustments are necessary in order to reflect, on a normalized and annualized basis, changes in operating conditions on DP&L's distribution system that are not fully reflected in the test year operating results. These adjustments reflect changes that are fixed in time, known to be occurring, and measurable in amount. If the respective adjustments are not made, the pro forma net utility jurisdictional operating

1 income at present rates would not represent an appropriate basis upon which to establish
2 new rates in this case. Therefore, the results of these adjustments are appropriate for the
3 purpose of establishing just and reasonable base rates for the continued provision of safe
4 and reliable electric utility service.

5 **IV. CONCLUSION**

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

7 **A.** Yes, it does.

Prior Testimony

Utility	Topic	Brief Description	Case Number
Orwell-Trumbull Pipeline(OTP)	OTP bankruptcy proceeding	Relay issues the PUCO encountered with OTP and its ownership.	17-17135 U.S. Bankruptcy Court Northern District of Ohio
Duke Energy Ohio	Supporting stipulation and MRO vs ESP Test	Support the stipulation signed by multiple parties and validate that the ESP passes the MRO vs ESP test.	17-32-EL-AIR, et al.
Youngstown Thermal	Surcharge rate design, allocation and need	Defend the need for the utility to charge additional fee when facing bankruptcy.	17-1534-HC-UNC ¹
Dayton Power & Light	Supporting stipulation and MRO vs ESP Test	Support the stipulation signed by multiple parties and validate that the ESP passes the MRO vs ESP test.	16-396-EL-SSO ²
Duke Energy Ohio	Energy efficiency cost cap	Purpose a cap on overall program costs and shared savings of energy efficiency rider.	16-576-EL-POR ³
FirstEnergy	Energy efficiency cost cap	Purpose a cap on overall program costs and shared savings of energy efficiency rider.	16-743-EL-POR ⁴
Duke Energy Ohio	Support stipulation	Support the stipulation signed by the company and Staff.	14-457-EL-RDR ⁵
Brainard Natural Gas	Support stipulation	Support the stipulation signed by the company and Staff.	13-206-GA-GCR ⁶
Gas Natural Utilities	Dispute RFP process	Raise issues with the RFP process used by the utilities.	12-209-GA-GCR ⁷
Duke Energy Ohio	Rate case expenses	Discuss Staff's proposed expense disallowances.	12-1682-EL-AIR ⁸
Dayton Power & Light	Rate design of rider	Propose changes to the design and recovery of DP&L's proposed reconciliation rider.	12-426-EL-SSO ⁹

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¹ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17L12B00634A01414.pdf>

² <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17D14B44224C03192.pdf>

³ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17C13B54744D00578.pdf>

⁴ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A17B01B62821D01294.pdf>

<http://dis.puc.state.oh.us/TiffToPDF/A1001001A17B01B63250D01298.pdf>

⁵ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A16C21B04208F00022.pdf>

⁶ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A14C05A92152E11976.pdf>

⁷ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13G22B02526J91254.pdf>

⁸ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13C19B70442B46960.pdf>

⁹ <http://dis.puc.state.oh.us/TiffToPDF/A1001001A13D17B44019F20898.pdf>

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
OF CRAIG A. FORESTAL**

- ☐ **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
CRAIG A. FORESTAL

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 Craig Forestal. My business address is 2611 Millgate Court, IN 46033.

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

5 A. I am the founder, President and sole employee of Infiniti Ratemaking, LLC ("Infiniti"). In
6 that capacity, I provide accounting and ratemaking services to The Dayton Power &
7 Light Company ("DP&L" or "Company") and Indianapolis Power & Light Company
8 ("IPL"), pursuant to agreements with AES US Services, LLC ("AES Services").

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

10 A. I retired from AES on May 7, 2020 and then began providing assistance to AES-affiliated
11 companies under two consulting agreements. At the time of my retirement from AES, I
12 held the position of Director of Regulatory Accounting for the U.S. Strategic Business
13 Unit ("SBU") of AES, which includes DP&L, as well as IPL.

14 **Q. Please summarize your work experience with AES and DP&L.**

15 A. I was an employee of IPL from May 2002 through December 2013. During my tenure
16 with IPL, I worked in various positions including senior accountant, Team Leader of
17 Corporate Accounting and Director of Regulatory Accounting. I served as an accounting
18 witness in many regulatory commission filings for IPL since 2006 and continued to serve
19 in that capacity through my retirement from AES. In June of 2013, I was promoted to
20 Director of Regulatory Accounting for the AES US SBU where I was responsible for
21 regulatory accounting for both DP&L and IPL. This role included responsibility over

1 many regulatory journal entries and controls, various regulatory filings, and serving as a
2 witness in various rate proceedings. In that role, I reported to the Controller of the SBU
3 who also serves as the Controller of DP&L.

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

5 A. I hold a Bachelor of Science Degree in Accounting from Ball State University and a
6 Certified Public Accountant License with the State of Indiana. I have over 29 years of
7 accounting experience in various industries, including telephone and electric utilities, real
8 estate investment trusts and public accounting. I have 18 years of electric utility
9 accounting experience.

10 **Q. Have you previously testified before the Public Utility Commission of Ohio**
11 **("Commission" or "PUCO") or other regulatory agencies?**

12 A. Yes, I submitted testimony in support of DP&L's most recent base rate case proceeding
13 (the "2015 Distribution Rate Case") (Case No. 15-1830-EL-AIR), and DP&L's
14 Significantly Excessive Earnings Tests for calendar year earnings of 2013 (Case No. 14-
15 0831-EL-UNC) through 2018. I have also testified before the Indiana Public Utility
16 Commission in many proceedings for IPL including, but not limited to, IPL's:
17 Environmental Compliance Cost Recovery Adjustment (Cause No. 42170-ECR-XX)
18 proceedings; demand side management adjustment proceedings (43623-DSM-XX); fuel
19 cost (Cause No. 38703-FAC-XX); Green Power Initiative (Cause Nos. 43251; 43506;
20 43693 and 44121; Regional Transmission Organization Adjustment (Cause No. 44808-
21 RTO-XX) proceedings; and in IPL's most recent basic rate cases (Cause Nos. 44576 and
22 45029).

1 **II. PURPOSE OF TESTIMONY**

2 **Q. What are the purposes of your testimony in this proceeding?**

3 A. The purposes of my testimony are to explain the test year Operating Income Statements
4 and the pro forma adjustments that I sponsor. In this proceeding, the test year consists of
5 the actual results for June, July and August of 2020, along with the forecasted results of
6 September 2020 through May 2021 (the "Test Year") and the Date Certain is June 30,
7 2020. Along with Company Witness Hale, I co-sponsor the non-cash components of
8 working capital that the Company is proposing to include in rate base, which are included
9 on Schedule B-5.1 pages 2 and 3. These schedules include data as of the Date Certain and
10 the 13 month-ended balances ending May 2021. For this schedule, I sponsor the actual
11 month-end balances (May 2020-August 2020) and Company Witness Hale sponsors the
12 forecasted balances (September 2020 through May 2021).

13 In addition, I co-sponsor several schedules that contain many of DP&L's pro forma
14 adjustments made to the Test Year. Again, the portion that I sponsor relates to the portion
15 of the Test Year derived from the actual books and records and Company Witness Hale is
16 sponsoring the projected information. Both Company Witnesses Hale and Amore provide
17 an overview of the forecast methodology used. For Schedule C-3.9, Company Witness
18 Vest sponsors the ongoing level of vegetation management costs and I sponsor the
19 calculations used to include those costs into the ratemaking schedules. Likewise, for
20 Schedule C-3.25, Company Witness Campbell sponsors the need for customer programs
21 and the associated costs, while I sponsor the calculations to include those costs into the
22 ratemaking schedules. Additionally, I sponsor Schedule C-2.1, which contains allocation
23 percentages that are used to derive the jurisdictional distribution portion of income

statement amounts; however, the allocation percentages presented on that schedule are sponsored by Company Witness Whitehead.

III. SCHEDULES AND WORKPAPERS

A. Overview

Q. Please provide a list of the schedules that you sponsor or cosponsor.

A. The schedules that I sponsor or cosponsor are:

- Schedule B-5 – Allowance for Working Capital
- Schedule B-5.1 – Miscellaneous Working Capital Items
- Schedule C-1 – Jurisdictional Pro Forma Net Operating Income Statement
- Schedule C-2 – Adjusted Jurisdictional Operating Income
- Schedule C-2.1 – Operating Revenue and Expenses by Accounts - Jurisdictional Allocation
- Schedule C-3 – Summary of Jurisdictional Adjustments to Operating Income
- Schedule C-3.2 – Eliminate Universal Service Fund Rider Revenue and Expense
- Schedule C-3.3 – Eliminate Legacy Generation Rider Revenue and Expense
- Schedule C-3.4 – Eliminate Storm Cost Recovery Rider Revenue and Expense
- Schedule C-3.5 – Eliminate Energy Efficiency Rider Revenue and Expense
- Schedule C-3.6 – Eliminate Alternative Energy Rider Expense
- Schedule C-3.9 – Amortize Vegetation Management Asset and Adjust Expenses
- Schedule C-3.12 – Annualize AES Services Labor, Benefits and Payroll Taxes
- Schedule C-3.13 – Annualize DP&L Labor and Payroll Taxes
- Schedule C-3.14 – Annualize Employee Benefits Expense
- Schedule C-3.17 – Adjust Rate Case Expense
- Schedule C-3.20 – Eliminate General Advertising Expense
- Schedule C-3.22 – Eliminate Company Use Credit
- Schedule C-3.23 – Amortization of Regulatory Asset
- Schedule C-3.25 – Customer Programs
- Schedule C-5 – Social and Service Club Dues
- Schedule C-6 – Charitable Contributions

- Schedule C-8 – Rate Case Expense

Q. Were these schedules or portions of these schedules prepared or assembled by you or under your direction or supervision?

