

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :  
 Application of The Dayton :  
 Power and Light Company : Case No. 18-1875-EL-GRD  
 for Approval of Its Plan :  
 To Modernize Its :  
 Distribution Grid. :

- - -

In the Matter of the :  
 Application of The Dayton :  
 Power and Light Company : Case No. 18-1876-EL-WVR  
 For Approval of a Limited :  
 Waiver of Ohio Adm. :  
 Code 4901:1-18-06(A) (2). :

- - -

In the Matter of the :  
 Application of The Dayton :  
 Power and Light Company : Case No. 18-1877-EL-AAM  
 for Approval of Certain :  
 Accounting Methods. :

- - -

In the Matter of the :  
 Application of The Dayton :  
 Power and Light Company :  
 for Administration of the :  
 Significantly Excessive : Case No. 19-1121-EL-UNC  
 Earnings Test Under :  
 R.C. 4928.143(F) and Ohio :  
 Adm.Code 4901:1-35-10 for :  
 2018. :

- - -

In the Matter of the :  
 Application of The Dayton :  
 Power and Light Company :  
 for a Finding That Its :  
 Current Electric Security : Case No. 20-680-EL-UNC  
 Plan Passes the :  
 Significantly Excessive :  
 Earnings Test and More :  
 Favorable in the Aggregate:  
 Test in R.C. 4928.143(E). :

- - -

VOLUME III

- - -

1 In the Matter of the :  
2 Application of The Dayton :  
3 Power and Light Company :  
4 for Administration of the :  
5 Significantly Excessive : Case No. 20-1041-EL-UNC  
6 Earnings Test Under :  
7 R.C. 4928.143(F) and Ohio :  
8 Adm.Code 4901:1-35-10 for :  
9 2019. :

10 - - -

11 PROCEEDINGS

12 before Ms. Patricia Schabo and Mr. Michael Williams,  
13 Attorney Examiners, at the Public Utilities  
14 Commission of Ohio, via Webex, called at 9:06 a.m. on  
15 Wednesday, January 13, 2021.

16 - - -

17 VOLUME III

18 - - -

19 ARMSTRONG & OKEY, INC.  
20 222 East Town Street, Second Floor  
21 Columbus, Ohio 43215-5201  
22 (614) 224-9481 - (800) 223-9481

23 - - -

APPEARANCES:

The Dayton Power and Light Company  
By Mr. Michael J. Schuler  
1065 Woodman Drive  
Dayton, Ohio 45432

Faruki PLL  
By Mr. Jeffrey S. Sharkey  
Mr. D. Jeffrey Ireland  
Mr. Christopher C. Hollon  
110 North Main Street, Suite 1600  
Dayton, OH 45402

On behalf of the Applicant.

Bruce J. Weston, Ohio Consumers' Counsel  
By Mr. Christopher Healey  
Mr. William J. Michael  
Ms. Amy Botschner O'Brien  
Ms. Angela O'Brien  
Ms. Ambrosia Wilson,  
Assistant Consumers' Counsel  
65 East State Street, 7th Floor  
Columbus, Ohio 43215

On behalf of the Residential Consumers of  
The Dayton Power and Light Company.

McNees, Wallace & Nurick LLC  
By Mr. Matthew R. Pritchard  
Mr. Todd Long  
21 East State Street, 17th Floor  
Columbus, Ohio 43215

On behalf of the Industrial Energy  
Users-Ohio.

Benesch, Friedlander, Coplan & Aronoff, LLP  
By Mr. Steven D. Lesser  
Mr. N. Trevor Alexander  
41 South High Street, Suite 2600  
Columbus, Ohio 43215

On behalf of the City of Dayton and Honda  
of America Manufacturing, Inc.

- - -

APPEARANCES: (Continued)

Boehm, Kurtz & Lowry  
By Mr. Michael L. Kurtz  
Mr. Kurt J. Boehm  
Ms. Jody Kyler Cohn  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202

On behalf of the Ohio Energy Group.

Carpenter Lipps & Leland LLP  
By Ms. Kimberly W. Bojko  
Mr. Jonathan Wygonski  
280 North High Street, Suite 1300  
Columbus, Ohio 43215

On behalf of the Ohio Manufacturers'  
Association Energy Group.

Bricker & Eckler, LLP  
By Mr. Devin D. Parram  
Mr. Dane Stinson  
100 South Third Street  
Columbus, Ohio 43215

On behalf of the The Ohio Hospital  
Association.

Ohio Partners for Affordable Energy  
By Mr. David C. Rinebolt  
P.O. Box 1793  
Findlay, Ohio 45839

On behalf of the Ohio Partners for  
Affordable Energy.

Carpenter Lipps & Leland LLP  
By Ms. Angela Paul Whitfield  
280 North High Street, Suite 1300  
Columbus, Ohio 43215

On behalf of The Kroger Company.

- - -

1 APPEARANCES: (Continued)

2 Thompson Hine LLP  
 3 By Ms. Stephanie M. Chmiel  
 41 South High Street, Suite 1700  
 Columbus, Ohio 43215

5 On behalf of the University of Dayton

6 Dickson Wright PLLC  
 7 By Ms. Madeline Fleisher  
 Ms. Christine M.T. Pirik  
 Mr. William Vorys  
 150 East Gay Street, Suite 2400  
 Columbus, Ohio 43215

9 On behalf of the Smart Thermostat  
 Coalition.

10 Dickson Wright PLLC  
 11 By Ms. Christine M.T. Pirik  
 Ms. Madeline Fleisher  
 12 150 East Gay Street, Suite 2400  
 Columbus, Ohio 43215

13 On behalf of Mission:data Coalition.

14 Sierra Club Environmental Law Program  
 15 By Mr. Joseph Halso  
 1536 Wynkoop Street, Suite 200  
 16 Denver, Colorado 80202

17 On behalf of the Sierra Club.

18 Environmental Law & Policy Center  
 19 By Ms. Caroline Cox  
 21 West Broad Street, Suite 800  
 Columbus, Ohio 43215

20 Environmental Law & Policy Center  
 21 By Mr. Nikhil Vijaykar  
 35 E. Wacker Dr. Suite 1600  
 22 Chicago, Illinois 60601

23 On behalf of the Environmental Law &  
 Policy Center.

24 - - -

APPEARANCES: (Continued)

Ohio Environmental Council  
By Ms. Miranda Leppla  
Mr. Chris Tavenor  
1145 Chesapeake Avenue, Suite I  
Columbus, Ohio 43212

On behalf of the Ohio Environmental  
Council.

Kegler, Brown, Hill & Ritter Co., L.P.A.  
By Mr. Robert Dove  
65 East State Street, Suite 1800  
Columbus, Ohio 432215

On behalf of the Natural Resources  
Defense Council.

Armada Power, LLC  
By Mr. Drew Romig  
230 West Street, Suite 150  
Columbus, Ohio 43215

On behalf of the Armada Power, LLC.

Whitt Sturtevant LLP  
By Mr. Lucas A. Fykes  
Mr. Mark A. Whitt  
88 East Broad Street, Suite 1590  
Columbus, Ohio 43215

On behalf of the Direct Energy, LP.

Bricker & Eckler, LLP  
By Mr. Dylan F. Borchers  
Ms. Kara H. Herrnstein  
100 South Third Street  
Columbus, Ohio 43215

On behalf of the Chargepoint, Inc.

- - -

1 APPEARANCES: (Continued)

2 Interstate Gas Supply, Inc.  
 3 By Ms. Bethany Allen,  
 4 Mr. Joseph Oliker,  
 5 Mr. Michael Nugent  
 6 Mr. Evan Betterton  
 7 6100 Emerald Parkway  
 8 Dublin, Ohio 43016

9 Mr. Frank Darr  
 10 6800 Linbrook Boulevard  
 11 Columbus, OH 43235

12 On behalf of the Interstate Gas Supply,  
 13 Inc.

14 Dave Yost, Ohio Attorney General  
 15 Mr. John Jones, Section Chief  
 16 By Mr. Steven L. Beeler  
 17 Mr. Robert A. Eubanks  
 18 Mr. Thomas G. Lindgren,  
 19 Assistant Attorneys General  
 20 Public Utilities  
 21 30 East Broad Street, 16th Floor  
 22 Columbus, Ohio 43215

23 On behalf of the Staff of the PUCO.

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OCC EXHIBIT

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Wednesday Morning Session,  
January 13, 2021.

- - -

EXAMINER SCHABO: Let's go on the record,  
please.

We are here for day three of our hearing  
in Case No. 18-1875-EL-GRD, et al. As we are on day  
three, we will go ahead and dispense with appearances  
of counsel. Just a reminder, with a new batch of  
witnesses this is a remote hearing being conducted  
through Webex. Witnesses should only have access to  
what they would have with them if they were  
physically sitting in the witness stand.