A. Yes.

Q. Did you sponsor any workpapers?

A. Yes. I am sponsoring the workpapers that support the financial statements and schedules that I sponsor. The workpapers that I sponsor are:

- Workpaper B-5.1b – Detail of Material and Supplies Working Capital
- Workpaper B-5.1c – Detail of Material and Supplies Working Capital – Total Company
- Workpaper B-5.1d – Prepayments
- Workpaper B-5.1e – Accruals: Payroll, Vacation and Bonus
- Workpaper B-5.1f – WPAFB Material & Supplies
- Workpaper C-2.1 – Monthly Operating Revenue and Expenses by Account
- Workpaper C-3.2 – Eliminate Universal Service Fund Rider Revenue and Expense
- Workpaper C-3.3 – Eliminate Legacy Generation Rider Nonbypassable Revenue
- Workpaper C-3.4 – Eliminate Storm Cost Recovery Rider Revenue and Expense
- Workpaper C-3.5 – Eliminate Energy Efficiency Rider Revenue and Expense
- Workpaper C-3.6 – Eliminate Alternative Energy Rider Expense
- Workpaper C-3.9 – Amortize Vegetation Management Asset and Adjust Expense
- Workpaper C-3.12a – Annualize AES Services Labor, Benefits, and Payroll Tax - Service Company - Total
- Workpaper C-3.12b – Annualize Health Benefits and Prescription Coverage – Service Company
- Workpaper C-3.13a – Annualize Labor and Payroll Taxes – DP&L Nonunion Employees
- Workpaper C-3.13b – Annualize Labor and Payroll Taxes - DP&L Union Employees
- Workpaper C-3.14a – Annualize Employee Benefit Expenses

- 1 • Workpaper C-3.14b – Annualize Employee Health Benefits and Prescription
- 2 Coverage
- 3 • Workpaper C-3.22 – Eliminate Company Use Credit
- 4 • Workpaper C-3.23 – Amortize Regulatory Assets
- 5 • Workpaper C-3.25 – Customer Programs

6 **B. Rate Base Schedules**

7 **Q. Please describe Schedule B-5.**

8 A. Schedule B-5 is a summary of the working capital items DP&L is proposing to include in
9 rate base for purposes of establishing new customer base rates and charges in this
10 proceeding. The total jurisdictional working capital allowance DP&L is proposing is \$9.6
11 million and is comprised of materials and supplies inventory (excluding items for Wright-
12 Patterson Air Force Base ("WPAFB") distribution equipment) and prepayments
13 (excluding income taxes), less accruals. All of the information contained on Schedule B-5
14 is carried forward from Schedule B-5.1. Further, discussion of those items is contained
15 below and in the testimony of Company Witness Donlon who supports page 1 of
16 Schedule B-5.1.

17 **Q. Could you briefly explain the purpose of Schedule B-5.1, pages 2 and 3?**

18 A. Yes. Pages 2 and 3 of this schedule summarize non-cash working capital items that
19 DP&L is proposing to include in rate base for both the thirteen months ended May 31,
20 2021 and as of the Date Certain. Consistent with established regulatory practice, this
21 schedule includes materials and supplies inventory used in maintaining distribution
22 equipment (less the portion considered utilized for new construction), renewable energy
23 credits DP&L has purchased to comply with Ohio Revised Code section 4928.64, and
24 prepaid expenses, less accruals and materials and supplies necessary to maintain certain

1 distribution equipment specific to WPAFB. The schedule also eliminates any amounts
2 that should not be included in rate base for establishing base rates and charges in this
3 proceeding (consisting of prepaid income taxes), and illustrates the distribution portion of
4 each item. Because DP&L's generation assets were separated out of the utility prior to the
5 Test Year, there were no fuel stock or other generation assets to remove. Consistent with
6 the schedules utilized to calculate DP&L's current base rates and charges, the thirteen-
7 month average balances were carried forward to Schedule B-5, page 2, to be utilized in
8 rate base. The total distribution portion of M&S Other than New Construction, for the
9 thirteen-month average, is \$8,802,040, while Prepayments is \$6,952,325, Accruals is
10 \$(5,928,839), and the exclusion for WPAFB materials and supplies inventory is
11 \$(176,268) for a resulting distribution Non-Cash Working Capital of \$9,649,258.

12 The detail to support the M&S amounts appearing on Schedule B-5.1, page 2, line 5,
13 comes from Workpaper B-5.1b, page 1. Workpaper B-5.1c contains the monthly balance
14 for each M&S account shown on Workpaper B-5.1b. The monthly detail for the
15 Prepayments component is contained on Workpaper B-5.1d, the monthly detail for the
16 Accruals component is contained on Workpaper B-5.1e, and the monthly detail for the
17 WPAFB M&S component is contained on Workpaper B-5.1f.

18 **Q. Why did you exclude the WPAFB materials and supplies inventory from rate base?**

19 A. As also mentioned by Company Witnesses Perrin and Donlon, DP&L owns, and is
20 responsible for maintaining, certain distribution equipment that is dedicated to serving
21 WPAFB. WPAFB's use of the equipment is paid for by WPAFB under a contract that is
22 separate from its rates for basic electric service. Accordingly, the equipment is not

1 included in DP&L's rate base for this proceeding. Such contract with WPAFB also
2 includes compensation for DP&L's materials and supplies inventory related to
3 maintaining the distribution equipment. Including such inventory in rate base in this
4 proceeding would result in a double recovery. Accordingly, it has been removed from
5 rate base.

6 **Q. Please describe Schedule B-5.1, page 3.**

7 A. Schedule B-5.1, page 3, reflects the June 30, 2020 Date Certain balance for the non-cash
8 components of working capital. The Date Certain balance is presented for Total
9 Company and for the split to divide between Generation/Other Entities and T&D.

10 **C. Schedules which Present and Summarize DP&L's Total Company Test Year**
11 **Operating Results, Jurisdictional Allocations, Pro Forma Adjustments to**
12 **Operating Results, and the Impact of the Proposed Revenue Increase on**
13 **Jurisdictional Operating Results**

14 **Q. Could you briefly explain the purpose of Schedule C-1?**

15 A. Yes. This schedule first illustrates the jurisdictional operating income adjusted for items
16 necessary to normalize and annualize the Test Year results, which are carried forward
17 from Schedule C-2, then illustrates the estimated impact of the revenue increase DP&L is
18 proposing in this case. Column E of the schedule incorporates a full year of the revenue
19 increase the Company is proposing in this case, including the associated additional taxes
20 and other operating expenses, to illustrate DP&L's estimated pro forma jurisdictional
21 revenue and expenses after including the rate increase. Lastly, the Schedule illustrates
22 that the estimated net operating income after including the proposed rate increase, is
23 equal to a 7.71% rate of return on rate base, which is equal to the weighted cost of capital
24 as calculated on Schedule D-1 and supported by Company Witness Illyes.

1 **Q. Could you briefly explain the purpose of Schedule C-2?**

2 A. Yes. This schedule illustrates the unadjusted per books jurisdictional operating income
3 for DP&L and then summarizes the adjustments necessary to normalize and annualize the
4 Test Year results. Column E of the schedule incorporates the adjustments to reflect
5 adjusted Test Year operating income. The adjusted jurisdictional net operating income is
6 carried forward to line 3 of Schedule A-1 in column C to be incorporated in the revenue
7 deficiency calculation.

8 **Q. Please explain the general nature of the jurisdictional adjustments to operating**
9 **income, as summarized in column D of Schedule C-2.**

10 A. The adjustments made in Schedule C-2 are necessary in order to reflect, on a normalized
11 and annualized basis, changes in operating conditions on DP&L's distribution system
12 which are not fully reflected in the Test Year operating results shown in column C. These
13 adjustments reflect changes which are fixed in time, known to be occurring, and
14 measurable in amount. It is necessary to give effect to these adjustments in order to
15 determine properly the pro forma jurisdictional operating revenues, operating expenses,
16 and operating income at present rates, as shown in column E, before proceeding to reflect
17 the additional adjustments needed to determine these amounts at proposed rates.

18 **Q. Are any amounts on Schedule C-2 derived from other schedules in this filing?**

19 A. Yes. The amounts in column C are derived from column F of Schedule C-2.1 and the
20 amounts in column D of the schedule are derived from column C of Schedule C-3.

21 **Q. Can you please explain the purpose of Schedule C-2.1?**

1 A. Yes. This schedule shows the unadjusted per books Test Year Operating Income for
2 DP&L in column D. In addition, the schedule shows the portion of each account balance
3 that is considered jurisdictional for purposes of this filing in column E, using the
4 allocation factors supported by Company Witness Whitehead. Finally, in column F, the
5 schedule shows the unadjusted jurisdictional operating income. The amounts in column F
6 are carried forward to column C of Schedule C-2.

7 **Q. What is the source of the information shown on Schedule C-2.1?**

8 A. Column D of this schedule contains the components of total utility net operating income
9 for the test period, consisting of actual financial results of operations for the months of
10 June 2020, July 2020, and August 2020, and forecasted data for the months of September
11 2020 through May 2021. This information is summarized by each month of the Test Year
12 on Workpaper C-2.1, which I also cosponsor with Company Witness Hale.

13 The allocation factors in column E are from Schedule B-7, as appropriate to each FERC
14 account, with the exception that, where directly identifiable, the direct distribution
15 portion of expenses was used in column F and the allocation percentage represents the
16 distribution amount divided by the unadjusted total utility amount. For the remaining
17 items, column F is the result of applying the allocation factors to the test period totals, to
18 arrive at jurisdictional (Distribution Only) net operating income for the test period of
19 \$2,056,658.

20 **Q. Can you please identify what revenues are included in the category "Other Retail**
21 **Revenues" on Schedule C-2.1 and therefore you are considering to be**
22 **nonjurisdictional revenues?**

1 A. Yes. Nonjurisdictional revenues are those that are not established in this proceeding and
2 therefore not considered part of the jurisdictional revenue requirement. They include:

3 Transmission Cost Recovery Rider revenues

4 Standard Offer Rate revenues

5 Rate Stabilization Charge revenues

6 All revenues from these riders were considered 0% jurisdictional in the allocation process
7 and therefore, no pro forma adjustments are required to eliminate them.

8 **Q. Turning to Schedule C-3, which is the summary of jurisdictional adjustments to**
9 **operating income, could you briefly explain the purpose of this schedule?**

10 A. Yes. This schedule is a summary of each adjustment that we are proposing to Test Year
11 Operating Income and illustrates the combined income statement impact of all such
12 adjustments. As I described previously, the total of these adjustments is in column C,
13 page 1 of 5, and is carried forward to column D of Schedule C-2. Each adjustment is
14 limited to the jurisdictional portion needed to adjust jurisdictional operating income to
15 reflect changes which are representative of utility operations and which are fixed in time,
16 known to be occurring, and measurable in amount. If these adjustments are not made, the
17 jurisdictional proforma operating revenues and expenses included in the determination of
18 DP&L's operating income at present and at proposed rates would be inaccurate and
19 would include amounts not appropriate for recognition in the process of establishing base
20 rates for the continued provision of safe and reliable electric utility service.

D. Pro Forma Schedules to Remove the Effects of Rate Riders Not Part of the Calculation of Base Revenues Determined in this Proceeding

Q. Turning to Schedule C-3.2, which reflects an adjustment to eliminate Universal Service Fund revenues and expenses, could you briefly explain the purpose of this schedule?