Counsel has been doing a great job with  
this but continue to give that pause for objections  
and connectivity lags. Any exhibits that ultimately  
were admitted into the record should be sent -- that  
are not part of the docket should be sent to the  
court reporter within 24 hours.

When we left off yesterday, DP&L had  
finished their case in chief with the exception of a  
confidential session that we have planned for today  
afternoon. And this morning we will begin with OCC's  
witnesses.

Mr. Healey, please proceed.

1 MR. HEALEY: Thank you, your Honor. I'll  
2 start by marking some exhibits, if that's all right.  
3 I would like to first mark OCC Exhibit 1. This would  
4 be the direct testimony of Matthew Kahal, the public  
5 version that was filed in Case 20-680 on October 22,  
6 2020.

7 EXAMINER SCHABO: So marked.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 MR. HEALEY: Thank you, your Honor. I  
10 would also like to mark as OCC Exhibit 1C, a  
11 confidential version of that same testimony filed in  
12 Case 20-680 on October 22.

13 EXAMINER SCHABO: So marked.

14 (EXHIBIT MARKED FOR IDENTIFICATION.)

15 MR. HEALEY: And I would like to mark as  
16 OCC Exhibit 2 the supplemental testimony of Matthew  
17 Kahal filed in all of the dockets in this case on  
18 December 17, 2020.

19 EXAMINER SCHABO: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 MR. HEALEY: Thank you. With that, your  
22 Honor, OCC calls Matthew Kahal to the stand.

23 EXAMINER SCHABO: Mr. Kahal, if we could  
24 get your audio and video back up. We had you. You  
25 left.

1 MR. KAHAL: Can you hear me?

2 EXAMINER SCHABO: I can hear you. And  
3 now I can see you. And again, if you can just back  
4 away from your computer a bit so we can see your  
5 face.

6 MR. KAHAL: Is that better?

7 EXAMINER SCHABO: That is.

8 MR. HEALEY: Mr. Kahal -- sorry. Go  
9 ahead.

10 EXAMINER SCHABO: That's okay.  
11 Mr. Kahal, if you would raise your right hand.

12 (Witness sworn.)

13 EXAMINER SCHABO: Thank you.

14 Mr. Healey.

15 - - -

16 MATTHEW I. KAHAL

17 being first duly sworn, as prescribed by law, was  
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 By Mr. Healey:

21 Q. Mr. Kahal, you filed two pieces of  
22 testimony in this case, correct?

23 A. I did.

24 Q. And the first one was filed in October  
25 and there is both a confidential and a public version

1 of that testimony, correct?

2 A. That's correct.

3 Q. And do you have a copy of that testimony  
4 with you today?

5 A. Yes.

6 Q. And if I were to ask you the same  
7 questions found in that testimony, would your answers  
8 be the same today as they were when you filed it?

9 A. Yes, other than a few minor typographical  
10 errors.

11 Q. Sure. So given that, can you explain for  
12 the Attorney Examiners and the parties what those  
13 typographical errors and what your corrections would  
14 be?

15 A. Yes. I have about five or six of them.  
16 They are very minor. The first one is on page 4 of  
17 my -- my testimony and at line 18.

18 EXAMINER SCHABO: I'm sorry, Mr. Kahal.  
19 Could you tell us which of your testimonies?

20 THE WITNESS: Oh, this is the October 22  
21 testimony.

22 EXAMINER SCHABO: Thank you.

23 A. It's page 4, line 18. You'll see in the  
24 middle of that line there is a capital "EPS," two  
25 letters transposed. That should be "ESP," not "EPS."

1 And the next correction is on page 7 at line 6 and  
2 the first word in that line is "purposes" and the  
3 word "for" was inadvertently omitted, so it should  
4 say "for purposes of investing."

5 And the next typographical correction is  
6 on line -- excuse me, page 12 at line 13 and after --  
7 at the end of that sentence about four words in, the  
8 last word in the sentence is "debt." The word  
9 "service" should be inserted after "debt."

10 Next, at page 30, at page 30, line 13,  
11 that line begins by saying "this year." This should  
12 be changed to "next." So it should say "next year."

13 And then the final typographical  
14 correction is on page 36 at line 14. At the very end  
15 of that line, there is -- there is a reference to  
16 "400." The "400" should be "800."

17 That's all the corrections that I have.

18 Q. Thank you, Mr. Kahal. And with those  
19 corrections, are all of your statements in this  
20 testimony true and accurate to the best of your  
21 knowledge?