A. Schedule C-3.2 adjusts test year operating income to eliminate 100% of revenues and expenses that are recovered through the Universal Service Fund Rider. Revenues and expenses for the Universal Service Fund Rider have been removed from the distribution cost of service because those revenues and expenses are collected and recovered separately through the Universal Service Fund Rider approved by the Commission in case No. 20-1103-EL-USF. This adjustment is carried forward to page 1 of Schedule C-3 in column E.

Q. Could you briefly explain the purpose of Schedule C-3.3?

A. Yes. This schedule reflects an adjustment to eliminate DP&L's Legacy Generation Rider operating revenues and expenses. Legacy Generation Rider operating revenues are not part of base rates and therefore such revenues, along with the operating expenses the Legacy Generation Rider is designed to collect, should not affect the revenue requirement in this proceeding. This schedule summarizes and removes all impacts of the Legacy Generation Rider on DP&L's Test Year Operating Income. This adjustment is carried forward to page 1 of Schedule C-3 in column F.

Q. Could you briefly explain the purpose of Schedule C-3.4?

A. Yes. This schedule reflects an adjustment to eliminate DP&L's Storm Rider operating revenues and expenses. It is similar to Schedule C-3.3 in that it summarizes and removes

1 the impact a rider had on DP&L's Test Year Operating Income. DP&L's rider for prior
2 storm costs was established through Case No. 19-0662-EL-RDR. As the rider recovers
3 prior costs that are not part of base rates, it should not affect the revenue requirement in
4 this proceeding. Therefore, the effect on the revenue requirement is being eliminated
5 through this adjustment. This adjustment is carried forward to page 1 of Schedule C-3 in
6 column G.

7 **Q. Could you briefly explain the purpose of Schedule C-3.5?**

8 A. Yes. This schedule reflects an adjustment to eliminate the Energy Efficiency Rider
9 operating revenues and expenses. This is another adjustment to remove revenues and
10 expenses that are collected through a separate rider, rather than through base rates. One
11 difference, however, is that the Energy Efficiency Rider included recovery of certain
12 labor and benefits costs of employees that help administer the programs. While recovery
13 of ongoing costs through the Energy Efficiency Rider will cease December 31, 2020,
14 DP&L is proposing through this rate case proceeding to continue certain customer
15 programs that are supported in testimony by Company Witness Campbell. DP&L is
16 proposing no changes to employee headcounts in this proceeding, and that the time and
17 costs of current employees included in the Energy Efficiency Rider be recovered through
18 base rates and charges. Accordingly, I have not removed \$441,420 from Test Year
19 Operating Expenses representing such labor and benefits costs. All other components of
20 the Energy Efficiency Rider have been removed from Test Year Operating Income. This
21 adjustment is carried forward to page 1 of Schedule C-3 in column H.

22 **Q. Could you briefly explain the purpose of Schedule C-3.6?**

1 A. Yes. This schedule reflects an adjustment to eliminate all of the operating expenses
2 related to DP&L's rider for alternative energy compliance costs, which was established
3 through Case No. 08-1094-EL-SSO. As this rate is established outside the context of this
4 proceeding, and not part of base rates, the effect on the revenue requirement is being
5 eliminated through this adjustment. This adjustment is carried forward to page 2 of
6 Schedule C-3 in column C.

7 **Q. Please explain why Schedule C-3.6 does not include the removal of Alternative**
8 **Energy Rider revenues.**

9 A. As noted on Schedule C-3.6, the Alternative Energy Rider revenues are part of DP&L's
10 "Standard Offer Rate." As I explained previously, we excluded the Standard Offer Rate
11 revenues from "Distribution Revenues" on Schedule C-2.1, and in the allocation process
12 they were allocated a 0% jurisdictional rate. Consequently, DP&L's unadjusted
13 jurisdictional revenues do not include any Alternative Energy Rider revenues, so it would
14 have been inappropriate to have a pro forma adjustment to remove them.

15 **Q. Please explain why you did not include an adjustment on Schedule C-3 to eliminate**
16 **Economic Development Rider revenues.**

17 A. No adjustment was necessary as the Economic Development Rider did not have any
18 impact on the Test Year Income Statement. Economic Development Rider billings are
19 first recorded as a credit to revenues and then deferred from revenues and recorded as a
20 reduction to the regulatory asset. Likewise, the discounts given to certain customers
21 under the Economic Development Rider program are deferred out of revenues and

recorded as an increase to the regulatory asset. Consequently, there is no impact on
Schedule C-2 from the Economic Development Rider, so there is nothing to eliminate.

E. Pro Forma Schedules for Expense Items which Were Granted Regulatory Asset Treatment in the 2015 Distribution Rate Case Order

Q. Please briefly explain the purpose of Schedule C-3.9.

A. The purpose of this Schedule is to adjust the level of vegetation management expenses, including amortization of the related regulated asset, to the expected level needed to properly maintain the network when new distribution rates sought in this proceeding are implemented. This Schedule adds the expected ongoing level of vegetation management costs, sponsored by Company Witness Vest, to the amortization of the expected vegetation management regulatory asset as of December 31, 2020 (based on a three-year amortization period). The sum of these numbers is the expected level of future vegetation management expense under new distribution rates. From this amount, I subtract the level of expense in the Test Year to derive the increase needed to adjust the Test Year level of expense to the ongoing future level of expense. This adjustment is carried forward to page 2 of Schedule C-3 in column F.

Q. Why did DP&L record the vegetation management regulatory asset that you are now proposing to amortize into Test Year Operating Expenses?

A. In the 2015 Distribution Rate Case, the Stipulation and Recommendation that was approved by the PUCO stated on page 5: "The Signatory Parties agree that DP&L is authorized to defer as a regulatory asset, for future recovery, with no carrying costs, annual expenses for vegetation management performed by third-party vendors as follows: for calendar year 2018 annual expenses which are incremental to the baseline of \$10.7

1 million, subject to a \$4.6 million annual cap, and for calendar year 2019 and thereafter
2 annual expenses which are incremental to the Test Year expenses of \$15.7 million,
3 subject to a \$4.6 million annual cap." The regulatory asset was recorded in accordance
4 with those terms.

5 **Q. How did the Company estimate the regulatory asset amount that you are projecting**
6 **for December 31, 2020?**

7 A. Based on past experience and current spending levels, DP&L expects to record a
8 regulatory asset for calendar year 2020 of \$4.6 million. Through October 31, 2020,
9 deferrals for calendar year 2020 total \$3.3 million, which is equal to spending of \$16.4
10 million, less ten-twelfths (10/12) of the 2020 baseline of \$15.7 million. The level of
11 amortization approved in this proceeding will be recorded as a reduction against the
12 regulatory asset, on a monthly basis, once new distribution rates are implemented.
13 Consequently, if the amount deferred through December 31, 2020 ends up being lower
14 than \$4.6 million, that differential will be trued up in the Company's next distribution rate
15 case proceeding.

16 **Pro Forma Schedules to Adjust Labor and Benefits Expenses**

17 **Q. Please describe the adjustments to the Company's Labor and Benefits Expenses in**
18 **this proceeding.**

19 A. My goals for the labor and benefits adjustments in this proceeding were to make them
20 supportable and easy to follow. To that end, the only pro forma adjustments the Company
21 is proposing for labor and benefits are those necessary to: (i) annualize the impacts of the
22 annual base pay increases that are expected to be implemented before the end of the Test

1 Year; (ii) normalize health care costs to exclude the impacts of the COVID-19 pandemic;
2 and (iii) update jurisdictional pension and OPEB expense to the 2021 jurisdictional level
3 based upon the 2020 certified actuarial report that will be available in February 2021.

4 **Q. Is the information needed to update jurisdictional pension expense available?**

5 A. No. The Company expects to have the updated actuarial pension assessment in February
6 2021. When that information is available, the Company will provide it and a calculation
7 of the jurisdictional pension expense, upon request, to the PUCO Staff for use in their
8 calculations. In addition, when the Company responds to the PUCO Staff report, our
9 revised revenue requirement will include any adjustments necessary to reflect changes in
10 pension and OPEB expense. This is the same way pension expense was handled in the
11 2015 Distribution Rate Case (described in the direct testimony of Company Witness
12 Kunz in that proceeding). We believe this is the best approach, because it adjusts pension
13 expense to the most up-to-date information and pension expense can vary significantly
14 from year-to-year.

15 **Q. Please briefly explain the purpose of Schedule C-3.12 – Annualize AES Services**
16 **Labor, Benefits and Payroll Taxes.**

17 A. This Schedule relates to labor, FICA taxes and benefits expenses of AES Services, which
18 is a service company providing labor support to DP&L. This schedule increases labor,
19 benefits and FICA taxes for the estimated impact of an expected 3% base labor increase
20 to be effective January 1, 2021, which is during the Test Year, and to normalize medical
21 claims and prescription drug expenses to eliminate the impacts of the COVID-19
22 pandemic.

1 **Q. What is included in your supporting Workpaper C-3.12a?**

2 A. Workpaper C-3.12a shows the Test Year monthly amounts of labor and benefits and
3 FICA taxes for both total Company and jurisdictional (distribution) portion. Column Q of
4 Workpaper C-3.12a adds 100% of the salaries, wages and short-term compensation
5 expenses in the months of January 2021 through May 2021 (the portion after the expected
6 annual 3% pay increase) to 103% of the expenses from June 2020 through December
7 2020. This method appropriately annualizes the expected 3% annual pay increase to the
8 full Test Year. Additionally, since 401(k) and long-term compensation expenses are
9 based off of a percentage of salaries and wages, they were also increased using the same
10 formulaic method to annualize the expected January 1, 2021 pay increase. Finally, the
11 FICA portion of payroll taxes were increased to be the same percentage of wages after
12 the pro forma adjustment as they were before the pro forma adjustment. This percentage
13 (6.9%) is less than the statutory FICA rate (7.65%) due to a portion of employees FICA
14 pay going above the social security tax taxable threshold. Pension expense is presented
15 on Workpaper C-3.12a, but as I mentioned previously, pension and OPEB will be
16 adjusted later, when the 2020 certified actuarial report becomes available.

17 **Q. Please continue by explaining what is included in your supporting Workpaper C-**
18 **3.12b.**

19 A. Workpaper C-3.12b illustrates the medical claims expense and prescriptions drug costs
20 experienced in the Test Year and the calculations to annualize such cost, based on past
21 experience, to eliminate the impacts of the COVID-19 pandemic. I first calculated the
22 average cost in calendar year 2019 per employee (Lines 4-7) and multiplied that by the
23 number of employees at September 1, 2020 to get the expected 2020 cost (excluding the

1 impact of the pandemic) at 2019 prices (Line 8). I then grossed that amount up by 4.9%
2 to reflect expected medical claims expense increases in 2020 as compared to 2019, which
3 was based upon a survey provided to the Company by its health care claims administrator
4 (Lines 9 and 10). I then used current allocation percentages provided to me by Company
5 Witness Whitehead to calculate the DP&L portion of AES Services health care costs
6 (Line 12) and the distribution portion of DP&L health care costs (Line 14).