22 A. Yes, they are.

23 Q. Thank you. Mr. Kahal, do you also have  
24 with you a copy of the supplemental testimony that  
25 was filed in this case for you in December?

1           A.     I do.

2           Q.     And do you have any corrections to that  
3 testimony which has now been marked OCC Exhibit 2?

4           A.     Yes.  There are a couple of again  
5 typographical corrections.  The first one is at page  
6 4, line 9.  At that line there is a reference to  
7 "\$900 per year."  Please strike the words "per year."  
8 It should just say "\$900."

9                     And the next correction is on page 10,  
10 the very last line, on line 20, the word "not" got in  
11 there twice, so the words "to not" should be deleted.  
12 That was redundance so just delete the words "to not"  
13 right after "DP&L."

14                    The next correction is at page 17, line  
15 16 which is for the last line on that page at the  
16 very end right after the word "receive," there should  
17 be a period.  The period was left out.

18                    And then finally at page 27, at line 20,  
19 about the fifth -- the fifth word in on that line is  
20 "or."  "Or" should be "of," so it should say "of DP&L  
21 earnings," not "or DP&L."

22                    And those are all the typographical  
23 corrections that I have.

24           Q.     Thank you, Mr. Kahal.  And with those  
25 corrections, is everything in your supplemental

1 testimony true and accurate to the best of your  
2 knowledge?

3 A. Yes.

4 MR. HEALEY: Thank you. With that, your  
5 Honor, OCC moves for the admission of OCC Exhibits 1,  
6 1C, and 2, and Mr. Kahal is available for  
7 cross-examination.

8 EXAMINER SCHABO: Thank you, Mr. Healey.

9 I'll defer the ruling on the admission  
10 until after he has been cross-examined.

11 Mr. Sharkey, no. Yes, we agreed  
12 Mr. Sharkey was going to start this off, or DP&L was.  
13 If you would like to proceed with your  
14 cross-examination.

15 I think you might be on mute.

16 MR. SHARKEY: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Sharkey:

20 Q. Good morning, Mr. Kahal. We have met  
21 previously and as you know, my name is Jeff Sharkey  
22 and I represent The Dayton Power and Light Company in  
23 this case.

24 A. Good morning, Mr. Sharkey.

25 Q. As an initial matter, you opine that DP&L



1 doesn't pass the prospective SEET test or the more  
2 favorable in the aggregate test, correct?

3 A. That's correct.

4 Q. Okay. You don't focus on either DP&L's  
5 Smart Grid plan or the retrospective SEET case,  
6 correct?

7 A. That's correct. I defer to the other OCC  
8 witnesses on those topics.

9 Q. Would you please pick up your -- a copy  
10 of your supplemental testimony and turn to page 30.

11 A. Yes, I have that.

12 Q. Okay. Starting on -- at the bottom of  
13 the page, line 22, you say that "A key reason why  
14 Mr. Malinak reaches his conclusion that a Rate  
15 Stabilization Charge (or Financial Integrity Charge)"  
16 would be available is that Mr. Malinak "assumes away  
17 the possibility of a distribution rate case,"  
18 correct?

19 A. Yes.

20 Q. Okay. And then on page 31 starting on  
21 line 8, you state that Mr. Malinak's assumption that  
22 there would not be a distribution rate case greatly  
23 weakens his conclusion that DP&L could get a  
24 financial integrity charge in an MRO, correct?

25 A. Yes.

1           Q.    And I believe you told me at your  
2 deposition you consider Mr. -- the assumption there  
3 is no distribution rate case in DP&L's projections to  
4 be a fatal flaw and Mr. Malinak's assumption that the  
5 Commission would approve a financial integrity charge  
6 for DP&L under an MRO?

7           A.    Yes.

8           Q.    Okay. In your direct testimony if you  
9 would please turn to page 39. Tell me when you are  
10 there, please.

11          A.    Yeah, I have page 39, yes.

12          Q.    Okay. On line 11, you -- you quote  
13 testimony from Mr. Garavaglia, correct?

14          A.    Yes.

15          Q.    And it says "DP&L does not project to  
16 have a distribution rate case during 2020-2023,"  
17 right?

18          A.    Yes.

19          Q.    And you are there quoting to  
20 Mr. Garavaglia's testimony at page 26 we can see in  
21 the footnote, correct?

22          A.    Yes.

23          Q.    Could you please pull up a copy of  
24 Mr. Garavaglia's testimony. I am talking here his  
25 testimony that you are quoting that was in the

1 SEET/MFA case filed on April 1, 2020.

2 A. Yes, I have that.

3 Q. Okay. If you look -- well, let me step  
4 back. You understand DP&L, in fact, filed a  
5 distribution rate case in 2020, correct?

6 A. At the very end of the year, yes.

7 Q. Okay. And if you look at  
8 Mr. Garavaglia's testimony that you are quoting, he  
9 says "DP&L does not project to have a distribution  
10 rate case during the remaining modeled years" and  
11 then there's some years that DP&L has designated as  
12 confidential. But you can agree with me that the  
13 year span that Mr. Garavaglia has in his quote does  
14 not include the year 2020, correct?

15 A. I -- yeah, the only reason I am  
16 hesitating is because it appears that he has marked  
17 the years as being confidential.

18 Q. You -- I'm DP&L's counsel. That's fine.  
19 I'm -- I'm okay if you answer the question whether  
20 the range of years he has identified includes 2020.  
21 You can put that on the public record.

22 A. No, it does not.

23 Q. So you, in fact, have a typographical  
24 error or other error in your testimony where you add  
25 quoting Mr. Garavaglia?

1           A.    I'm sorry. Did you say there's a  
2   typographical error?

3           Q.    You quoted him as saying "DP&L does not  
4   project to have a distribution rate case during  
5   2020-2023," correct?

6           A.    Yeah. I'm sorry. Could you go back to  
7   the page in my testimony where I have that quote?

8           Q.    Sure. That was your direct testimony  
9   page 39.

10          A.    Yes, yes, you're right.

11          Q.    So you had quoted him --

12          A.    Use -- he doesn't actually use 2020.

13          Q.    So you had quoted him as saying there  
14   would be no distribution rate case for the years 2020  
15   to 2023; but he, in fact, does not commit in his  
16   testimony that there would not be a rate case in  
17   2020.

18          A.    Technically, that's right, yes.

19          Q.    Okay. Turn then, if you would, to  
20   Mr. Garavaglia's testimony page 28. Tell me -- tell  
21   me when you're there.

22          A.    I have it.

23          Q.    Okay. Starting on line 9, Mr. Garavaglia  
24   says "Additionally, retail revenues reflect the  
25   effects of future distribution and transmission rate

1 increases to recover costs in investments expected to  
2 be incurred during the period 2020 through 2023,"  
3 correct?

4 A. Yes.

5 Q. So Mr. Garavaglia here, in fact, says  
6 that DP&L's projections include a future distribution  
7 rate increase, correct?

8 A. Yes.

9 Q. And as we covered --

10 A. I'm sorry, yeah. I am just looking at  
11 the exact language. It says the retail revenues  
12 reflect effects of distribution and transmission rate  
13 increases, and it looks pretty clear to me that the  
14 transmission rate increases are in there,  
15 distribution little or none as far as I could tell.

16 Q. You understand, Mr. Kahal, that when the  
17 Company files a distribution rate increase, it takes  
18 a period of time until the Commission approves it?

19 A. That's right, yes.

20 Q. Okay.

21 A. There's a suspension period.

22 Q. We -- Mr. Hollon sent out DP&L's  
23 exhibits. I would like you to open up the Microsoft  
24 Excel sheet that he sent. It was Bates labeled DP&L  
25 with a bunch of 0s and then the number 4.

1           A.     I don't think I can do that. I don't  
2 have that.

3           MR. SHARKEY: Mr. Healey, did you make  
4 available to Mr. Kahal the exhibits provided?

5           MR. HEALEY: Yeah. I think the issue was  
6 that he wasn't able to print that because it's so  
7 huge, and he would have to try to open that on his  
8 computer while also using the Webex, so I would ask  
9 if you intend to use it to share screen.

10          MR. SHARKEY: I don't believe I can share  
11 screen.

12          MR. HEALEY: Can't share screen, okay.  
13 I'm just worried if he tries to open that document  
14 while also navigating Webex, he might get  
15 disconnected.

16          THE WITNESS: Yes. I'm concerned about  
17 that too.

18          MR. HEALEY: I think it's literally  
19 hundreds and hundreds of pages to try to print it  
20 which he attempted to do but was not able to do.

21          MR. SHARKEY: Yeah. I thought he would  
22 have an electronic version of it available.

23          EXAMINER SCHABO: Mr. Sharkey, I would  
24 also note that you have got it labeled "Highly  
25 Confidential."

1 MR. SHARKEY: I do, your Honor. My  
2 questioning can go into the public record. I am not  
3 going to get into any of the information that is  
4 confidential.