7 This total calculated jurisdictional expense for medical claims and prescription drugs was
8 compared to the level of such expense in the Test Years and the difference was an
9 increase of \$213,629 or 17.4%. Such amount is carried forward to Schedule 3.12, line 17,
10 column G.

11 The combined impacts on the Test Year of the expected AES Services employee raises
12 and normalization of health care costs are reflected on Schedule C-3.13, where the
13 jurisdictional portion is calculated using allocation factors supplied by Company Witness
14 Whitehead. The jurisdictional portion is then carried forward to Schedule C-3, Page 3 of
15 5, column C.

16 **Q. Please briefly explain the purpose of Schedule C-3.13 – Annualize DP&L Labor and**
17 **Payroll Taxes.**

18 **A.** The adjustment in this schedule is similar to the labor and FICA taxes adjustments
19 presented on Schedule C-3.12, except that it is for DP&L employees, rather than AES
20 Services employees. The supporting workpapers are split between nonunion employees
21 (Workpaper C-3.13a) and union employees (Workpaper C-3.13b), because the expected
22 annual pay increase will be effective at different dates. Workpaper C-3.13a illustrates the

1 total company and jurisdictional monthly Test Year labor and FICA tax expenses for
2 DP&L **nonunion** employees and the calculation to annualize the expected 3% increase in
3 base pay that is expected to be effective January 1, 2021. The method I used to annualize
4 the 3% increase is the same as I explained for Workpaper 3.12a. As was done with the
5 AES Services Employees, this pay increase is also applied to FICA taxes and short-term
6 compensation as they are both based off base pay.

7 Workpaper C-3.13b illustrates the total company and jurisdictional monthly Test Year
8 labor and FICA tax expenses for DP&L **union** employees and the calculation to
9 annualize the expected 3% increase in base pay that is expected to be effective December
10 1, 2020. It is prepared in the same format and annualized in the same manner as
11 Workpaper C-3.13a, other than the fact that the 3% increase is not applied to December
12 2020, because the raise is expected to take place on December 1, 2020. Again, this pay
13 increase is also applied to FICA taxes, but is not applicable to short-term compensation
14 as union employees are not eligible for short-term compensation.

15 The combined impacts on the Test Year of the expected DP&L union and nonunion
16 employee raises are reflected on Schedule C-3.13, where the jurisdictional portion is
17 calculated using allocation factors supplied by Company Witness Whitehead. The
18 jurisdictional portion is then carried forward to Schedule C-3, Page 3 of 5, column D.

19 **Q. Please briefly explain the purpose of Schedule C-3.14 – Annualize Employee**
20 **Benefits Expense.**

21 A. This Schedule includes (i) the impacts on 401k and long-term compensation expense
22 from the expected DP&L employee annual pay increase, and (ii) the normalization of

1 DP&L employee health care and prescription drug expenses to eliminate the impacts of
2 the COVID-19 pandemic. Workpaper C-3.14a illustrates the monthly Test Year DP&L
3 employee benefits expense in the same manner as was done for labor on Workpaper C-
4 3.12a, which I described previously covering AES Services employees. As I described
5 previously, Pension and OPEB costs have not yet been adjusted as we are awaiting the
6 2020 certified actuarial report to make those adjustments. The adjustments on Workpaper
7 C-3.12a add 103% of the 401k and long-term compensation expense for June 2020
8 through December 2020 to 100% of such costs for January 2021 through April 2021 to
9 annualize the expected 3% pay increase to be effective January 1, 2021.

10 **Q. Please continue by explaining what is reflected on Workpaper C-3.14b.**

11 A. Workpaper C-3.14b normalizes DP&L employee health care and prescription drug
12 expenses to eliminate the impacts of the COVID-19 pandemic in the same manner as was
13 done on Workpaper C-3.12b, which covered AES Services Employees. Again, I
14 calculated the cost per employee in 2019, multiplied that by the number of DP&L
15 employees at September 1, 2020, grossed that amount up for the expected annual increase
16 in health care costs as provided by the Company's plan administrator, and then calculated
17 the jurisdictional portion of such costs based upon an allocation percentage provided by
18 Company Witness Whitehead.

19 **Q. How are the Test Year cost increases you are proposing included in the revenue**
20 **requirement in this proceeding?**

21 A. The DP&L employee health care and prescription drug cost increase from Workpaper C-
22 3.14a is combined with the DP&L employee benefits cost increase reflected on

1 Workpaper C-3.14b and the result is reflected, by FERC account, on Schedule C-3.14.

2 Schedule C-3.14 uses allocation factors provided by Company Witness Whitehead to
3 determine the jurisdictional portion of the necessary cost increase to determine the
4 amount needed to adjust Test Year expenses to the appropriate amount to reflect the
5 ongoing level of such costs necessary to serve DP&L's ratepayers.

6 **F. Other Miscellaneous Pro Forma Schedules**

7 **Q. Could you briefly explain the purpose of Schedule C-3.17?**

8 A. The adjustment in that schedule reflects the addition to rate case expense necessary to
9 incorporate recovery of the expenses incurred in this proceeding and a reduction in
10 expenses for recovering the remaining expenses from the 2015 Distribution Rate Case.
11 Schedule C-3.17 adds together and then divides by three: (i) the itemized expenses for
12 this proceeding illustrated on the top half of Schedule C-8, line 19, column C; and (ii) the
13 expected remaining expenses from the 2015 Distribution Rate Case. The expected
14 remaining expenses from the 2015 Distribution Rate Case are derived by taking the
15 "Total Expense to be Amortized" from the "Most Recent" case shown on the bottom half
16 of Schedule C-8, line 3, column C and subtracting the "Amount Amortized/Expensed to
17 Date" on Line 3, column F. Such amount represents the unamortized balance of the 2015
18 Rate Case expense regulatory asset at the date new distribution rates for this proceeding
19 are expected to be implemented. This annual expense estimate is then carried forward to
20 Schedule C-3, Page 3, column H, line 14.

21 **Q. Could you briefly explain the purpose of Schedule C-3.20?**

22 A. The adjustment in this schedule removes image building advertising costs that were
23 included in operating expenses during the Test Year.

1 **Q. Please discuss how you determined and removed image building advertising from**
2 **the Company's advertising expense.**

3 A. The Company uses different FERC accounts to separate image building advertising from
4 instructional and safety advertising. Account 930.1 – General Advertising Expense is
5 used for image building and 909.1 – Information and Instructional Advertising Expense
6 is used for instruction and safety advertising. Consequently, the adjustment on Schedule
7 C-3.19 removes all advertising included in FERC account 930.1. This adjustment is
8 carried forward to page 4 of Schedule C-3 in column E.

9 **Q. Please briefly explain the purpose of Schedule C-3.22 - Eliminate Company Use**
10 **Credit.**

11 A. Schedule C-3.22 eliminates the jurisdictional portion of the company use credit from the
12 test year. As the Company's facilities (such as DP&L's headquarters and its service
13 buildings) use electricity in the course of business, the cost of this use is distributed to the
14 various areas within the Company. This cost is then allocated to various FERC expense
15 accounts, with an offsetting credit to expense in FERC account 929. As the cost of
16 powering DP&L's facilities is a necessary cost of business, the jurisdictional portion of
17 this cost should be recoverable through base rates. Therefore, the jurisdictional portion of
18 the offsetting credit must be eliminated. This jurisdictional adjustment results in an
19 increase of \$655,274 in O&M expense in the test year, which is carried forward to
20 Schedule C-3, Page 4, Line 14, column G.

21 **Q. Turning to Schedule C-3.23 Amortization of Regulatory Asset, please explain the**
22 **basis and purpose of this schedule.**

1 A. In 2017, DP&L was granted a Distribution Investment Rider ("DIR") as part of the
2 Amended Stipulation and Recommendation approved in the Electric Security Plan Case
3 No(s): 16-0395-EL-SSO, 16-0396-EL-ATA, 16-0397-EL-AAM. While that rider was in
4 place, DP&L incurred audit costs related to its quarterly DIR filings and deferred them
5 for future recovery. In this proceeding, DP&L proposes to amortize such costs into base
6 rates and charges over a three-year amortization period. Schedule C-3.23, as supported by
7 Workpaper C-3.23, shows the audit costs were \$63,904 and the amortization is \$21,301.
8 Such amount is carried forward to Schedule C-3, Page 4, Line 14, column H.

9 **Q. Why should DP&L be allowed to recover the DIR audit costs?**

10 A. DP&L incurred the audit costs in accordance with a Staff Report jointly prepared by the
11 PUCO Staff's Rates & Analysis Department and Service Monitoring and Enforcement
12 Department, filed March 12, 2018 in Case No(s). 15-1830-EL-AIR. The fourth full
13 paragraph on page 9 of such report directed that an annual compliance audit be conducted
14 by Staff, or under the direction of Staff in the event an independent auditor is employed
15 to conduct the audit, and that costs associated with it would be recoverable.

16 **Q. Turning to Schedule C-3.25 Customer Programs, please explain the basis and**
17 **purpose of this Schedule.**

18 A. As explained by Company Witness Campbell, the Company believes an important part of
19 providing safe, reliable electric service to its customers is helping those customers use
20 electricity efficiently to reduce overall energy cost. These costs are not in addition to
21 existing Energy Efficiency costs, but rather a reduced level of the costs incurred in the
22 test year. Company Witness Campbell supports the necessity of Customer Programs and
23 what the costs represent. Schedule C-3.25 is a summary, by FERC account, of the detail

of costs presented on Workpaper C-3.25. All of such costs represent jurisdictional expenses to support efficient electric usage by DP&L's distribution customers. The total Customer Program cost is carried forward to page 5 of Schedule C-3, line 13, column D.

G. Required Informational Schedules

Q. What is shown on Schedules C-5?

A. Schedule C-5 provides a detailed schedule of any social or service club dues included in the test year. This information is required by OAC, Chapter 4901-7, Section C Instructions, Part D (3).

Q. What is shown on Schedules C-6?

A. Schedule C-6 details any charitable expenses included in the test year. This is information is also required by OAC, Chapter 4901-7, Section C Instructions, Part D (3). As no charitable expenses were included in the test year adjusted jurisdictional operating expenses, this schedule is not applicable.