5 EXAMINER SCHABO: Is there a way to  
6 proceed with your question without him seeing the  
7 spreadsheet? Or I guess my point was that we could  
8 have Mr. Kahal join us during the confidential  
9 session and perhaps have whatever sheets you intend  
10 to question him on available?

11 MR. SHARKEY: Let me --

12 MR. HEALEY: Can I just --

13 MR. SHARKEY: Can I ask if Mr. Healey is  
14 available to review -- is available to review the  
15 Stipulation -- to review the exhibit on his computer?  
16 All I'm going to ask him to do is to confirm that  
17 certain information is included in DP&L's projections  
18 so. If Mr. Healey could do it and stipulate to  
19 what's there, I think it would resolve the issue.

20 MR. HEALEY: Your Honor, I am not going  
21 to be able to resolve this issue. I did send this  
22 document to Mr. Kahal. He said he had never seen it  
23 so there is going to be a foundation objection on any  
24 question to this witness anyway. So, you know,  
25 Mr. Sharkey can ask him whether he has any knowledge

1 of this document which he has seen but does not have  
2 in front of him, and I can guarantee he will testify  
3 never seen it, never reviewed it before it was sent  
4 to him so there shouldn't be any questions on this  
5 document regardless.

6 EXAMINER SCHABO: Let's start there.

7 Q. (By Mr. Sharkey) All right. Mr. Kahal,  
8 opening question, in reviewing what's -- in offering  
9 your testimony that DP&L's projections did not  
10 include a future rate case, did you review any  
11 projections that the company provided in discovery?

12 A. No.

13 Q. I am going to ask questions regarding  
14 this exhibit that has many tabs. The easiest way to  
15 catch up with me is in the lower left-hand corner go  
16 all -- there is some arrows where you can go right or  
17 left on the tabs. If you go all the way to the left  
18 and then start clicking right, you should get some  
19 blue tabs. It starts with exhibit names. If you  
20 would click on the tab that says "General Assumptions  
21 Live." On that tab if you would scroll down to line  
22 85 it says --

23 MR. HEALEY: Your Honor, I am going to  
24 object. We are just reading the document that to my  
25 knowledge has not been marked. There has been no



1 foundation. We don't know what this document is. We  
2 don't know who created it. We don't know where it  
3 comes from, and now Mr. Sharkey is intending to read  
4 it into the record as though he is testifying. I  
5 would object to that.

6 EXAMINER SCHABO: Let's start with  
7 marking the document.

8 MR. SHARKEY: Okay. DP&L will designate  
9 it as DP&L Exhibit 6.

10 EXAMINER SCHABO: All right. So marked.  
11 (EXHIBIT MARKED FOR IDENTIFICATION.)

12 EXAMINER SCHABO: And that would be the  
13 entire spreadsheet Bates stamped DP&L 0000004?

14 MR. SHARKEY: That is it, your Honor,  
15 correct. It is confidential, and it has only been  
16 provided to people who signed a confidentiality  
17 agreement.

18 EXAMINER SCHABO: Okay.

19 MR. SHARKEY: Your Honor, I believe it's  
20 appropriate in light of Mr. Kahal's testimony that  
21 DP&L's projections do not include a distribution rate  
22 case to provide to him DP&L's projections that were  
23 provided in discovery and that I provided to  
24 Mr. Healey asking that they be available to Mr. Kahal  
25 which apparently didn't happen without -- before just

1 now.

2 MR. HEALEY: That's not accurate, your  
3 Honor. As I explained, he had access to it. He has  
4 reviewed it, and he had never seen it before and not  
5 reviewed it so there is no foundation. If  
6 Mr. Sharkey -- if Mr. Sharkey wants to try to get  
7 this into the record, then he can ask for an  
8 opportunity to file rebuttal testimony and attach  
9 this with one of his witnesses. Otherwise it's  
10 hearsay.

11 EXAMINER SCHABO: Mr. Kahal, did you  
12 review any of the information in the spreadsheet we  
13 are talking about in preparing your testimony?

14 THE WITNESS: No. Other than I tried --  
15 initially I tried to print it, but it was something  
16 like 900 pages and over 50 tabs, and it just wasn't  
17 possible to do it. I did discuss that problem with  
18 counsel. I certainly don't mind reviewing something,  
19 but I just -- I wasn't told what it was that the  
20 counsel wanted me to print.

21 EXAMINER SCHABO: Was that before or  
22 after you prepared your testimony?

23 THE WITNESS: Oh, no. This was the --  
24 just the other day.

25 EXAMINER SCHABO: So after you prepared

1 your testimony.