Q. What is shown on Schedule C-8?

A. Schedule C-8 shows the itemized expenses incurred in presenting this rate case. This information is required by OAC, Chapter 4901-7, Section C Instructions, Part D (5). The top half of the schedule compares the estimated expenses for this case to those of the two prior distribution rate cases. The bottom half shows the amortization of prior rate case expense, if this information is available to the Company. As displayed in the schedule, DP&L is continuing to amortize rate case expenses from the 2015 Distribution Rate Case and that amortization is included in the unadjusted test year expense. Also, as I stated previously, DP&L proposes to defer the rate case expenses associated with this

1 proceeding and amortize them over a three-year period, along with the projected
2 remaining balance of unamortized rate case expenses from the Company's most recent
3 distribution rate case, as shown in the adjustment on Schedule C-3.17.

4 **Q. What is the source of the information shown on the above adjustment schedules?**

5 A. The information on these schedules was developed from accounting records and budget
6 estimates.

7 **Q. Was the method that you used to prepare the above adjustment schedules**
8 **reasonable?**

9 A. Yes, the adjustments are reasonable because these schedules appropriately adjust the test
10 year to include only the expenses that are properly recovered through base distribution
11 rates. As discussed above, the source of the information used in these adjustments is
12 DP&L's books and records. These booked amounts have been further reviewed for
13 accuracy and reasonableness for purposes of this proceeding and any necessary
14 adjustments have been made. Each of the adjustments that I propose are (i) necessary in
15 order to reflect, on a normalized and annualized basis, changes in operating conditions on
16 DP&L's distribution system which are not fully reflected in the Test Year operating
17 results, and (ii) limited to the jurisdictional portion needed to properly reflect the pro
18 forma operating income at present rates. If the respective adjustments are not made, the
19 pro forma net utility jurisdictional operating income at present rates would not represent
20 an appropriate basis upon which to establish new rates in this case. Therefore, the results
21 of these adjustments are appropriate for the purpose of establishing just and reasonable
22 base rates for the continued provision of safe and reliable electric utility service.

1 **IV. CONCLUSION**

2 **Q. Does that conclude your direct testimony?**

3 **A. Yes.**

4 1467531.1

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA

DIRECT TESTIMONY
OF CLAIRE E. HALE

- ☐ **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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I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. I am employed by AES US Services, LLC as Senior Analyst, Financial Planning and Analysis ("FP&A") in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with responsibilities for The Dayton Power & Light Company ("DP&L" or "Company") and other AES businesses.

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

A. Yes. I received a Bachelor of Science degree in Mathematics from The Ohio State University in June 2008. I assumed my present position in June 2017, initially supporting certain AES US clean energy assets and then transferring to support DP&L in July 2018. Prior to my role in FP&A, I was a rate analyst for DP&L in the Regulatory Department from January 2011 to June 2017. Before joining DP&L, I was a Technical Analyst at Accenture, where I worked on the Service Oriented Architecture Team providing client support on middleware applications.

Q. What are your responsibilities in your current position?

A. In my current position, I am responsible for long and short-term forecasts, analysis on actual financial performance to forecast and budget, and economic and financial analysis support for both DPL Inc. and its subsidiary DP&L.

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

3 A. Yes. I sponsored testimony before the PUCO in the Company's previous distribution rate
4 case, Case No. 15-1830-EL-AIR. I also sponsored testimony in DP&L's Standard
5 Service Offer cases, Case Nos. 12-0426-EL-SSO and 16-0395-EL-SSO.

6 **II. PURPOSE OF TESTIMONY**

7 **Q. What are the purposes of your testimony in this proceeding?**

8 A. The purposes of my testimony are to explain and support the projected data included in
9 the schedules and support certain adjustments to the test year operating income. I am
10 sponsoring the projected data on all the applicable schedules in the B and C Sections,
11 including the following schedules:

- 12 • Schedule B-5.1, page 2 and 3
- 13 • Schedule C-2.1
- 14 • Schedule C-3 and all the supporting adjustment schedules that include projected data
- 15 • Schedule C-7
- 16 • Schedules C-11.1 through C-11.4

17 **Q. Were the schedules or portions of the schedules that you are sponsoring prepared or**
18 **assembled by you or under your direction or supervision?**

19 A. Yes.

20 **Q. Did you sponsor any workpapers?**

21 A. Yes. I am sponsoring the projected data on the workpapers supporting the schedules
22 listed above, namely:

- 1 • Workpapers B-5.1b-f
- 2 • Workpapers C-2.1, applicable C-3 adjustment schedules, C-7, and C-11.1 through C-
- 3 11.3

4 **Q. How is your testimony related to the testimony of Company Witness Amore on the**
5 **subject of forecasting data?**

6 A. I sponsor the calculations and support for the projected information contained in the
7 Schedule B section and Schedule C section. Company Witness Amore is supporting
8 Supplemental Filing Requirements S-1 and S-2 and the overall forecast methodology that
9 I use in the schedules.

10 **III. FORECASTED WORKING CAPITAL**

11 **Q. What Working Capital information are you supporting?**

12 A. I am supporting the forecasted months (September 2020 through May 2021) of the
13 thirteen-month average balances on Schedule B-5.1, pages 2 and 3. Please see Company
14 Witness Forestal's testimony for a description of the content of these schedules.

15 **Q. Can you give a brief description of the process used to develop the forecasted**
16 **information presented in Schedules B-5, page 2 and Schedule B-5.1, pages 2 and 3?**

17 A. Yes. In the normal course of business, the Company does not project changes in its
18 distribution related material and supplies or prepayment balances. Therefore, in order to
19 develop reasonable estimates of the monthly balances during the forecasted months, I
20 used average historical actual results of materials and supplies. For the majority of
21 prepayments, the balances were forecasted using known prepaid amortization periods.
22 Historical results were used to forecast the portion of prepayments that did not have

specific prepayment schedules. Finally, labor, paid time off, and bonus accruals were forecasted using historical trends and forecasted bonus expense and payments.

IV. FORECASTED INCOME STATEMENT

Q. Can you give a brief description of the process used to develop the forecasted information presented in the schedules and workpapers?

A. Yes. The forecasted income statement presented in the schedules was developed consistent with the methodology used by the Company in preparing its normal operating forecast and budget, as described by Company Witness Amore. The one exception being, in some cases, the level of detail required in this filing is greater than what is typically prepared for our budget. The process used to establish this greater level of detail was similar to and consistent with our typical budgeting and forecasting practices, which include discussions with information owners and review of historical information and trends.

Q. When was the forecast prepared?

A. The forecasted data (September 2020 through May 2021) uses the August forecast, which represents the most recently available information for the months included in the test year at the time the filing was prepared.

Q. Please discuss the Company's test year projections for revenue.

A. The major components of operating revenue include distribution revenues, other retail revenues, sales for resale, revenues from the transmission of electricity of others and other operating revenue. Total revenues are projected to be \$0.72B in the test year

1 compared to \$0.78B in 2019. The change from the actual period is primarily due to
2 lower retail revenues due to the reversion from ESP III to ESP I.

3 **Q. Please discuss the other operating revenue included in the forecast.**

4 A. Other operating revenue includes forfeited discounts, miscellaneous service revenues,
5 rental income and other electric revenue. Other operating revenues are projected to be
6 \$14.3M in the test year compared to \$13.7M in 2019. The change from the actual period
7 is primarily due to higher Wright Patterson Air Force Base ("WPAFB") revenues.

8 **Q. Please discuss the Company's test year projections for Operations and Maintenance**
9 **("O&M").**

10 A. As described by Company Witness Amore, the Company's budget is compiled by cost
11 center (e.g., department) and is a "bottom up" approach to forecasting that requires input
12 and assumptions from a variety of areas within the Company. Each cost center leader is
13 responsible for its budgeted costs. For better control of costs, O&M is not managed or
14 reviewed by O&M Federal Energy Regulatory Commission ("FERC") account, but rather
15 by cost center. Therefore, in order to create the most accurate O&M forecast by FERC
16 account as prescribed in the Standard Filing Requirements, I allocated budgeted O&M to
17 FERC accounts consistent with the distribution of O&M expenses reported in the 2018
18 and 2019 FERC Form 1 to create the forecasted O&M by account in Workpaper C-2.1,
19 which is then added to the actual results and ultimately feeds into Schedule C-2.1.

20 **Q. Did you identify any projected costs by FERC account?**

21 A. Yes, in some instances underlying information for a specific FERC account was available
22 in the Company's budget and therefore was utilized in the schedules. For example, the

1 uncollectible expense budget is provided separately so FERC account 904 on Workpaper
2 C-2.1 contains those direct budgeted costs.

3 The forecast for image building advertising expense was specifically identified and
4 removed from the test year on Schedule C-3.20 via FERC account 930.1 on Workpaper
5 C-2.1. The forecast for non-jurisdictional revenue and expense associated with WPAFB,
6 which was excluded from the test year on Schedule C-3.19, includes the specific
7 budgeted data for those adjustments.

8 **Q. Please discuss the Company's test year projections for labor, benefits, and**
9 **allocations.**

10 A. The Company's "bottom up" budget includes a build-up of labor expense by cost center
11 for each position. This labor is either direct at DP&L or incurred at AES Services on
12 behalf of DP&L. The labor that originates at AES US Services is identified by a WBS
13 number (discussed in more detail in Company Witness Donlon's testimony) that
14 determines the allocation to DP&L in total as well as to DP&L's distribution business.
15 The distribution portion of direct DP&L labor is identified by the cost center, and in some
16 cases, DP&L's cost allocation manual. Forecasted pension expense is provided by
17 Mercer, while other benefits and people costs such as healthcare, 401K, long-term
18 compensation, and payroll taxes are provided by the Company's human resources
19 department. Benefit expenses follow the labor allocations to DP&L and DP&L
20 distribution. These methods and sources for labor and benefits allow the projections to
21 match the actual labor and benefit process as closely as possible.

22 **Q. Have you reviewed the level of projected O&M expenses for reasonableness?**

1 A. Yes. I compared the projected level of total O&M expenses to 2019 actual results as
2 shown below. Total O&M is projected to be \$425M in the test year compared to \$438M
3 in 2019. The changes are primarily due to:

- 4 1) Lower Power Production Operations of \$28.9M, due to lower costs to serve
5 Standard Service Offer customers.
- 6 2) Increase in Transmission Operations of \$14.8M, primarily due to higher
7 Transmission Cost Recovery Rider – Non-bypassable costs, driven by a reduction
8 in an RTEP credit to customers.
- 9 3) Increase in Customer Accounts of \$7.9M, due to higher Universal Service Fund
10 expense.
- 11 4) Decrease in Customer Service and Information of \$12.3M, due to the reduction in
12 DP&L's current energy efficiency costs in 2021, as described by Company
13 Witness Campbell.

14 **Q. Does the test year forecast include COVID-19 related expenses or savings?**

15 A. No. The base forecast does include some additional COVID-19 expenses (such as credit
16 card fees), savings (such as travel or training), and foregone revenues. However, as
17 described by Company Witness Donlon, these COVID-19 related items are deferred in
18 the forecasted O&M and revenue. This deferral has the effect of normalizing the net
19 operating income in the test year so that it includes no impact from COVID-19.