2 THE WITNESS: Oh, yes, yes.

3 EXAMINER SCHABO: Mr. Sharkey, I don't  
4 think you can question this witness on a document he  
5 did not see or use to prepare his testimony.

6 MR. SHARKEY: Okay. Thank you, your  
7 Honor.

8 Q. (By Mr. Sharkey) Mr. Kahal, in preparing  
9 your testimony, and in particular your statements  
10 that DP&L's projections did not include a  
11 distribution rate case, did you ask to receive a copy  
12 of DP&L's projections?

13 A. Did I ask? No. Excuse me. The  
14 projections were laid out in Mr. Malinak's testimony  
15 in quite a bit of detail. That's what I reviewed.

16 Q. You also opine, Mr. Kahal, that the  
17 interest rate assumptions used in Mr. Malinak's  
18 testimony are too high, correct?

19 A. Yes.

20 Q. And you agree with me that the interest  
21 rate projections when made were reasonable.

22 A. I'm assuming they were made the early  
23 part of 2020. At that point they certainly -- I  
24 wouldn't say they were unreasonable, but things  
25 changed during the year.

1           Q.    You haven't made any effort to determine  
2 whether any cost items other than interest rates have  
3 changed since Mr. Malinak filed his testimony,  
4 correct?

5           A.    Oh, that's right. I have no way of  
6 updating your cost data or anything like that.

7           Q.    And you consider the interest rate issue  
8 to be a much smaller issue than the distribution rate  
9 case assumption issue that we were discussing,  
10 correct?

11          A.    Yes. It's a smaller issue.

12          Q.    Okay.

13          A.    Not trivial but small.

14          Q.    And other than the interest rate issue  
15 and the projections regarding whether DP&L includes a  
16 distribution rate case in its projections, you do not  
17 dispute any of the other projections included in  
18 Mr. Malinak or Mr. Garavaglia's testimony, correct?

19          A.    No. I -- I don't specifically dispute  
20 them, but I can't confirm them either. That is, I  
21 don't really have a way of getting behind all of the  
22 company's projections.

23          Q.    Okay. You are aware that Mr. Malinak  
24 includes testimony regarding the credit ratings that  
25 The Dayton Power and Light Company would have in the

1 future based upon different financial scenarios,  
2 correct?

3 A. Yes. He tries to simulate what those  
4 credit ratings would be.

5 Q. And if you accept his financial  
6 projections, you don't contest what his projections  
7 are as -- you do not contest his projections as to  
8 DP&L's credit ratings?

9 A. No. I can't speak for the credit rating  
10 agencies and say what they would do.

11 Q. Okay.

12 A. I think it's an unknown. Nobody knows.

13 Q. You did not review the MRO statute in  
14 preparing your testimony, correct?

15 A. No, I didn't specifically go back and  
16 read the statute, no.

17 Q. Okay. And I think you told me at your  
18 deposition you didn't know whether or not it permits  
19 a financial integrity charge or not?

20 A. I can't -- I can't cite to you what the  
21 statute says about that.

22 Q. The amounts are confidential, but  
23 Mr. Malinak opines that the Commission would approve  
24 two different financial integrity charges for DP&L  
25 under the MRO statute, correct?

1           A.    Yes.

2           Q.    Okay.  And it's your opinion that the  
3 Commission would not approve the FICs that he's  
4 identified, right?

5           A.    That's right.

6           Q.    If we assume that the Commission would  
7 approve financial integrity charges as Mr. Malinak  
8 testifies, you would agree that ESP 1 is more  
9 favorable in the aggregate than an MRO, correct?

10          A.    Absolutely.  The actual numbers are  
11 confidential, as I think you indicated.  There's no  
12 need to cite them.  But suffice it to say, they are  
13 vastly, vastly larger than the \$79 million a year  
14 RSC.  And so if that were to be approved by the  
15 Commission and actually collected by the company,  
16 over the same time period that he used, the four-year  
17 time period, then the MRO would be more expensive.

18          Q.    You are also aware that the Commission  
19 had previously approved a \$105 million DMR for DP&L  
20 under DP&L's ESP III case?

21          A.    Yes, I think that was in 2017.

22          Q.    Okay.  If the Commission were to approve  
23 a financial integrity charge of \$105 million under an  
24 MRO for DP&L, you would again agree with me that ESP  
25 I would be more favorable in the aggregate for such

1 an MRO?