20 **Q. Please discuss the Company's test year projection for distribution plant depreciation**
21 **expense.**

22 A. The Company's test year projection for distribution plant depreciation expense is \$61.7M,
23 which is reasonable when compared to distribution plant depreciation expense of \$63.8M

1 calculated using plant in service at the date certain. Annualized test year distribution
2 plant depreciation expense is shown on Schedule C-3.15 and supported by Company
3 Witness Perrin.

4 **Q. Please discuss the Company's test year projections for Taxes Other than Income**
5 **Taxes.**

6 A. The major components of Taxes Other than Income Taxes included in the forecast are
7 property taxes, revenue taxes and payroll taxes. The projected test year expenses are
8 \$138.5M compared to 2019 actual expense of \$126.8M. The changes are primarily due
9 to higher state excise taxes and property taxes.

10 **Q. Please discuss the Company's test year projections for Income Taxes.**

11 A. The major components of Income Taxes included in the forecast are state income taxes,
12 local income taxes, and federal income taxes (both current and deferred). The projected
13 test year expenses are \$11.9M compared to 2019 actual expense of \$17.6M. The
14 difference is primarily due to lower pre-tax book income. The calculation of test year
15 income taxes is further supported by Company Witness Salatto.

16 **Q. Does the forecast include the amortization of regulatory assets that the Company is**
17 **seeking to collect in this case?**

18 A. No. Company Witness Forestal supports the Company's request for recovery and
19 amortization of certain regulatory assets through base rates.

20 **Q. Does the forecast include the revenues and expenses associated with any of the**
21 **riders proposed by the Company?**

1 A. Yes, the Company's forecast does contain revenues and expenses associated with
2 significant riders. However, most of these values were removed from DP&L's Adjusted
3 Jurisdictional Net Operating Income via adjustments summarized on Schedule C-3.

4 **V. SCHEDULE C – OPERATING INCOME**

5 **Q. Please describe Schedule C-2.1.**

6 A. As noted above, Schedule C-2.1 summarizes the monthly test year data shown on
7 Workpaper C-2.1. I sponsor the projected portion of the test year operating income
8 statement. Please see Company Witness Forestal's testimony for a description of the
9 content of this schedule.

10 **Q. Please describe the forecast methodology used in Schedule C-2.1, Schedule C-3**
11 **adjustments and Schedule C-10.2.**

12 A. The forecast methodology for Schedule C-3 adjustments and Schedule C-10.2 is
13 consistent with the overall forecast methodology described above to develop the
14 forecasted income statement shown on Schedule C-2.1. In most instances the projected
15 information on the Schedule C-3 adjustments and Schedule C-10.2 comes from
16 Workpaper C-2.1.

17 **Q. Please describe Schedule C-7.**

18 A. Schedule C-7 presents Customer Service and Informational, Sales, and General Expense
19 for the test period separated into labor and non-labor. Total FERC account information
20 for the forecasted months is from Schedule C-2.1. The classification between labor and
21 non-labor of the forecasted data for September 2020 through May 2021 is based on the
22 actual months of April 2019 through March 2020.

1 **Q. Please describe Schedules C-11.1 through C-11.4.**

2 A. Schedules C-11.1 through C-11.4 represent the electric revenues and sales statistics for
3 DP&L and the jurisdictional revenues and sales in these proceedings. The years 2015
4 through 2019 are based on actual data, which is sponsored by Company Witness
5 Riethmiller. I am sponsoring the nine projected months in the test year ending May 2021
6 along with years 2020 through 2024. Schedule C-11.1 reflects all dollars billed to
7 customers and Schedule C-11.2 reflects only jurisdictional dollars billed to customers.
8 Sales on Schedules C-11.3 and C-11.4 are the same distribution level sales, as all kWh
9 sales to customers are to distribution customers.

10 **VI. CONCLUSION**

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

12 A. Yes, it does.

13 1467542.1

14

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

**CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA**

**DIRECT TESTIMONY
OF DUSTIN J. ILLYES**

- ☐ **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
DUSTIN J. ILLYES**

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

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Dustin J. Illyes. My business address is One Monument Circle, Indianapolis, IN 46204.

Q. What is your position and professional relationship with The Dayton Power & Light Company?

A. I am employed by AES US Services, LLC as Manager, Corporate Finance in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with responsibilities for The Dayton Power & Light Company ("DP&L" or "Company") and other AES businesses.

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

A. I have been the Manager, Corporate Finance since April 2018.

Q. What are your responsibilities in your current position?

A. In my current position, I report to the Chief Financial Officer of the U.S. SBU, which includes DP&L. I have direct responsibility and oversight for treasury related activities of DP&L and other AES companies, including but not limited to capital markets financing activity, investor relations, management of communications with rating agencies, and maintaining banking relationships.

Q. Please describe your educational and business background?

A. I received a Bachelor of Science degree in Finance from Indiana University in May 2007. I also received a Master of Business Administration degree in Finance from Indiana

1 University in May 2015. From 2007-2009, I worked for The Bank of New York Mellon
2 as a trust associate within their collateralized debt obligation group. From 2009-2015, I
3 was an asset manager for PNC Bank in its commercial banking department. In 2015, I
4 joined AES as a senior analyst within the treasury department focusing on the corporate
5 finance efforts of AES' United States affiliates. In April 2018, I was promoted to my
6 current role.

7 **II. PURPOSE OF TESTIMONY**

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

9 A. The purpose of this testimony and the accompanying schedules and workpapers is to
10 present and support the Company's current capital structure and weighted average cost of
11 capital ("WACC"), as well as the Company's credit ratings.

12 **Q. What schedules and workpapers are you supporting?**

13 A. I am sponsoring or co-sponsoring the following schedules:

- 14 • Schedules D-1, and D-1.1
- 15 • Schedule D-2
- 16 • Schedules D-3
- 17 • Schedule D-4

18 In addition, I am supporting the following workpapers:

- 19 • Workpapers D-3.1
- 20 • Workpapers D-3.2
- 21 • Workpapers D-3.3
- 22 • Workpapers D-3.4a

III. CAPITAL STRUCTURE

Q. What is the Dayton Power & Light's capital structure as of the date certain of this filing?

A. Schedule D-1 includes DP&L's actual capitalization as of the June 30, 2020 date certain. The capital structure consists of 46.13% long term debt and 53.87% common equity.

Q. Is the current capital structure consistent with DP&L's expected long-term capital structure?

A. Yes, this capital structure is consistent with the Company's long-term targeted capital structure.

Q. Could DP&L's actual capital structure vary over time?

A. Yes. The specific debt to equity ratio will vary over time, depending on numerous factors, including, among other things, the timing and size of capital investments and earnings. While the capital structure could vary from time to time, it is DP&L's intent to target a capital structure of 46% long-term debt and 54% common equity over the long-term.

IV. COST OF CAPITAL

Q. What is DP&L's proposed cost of capital?

A. As shown in Schedule D-1, DP&L's proposed WACC is 7.71%.

Q. What are the components of the DP&L's proposed cost of capital?

A. Schedule D-1 shows how this calculation is derived. This schedule computes the total cost of capital for DP&L, by utilizing as inputs: (a) the Cost of Common Equity ("CoE"), (b) the Cost of Preferred Equity ("CoPE") and (c) the Cost of Long-Term Debt ("CoD").

1 DP&L's WACC is then calculated by taking the cost of each capital component
2 multiplied by its proportional weight and then summing those percentages. As explained
3 in more detail below, each of the CoE, CoPE and CoD is defined separately.

4 **Q. What is the basis for the return on equity rate of 10.5% as shown on Schedule D-1?**

5 A. Company Witness McKenzie is supporting and explains the derivation of the 10.5% cost
6 of common equity in his direct testimony.

7 **Q. What is the embedded (actual) cost of preferred equity of the Company as of the**
8 **date certain?**

9 A. As shown on Schedules D-1 and D-4, the cost of DP&L's preferred equity is 0.00%
10 because DP&L no longer has any preferred stock outstanding.

11 **Q. What is the embedded (actual) cost of debt of the Company during the test year?**

12 A. As shown on Schedule D-1 (and supported by Schedule D-3), DP&L's actual embedded
13 CoD is 4.44%, which is calculated by taking (1) the Company's annual interest charges
14 on each series of fixed or floating rate debt (adjusted for annual amortization of issue
15 expenses, discounts and/or premiums and gains and losses on reacquired debt), divided
16 by (2) the carrying value of the Company's debt (adjusted for unamortized discounts
17 and/or premiums, debt/issue expenses and gains and/or losses on reacquired debt).

18 **Q. What is the source of the data included on these schedules which you support?**

19 A. All the data used to calculate DP&L's cost of capital comes from DP&L's books and
20 records, apart from the return on equity percentage that is supported by Company
21 Witness McKenzie.

1 **Q. Where there any amounts of DP&L long term debt that you excluded from the**
2 **calculation of the embedded cost of debt presented on Schedule D-1 (and supported**
3 **by Schedule D-3)? If so, please explain why.**

4 A. Yes. As shown on Schedule D-3, DP&L has an \$18.0 million loan supporting its
5 purchase of the Wright Patterson Air Force Base ("WPAFB") distribution equipment. As
6 described by Company Witnesses Donlon, Forestal and Perrin, this equipment is not
7 included in DP&L's rate base for this proceeding because the use of the equipment is paid
8 for by WPAFB separate from its rate for basic electric service. Accordingly, such
9 equipment, the related revenues, and the debt to purchase the equipment are treated as
10 non-jurisdictional for the purpose of this proceeding. No other long-term debt of DP&L
11 was excluded from Schedule D-1 (or Schedule D-3) for the purposes of calculating the
12 embedded cost of debt.

13 **Q. Should there be any pro forma adjustments made to the Company's embedded cost**
14 **of debt?**

15 A. No. DP&L's current capital structure is consistent with the Company's expectations
16 related to its long-term capital structure. DP&L recently refinanced both pieces of its
17 jurisdictional long-term debt within the past 18 months – two instruments that do not
18 mature until 2040 and 2049, respectively.

19 **V. CREDIT RATINGS**

20 **Q. What are credit ratings and what is an investment grade rating?**

21 A. Credit ratings reflect a third-party agency's independent judgement of a Company's credit
22 worthiness and its ability to meet its financial obligations to its creditors. Credit
23 committees at each agency determine the ratings of a company based on a set of defined

1 qualitative and quantitative measures. These factors are designed to assess the financial
2 and business risk of a company and/or specific debt instruments. Both Fitch Ratings
3 ("Fitch") and Standard & Poor's ("S&P") define investment grade as any rating equal to
4 or greater than "BBB-," while Moody's Investor Services ("Moody's") defines investment
5 grade as any rating equal to or greater than "Baa3." Anything below those ratings would
6 fall into the non-investment grade category. An assessment of the Company's credit
7 worthiness is performed by each of the three major credit rating agencies, Fitch, Moody's,
8 and S&P, resulting in the credit ratings of DP&L.

9 Fitch and S&P may also modify its ratings with the use of a plus or minus sign to further
10 indicate the relative standing within a major rating category. A "BBB+" credit rating is at
11 the higher end of the "BBB" credit rating category and a "BBB-" is at the low end of the
12 category. Moody's credit rating assignments use the numbers "1", "2" and "3", with the
13 numbers "1" and "3" equivalent to a "+" and "- ", respectively. For example, Moody's
14 credit ratings of "Ba2" and "Ba3" would be equivalent to "BBB" and "BBB-" credit
15 ratings at Fitch and S&P, respectively.

16 The ratings outlook assesses the potential direction of a long-term credit rating over an
17 intermediate term (typically six months to two years). DP&L's "Negative" outlook at
18 Fitch and Moody's means that those credit ratings could be subject to downgrades within
19 the next 6 months to two years. S&P currently has DP&L's outlook as developing,
20 meaning the rating could be subject to upward movement within the next 6 months to two
21 years or could be subject to no change from the current rating.

22 **Q. What are DP&L's credit ratings as of the date certain?**

A. The table below shows the ratings currently assigned to DP&L by the three major credit rating agencies as of the date certain.

Rating Agency	Fitch	Moody's	S&P
Issuer / Corporate Credit Rating	BBB-	Baa2	BB
Senior Secured Debt Rating	BBB+	A3	BBB
Outlook	Negative	Negative	Negative

Q. Have there been any changes to DP&L's credit ratings since the date certain?

A. Yes. On November 3, 2020, S&P changed DP&L's Issuer/Corporate Credit Rating from "BB" to "BB+"; and the Senior Secured Debt Rating from "BBB" to "BBB+". On October 28, 2020, S&P revised the Outlook from "Negative" to "Developing."

Q. What is the difference between an Issuer/Corporate Credit Rating and a Senior Secured Debt Rating?

A. An Issuer/Corporate Credit Rating is the rating agency's opinion on a company's relative vulnerability to default on financial obligations. An Issuer/Corporate Credit rating is typically unenhanced and reflects a company's corporate credit risk. A Senior Secured Debt Rating takes a targeted view of a specific security's relative vulnerability to default, considering any credit enhancement that may be applicable, including "security."

VI. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA

DIRECT TESTIMONY
OF KRISTINA LUND

- **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
KRISTINA LUND**

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

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I. INTRODUCTION

Q. Please state your name and position.

A. My name is Kristina Lund. I am employed by the US Business Unit of The AES Corporation ("AES") as President – US Utilities. In that role, I serve as President and Chief Executive Officer of The Dayton Power and Light Company ("DP&L" or the "Company"); DP&L's parent company, DPL, Inc.; Indianapolis Power & Light Company ("IPL"); IPL's parent company, IPALCO Enterprises, Inc. ("IPALCO"); and IPALCO's parent company, AES U.S. Investments.

Q. What are your responsibilities in your current position with respect to DP&L?

A. As the President and Chief Executive Officer of DP&L, I lead the team responsible for ensuring that the Company's customers have access to safe, reliable, and cost-effective electric service, and that such service is provided consistent with applicable state and federal laws and regulations. I also engage in external efforts relating to governmental and regulatory affairs and interact with state and community leaders and other stakeholders on matters relevant to DP&L's business in Ohio. My responsibilities include managing and directing the following departments of DP&L: transmission and distribution operations, regulatory, legal, finance, accounting, tax, human resources, customer operations, and external affairs.

Q. Please summarize your education and professional qualifications.

A. I have a bachelor's degree in Economics from Wellesley College and a Master's in Business Administration from Harvard Business School.

Q. Please summarize your prior work experience.

1 A. I have more than 14 years of experience with the AES Corporation. I assumed the role of
2 President, US Utilities, in October 2020. Prior to this role, I developed innovative
3 renewable energy products as Chief Project Officer, Carbon Free Energy, for AES. From
4 2018 to 2020, I was Chief Financial Officer of the Mexico, Central America, and
5 Caribbean ("MCAC") business unit of AES where I was responsible for leading and
6 managing all financial matters for the MCAC business unit. From 2017 to 2018, I was the
7 CFO of AES's Eurasia business unit, covering AES's operations in eight countries from
8 Vietnam to the United Kingdom. Previously, I served as the Vice President of the AES
9 Corporate Strategy and Investment group. In this role, I facilitated AES's Investment
10 Committee, which sets the Company's strategy and approves investments into AES's
11 growth projects around the world. I have held positions in several groups in AES's
12 finance organization, including mergers and acquisitions, financial planning and analysis,
13 and investor relations.

14 **Q. Have you testified previously before the Public Utilities Commission of Ohio**
15 **("Commission") or any other regulatory agency?**

16 A. I have not testified before this Commission. In 2019, however, I filed direct testimony on
17 behalf of intervenor AES Puerto Rico, L. P. in Case No. CEPR-AP-2018-0001 before the
18 Commonwealth of Puerto Rico Public Service Regulatory Board Puerto Rico Energy
19 Bureau.

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

21 A. The purpose of this testimony is to provide a brief overview of this proceeding by
22 identifying and introducing DP&L's witnesses and their testimony, discussing the

1 organizational structure and service territory of DP&L and its distribution system,
2 providing a general overview of the proposed rate increase in this proceeding, the
3 customer benefits, and addressing DP&L's management policies, practices and
4 organization.

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

6 A. I am supporting the following schedules:

- 7
 - Schedules S-3, S-4.1 and S-4.2

8 **II. OVERVIEW**

9 **Q. Please provide an overview of DP&L's electric utility system and operations.**

10 A. DP&L provides electric transmission and distribution service to more than 527,000
11 customers across its 6,000 square mile service territory in west central Ohio, serving 1.25
12 million people. DP&L is headquartered in Dayton, Ohio and its operations are conducted
13 out of 13 service centers throughout DP&L's service territory. DP&L owns and operates
14 more than 1,600 miles of transmission lines, more than 13,000 overhead distribution
15 lines, more than 4,500 underground distribution lines, and more than 150 substations.
16 DP&L is a subsidiary of AES, a fortune 500 global power company. AES US Services,
17 LLC provides operations, finance, legal, human resources, and other services on behalf of
18 the U.S. and Utilities Strategic Business Unit "SBU", which includes DP&L.

19 **Q. Please state the AES values and explain how they affect activities at DP&L?**

20 A. Our mission at AES and DP&L is to improve lives by accelerating a safer and greener
21 energy future. To achieve that mission, DP&L is guided by three core values. First, we
22 will always put safety first for our people, contractors and communities. Second, we act

1 with the highest standards, which is at the core of all we do and how we conduct
2 ourselves and interact with all of our stakeholders. Third, we work all together, as one
3 team moving with vision, speed, and flexibility to adapt to our dynamic and rapidly
4 changing world.

5 **Q. Please describe DP&L's commitment to safety.**

6 A. Safety comes before everything at AES and DP&L. We harness one of the world's most
7 powerful forces: electricity. Many of our people put their lives on the line when they
8 come to work each day. Ensuring safe operations at our facilities around the world so
9 each person can return home safely is the cornerstone of our daily activities and
10 decisions. We always put safety first, and we measure our success by how safely we
11 achieve our goals.

12 **Q. Can you summarize the rate case?**

13 A. Yes. DP&L's rate case supports a total revenue requirement of \$365.2 million, which is
14 based on the test year ending May 31, 2021 and a date certain of June 30, 2020. This
15 revenue requirement represents a \$120.8 million increase to DP&L's current base
16 distribution revenue. The proposed rates and rate structures were updated based on a
17 comprehensive cost of service study. A typical residential customer using 1,000 kWh
18 will see a monthly increase of \$11.26 resulting from this proposal, which is
19 approximately an 11.8% increase compared to the October 2020 bill.

20 **Q. Why are the requested rate increases necessary?**

21 A. DP&L filed this request so that customers are charged at rates that recover the costs
22 associated with installing and maintaining DP&L's current electric delivery system,

1 which includes poles, wires, and substations. This system ensures that all customers will
2 be delivered safe and reliable electricity. As discussed in detail in the testimony of
3 Company Witness Bentley, DP&L had to make significant investments in response to the
4 historic tornados in May 2019. In addition, many other investments that occurred over
5 the last five years were planned as part of the resolution of DP&L's last distribution rate
6 case in Pub. Util. Comm. Nos. 15-1830-EL-AIR, *et al* to replace significantly aging
7 infrastructure. As of the date certain of June 30, 2020, DP&L has invested approximately
8 \$1.9 billion in its distribution system assets. The testimony of Company Witness Bentley
9 discusses the investments in our distribution system in more detail.

10 **Q. Are there customer benefits associated with this case?**

11 A. Yes. The principal customer benefits include:

- 12 1. DP&L's customers rely upon DP&L to deliver electricity to them in a reliable,
13 safe and reasonably priced manner. The rate increase that DP&L seeks in this
14 matter is a critical piece to ensure that DP&L has funds available so that it can
15 continue to deliver electricity in a reliable and safe manner, while continuing to
16 offer the lowest rates in the State.
- 17 2. As discussed in the testimony of Company Witness Vest, DP&L is planning to
18 expand its vegetation management program. DP&L has experienced an increase
19 in customer interruptions due to vegetation interfering with distribution
20 equipment, and the expanded program will allow DP&L to improve its reliability.
- 21 3. As discussed in the testimony of Company Witness Campbell, DP&L plans to
22 continue to offer certain demand side management programs to customers even

1 after the statutory requirements expire. Those longstanding successful programs
2 will continue to allow customers to lower their usage and save money in a cost-
3 effective manner.

4 **Q. Can you describe DP&L's plans for future investments?**

5 A. Yes. DP&L is planning significant investments in both its distribution and transmission
6 system. Rate cases like this one ensure utilities are able to invest to maintain reliable
7 service for customers, while recovering costs in a timely manner. Additionally, pursuant
8 to a Stipulation and Recommendation that was signed in DP&L's grid modernization case
9 (Case No. 18-1875), DP&L plans to invest approximately \$249 million over four years to
10 modernize its distribution grid. DP&L expects those investments to provide significant
11 benefits for customers, including significantly improved reliability and lower energy
12 bills. In addition to grid modernization, DP&L is planning to invest \$510 million over
13 the next five years to the distribution system. DP&L is also planning to construct
14 approximately \$180 million in planned transmission enhancements as part of PJM's
15 overall RTEP plan over the next five years. These investments will improve local
16 reliability through the M3 planning process and also meet NERC criteria, which ensures
17 the reliability of the Bulk Power System serving DP&L's customers.

18 **Q. Will DP&L's investments have a positive economic impact on the region?**

19 A. Yes, not only does that investment benefit customers by ensuring that DP&L can
20 continue to provide safe and reliable service, but also, that investment benefits the
21 community by creating jobs, advancing technological innovation in Dayton and the

1 surrounding communities and allowing DP&L to provide service in a more efficient
2 manner.

3 **Q. Has DP&L been diligent in controlling its costs?**

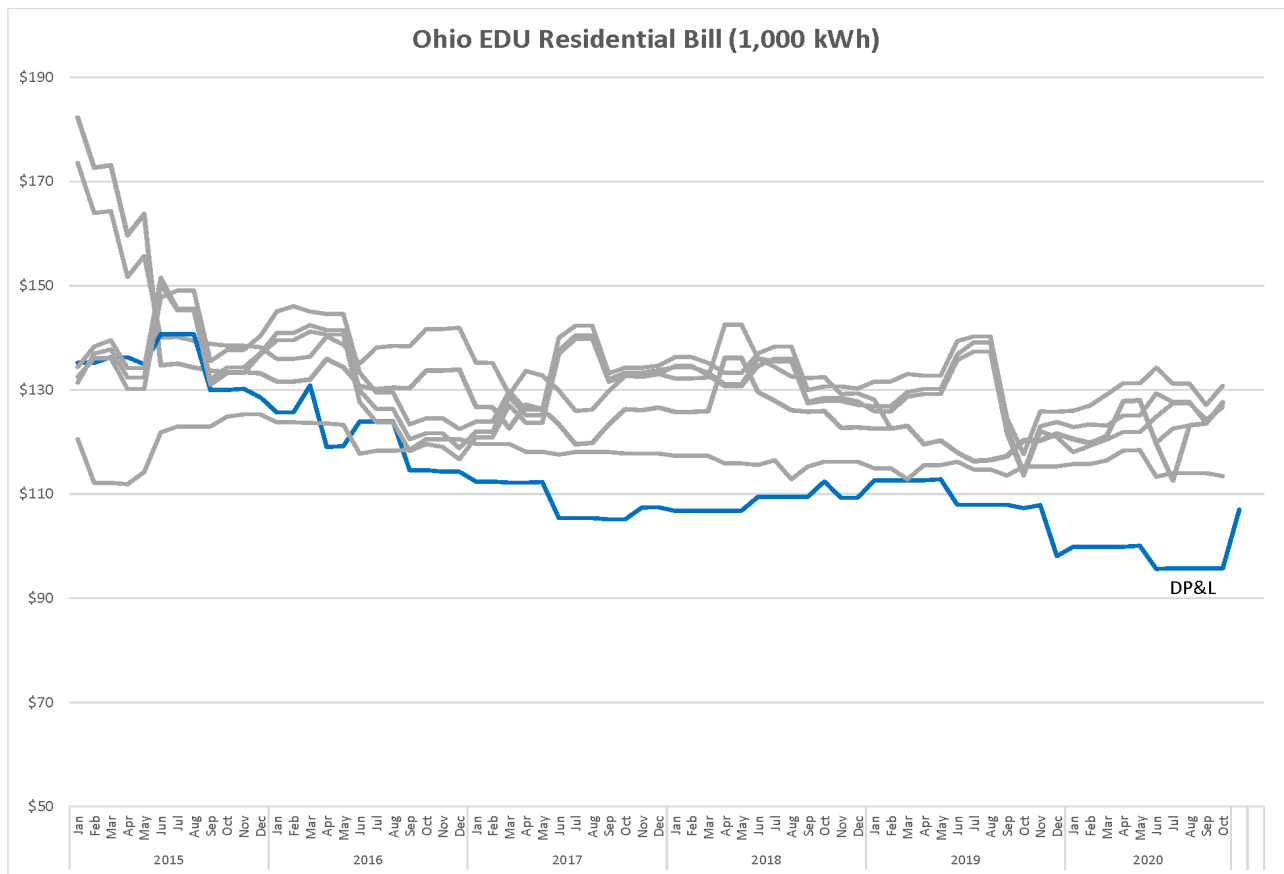
4 A. Yes. DP&L strives to be efficient in the planning, selection and construction of assets,
5 the contracting for goods and services, and the management of our people and assets.

6 The structure of the U.S. and Utilities SBU helps to control DP&L's costs and improve
7 processes that are essential to our ability to keep the Company's rates as reasonable as
8 possible. The nature and amount of services provided by the SBU have expanded since
9 our last rate case. Our approach to cost management seeks to deliver safety, customer
10 service, equipment efficiency and reliability, and compliance with regulatory and legal
11 requirements, while incorporating best practices for managing costs.

12 **Q. If the Commission were to approve DP&L's requested rate increase, how would**
13 **DP&L's residential rates compare to the residential rates of other electric utilities in**
14 **Ohio?**

15 A. As supported by Company Witness Adams, if the Commission approves DP&L's
16 Application in this proceeding, then the typical residential bill would still be lower than
17 DP&L's bills in 2019 and the current bill of the other electric distribution utilities in
18 Ohio.

Exhibit RJA-1



III. INTRODUCTION OF WITNESSES

Q. Please identify DP&L's witnesses in this case.

A. In addition to myself, DP&L will present testimony from the following witnesses in this proceeding:

- Robert J. Adams, Regulatory Operation Program Manager, will present testimony on revenue analysis schedules, typical bill comparisons, billing determinants, tariff changes, and DP&L's load research.
- Michael J. Amore, Financial Planning and Analysis Manager, will present testimony supporting the methodologies and assumptions and the overall forecast process for

1 operations and maintenance expenditures, capital expenditures, and taxes other than
2 income taxes, and how such forecasts are validated for reasonableness.

- 3 • Barry J. Bentley, Vice Present – Utility Operations, will present testimony on DP&L's
4 distribution capital projects and expenditures, and proposed tariff language changes
5 regarding small constant unmetered service.
- 6 • Jeremy Buchanan, Director of Human Resources, will present testimony on DP&L's
7 labor expenses.
- 8 • Stephanie S. Campbell, Manager of Customer Programs, will present testimony on
9 the continuation of Demand Side Management programs for customers.
- 10 • Bruce R. Chapman, Christensen Associates Energy Consulting, LLC, will present
11 testimony on DP&L's cost of service.
- 12 • Patrick Donlon, Director of Regulatory Accounting, will present evidence on pro
13 forma adjustments to test year operating income and the Company's deferral and
14 treatment of expenses relating to COVID-19.
- 15 • Craig A. Forestal, Infiniti Ratemaking, LLC, will present evidence on DP&L's test
16 year operating income and certain pro forma adjustments.
- 17 • Claire E. Hale, Financial Planning and Analysis Senior Analyst, will present
18 testimony on projected data and certain pro forma adjustments to test year operating
19 income.
- 20 • Dustin J. Illyes, Manager, Corporate Finance, will present testimony on DP&L's
21 current capital structure and the weighted average cost of capital.
- 22 • Adrien M. McKenzie, Financial Concepts and Applications, Inc. will present
23 testimony on DP&L's rate of return on equity.

- 1 • Karin M. Nyhuis, Controller, will present testimony on DP&L's financial position and
2 the actual results of the Company's operations.
- 3 • Rachele L. Perrin, Property Accounting Supervisor, will present testimony on
4 DP&L's book costs of plant in service, depreciation and amortization expense, and
5 miscellaneous adjustments.
- 6 • Chad R. Riethmiller, Accounting Manager, will present testimony on revenue
7 accounting and certain pro forma adjustments to test year operating income.
- 8 • Hampton M. Roach, Senior Director of Benefits, will present testimony on DP&L's
9 prepaid pension assets and pension expense.
- 10 • Frank J. Salatto, Tax Director, will present testimony on DP&L's tax expense and the
11 gross revenue conversion factor.
- 12 • John J. Spanos, Gannett Fleming Valuation and Rate Consultants, LLC, will present
13 testimony on DP&L's depreciation study.
- 14 • Tyler A. Teuscher, Regulatory Operations Program Manager, will present testimony
15 on DP&L's financial summary schedules, rate design, and proposed rates.
- 16 • Mark L. Vest, Director, Maintenance, Inspection & Contract Management, Reliability
17 Programs, will present testimony on DP&L's vegetation management program.
- 18 • C. Kenneth Vogl, Willis Towers Watson, will present testimony on DP&L's prepaid
19 pension asset.
- 20 • Lauren R. Whitehead, General & Operational Accounting Manager, will present
21 testimony on the calculation of jurisdictional allocation factors and actual test year
22 data.

1 **IV. SCHEDULES**

2 **Q. What is shown on Schedule S-3?**

3 A. Schedule S-3 is DP&L's proposed newspaper notice, which informs the public about this
4 case. DP&L will publish the newspaper notice following Commission approval of its
5 form and content.

6 **Q. What is shown on Schedule S-4.1?**

7 A. Schedule S-4.1 summarizes DP&L's corporate policies, practices and organization
8 followed by DP&L's executive management team. This summary describes the
9 Company's processes for establishing policies, making decisions and communicating
10 objectives throughout the organization.

11 **Q. What is shown on Schedule S-4.2?**

12 A. Schedule S-4.2 summarizes the policies, practices and organization for all major
13 functional areas of DP&L. That schedule includes DP&L's response to Staff's request in
14 its November 6, 2020 letter filed in this docket that DP&L provide information relating to
15 its "processes and controls associated with its internal controls over the issuance and
16 return of materials and supplies associated with storm restoration equipment, specifically
17 storm skid kits and the return of unused supplies; its process and controls related to the
18 movement of projects from in progress to in service; and DP&L's procedures to review
19 and document the post-closing review of large projects to determine why in-service
20 projects are delayed, with specificity, and what has been done to reduce the number of in-
21 service days."

1 **V. CONCLUSION**

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

3 A. Yes.

4 1467567.1

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document has been served via electronic mail upon the following counsel of record, this 14th day of December, 2020:

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Case No(s). 20-1651-EL-AIR, 20-1652-EL-AAM, 20-1653-EL-ATA

Summary: Application Application Book III - Testimony, Volume 1 of 4 (Robert J. Adams, Michael J. Amore, Barry J. Bentley, Jeremy Buchanan, Stefanie S. Campbell, Bruce R. Chapman, Patrick Donlon, Craig A. Forestal, Claire E. Hale, Dustin J. Illyes, and Kristina Lund) electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company