2 A. Yeah. My math tells me that's on the  
3 order of 100 million over four years.

4 Q. You agree with me, Mr. Kahal, that market  
5 prices can vary substantially?

6 A. I'm sorry. Market prices for what?

7 Q. Fair point. Market prices for generation  
8 can be -- very substantially be volatile?

9 A. They can be volatile, yes.

10 Q. Okay.

11 A. Excuse me. We are talking about the spot  
12 prices. I assume that's what you meant.

13 Q. Yes, yes, yes. You don't know whether  
14 the MRO statute requires a blending process where the  
15 rates set through an MRO bidding process would be  
16 blended with prior rates charged by the utility?

17 A. No. I don't know anything about a  
18 blending process. What I do know is that the company  
19 has stated that the cost of generation to SSO  
20 customers would be identical under an MRO and under  
21 the ESP.

22 Q. You are referring to an assumption that  
23 Mr. Malinak referred to in his testimony?

24 A. I am, and I've seen it in many other  
25 places as well.

1           Q.    I want you to assume that under the MRO  
2   statute in year one the rates would be set 10 percent  
3   based upon what was bid and 90 percent based upon the  
4   utility's prior rates.  Is that assumption something  
5   that you understand?

6           A.    I think so.  By prior rates you mean what  
7   was charged in 2020?

8           Q.    Yes.

9           A.    Okay.  Yes.

10          Q.    Okay.

11          A.    I mean, it's a hypothetical.  I can  
12   understand the math, yes.

13          Q.    Okay.  So I am asking you to assume DP&L  
14   makes an MRO filing in 2021 and that there is a new  
15   auction in 2021.

16          A.    Yes.

17          Q.    Okay?  I want you to further assume that  
18   2021 prices are higher than 2020 prices.  Does that  
19   make sense to you?

20          A.    It's plausible, yes.

21          Q.    Okay.  In that situation you would agree  
22   that it would not be economically rational for a  
23   marketer to sell power to DP&L's customers in 2021 at  
24   below market 2020 prices, correct?

25          A.    It -- as a general response, it doesn't



1 make sense for a marketer to enter into a supply  
2 contract at -- at the -- at prices that are below  
3 market on the day that he is entering into that  
4 contract.

5 Q. Okay.

6 A. That's, I think, the best answer I can  
7 give you to that.

8 Q. Okay. And if we change the assumption to  
9 market prices in this hypothetical and assume prices  
10 have fallen between 2020 and 2021, okay?

11 A. Yes.

12 Q. In that situation, marketers would be  
13 eager to sell power in 2021 to customers at above  
14 market 2020 prices, right?

15 A. Yes, and it would be imprudent obviously  
16 to enter into a contract that -- above market.

17 Q. It certainly wouldn't be in the  
18 customers's best interest to be paying in 2021 above  
19 market 2020 prices for generation, right?

20 A. It wouldn't be in the customers's  
21 interest to be paying above market price, that's  
22 right.

23 Q. Okay. You are aware Mr. Malinak assumes  
24 that certain environmental costs would be recoverable  
25 under an MRO but not under an ESP, correct?

1           A.    Yeah.  I believe so.  I believe that  
2   there was one particular environmental project that  
3   he referred to, and the amount of that is  
4   confidential.

5           Q.    Correct.  Do you know whether the MRO  
6   statute permits the recovery of environmental costs  
7   associated with generation assets?

8           MR. HEALEY:  Objection.

9           EXAMINER SCHABO:  Basis?

10          MR. HEALEY:  Calls for a legal conclusion  
11   and interpreting a statute.

12          EXAMINER SCHABO:  Karen, would you read  
13   that question back to me, please.

14          (Record read.)

15          EXAMINER SCHABO:  Your objection is  
16   overruled.

17          Mr. Kahal, you can answer that question  
18   to your ability.

19          A.    I don't know whether the MRO statute  
20   permits that or not.

21          Q.    Similarly, do you know whether the ESP  
22   statute permits the recovery of those costs?

23          A.    Not off the top of my head, no.

24          Q.    Okay.  So you at least don't dispute  
25   Mr. Malinak's conclusions that those environmental

1 costs would be recoverable under an MRO but not on an  
2 ESP?

3 MR. HEALEY: Objection. That's asked and  
4 answered, your Honor. He just answered he doesn't  
5 know under either of the statutes.

6 EXAMINER SCHABO: That's a different  
7 question. He can answer that question.

8 A. I can't either dispute or confirm that  
9 assertion.

10 Q. Let me ask you some questions about  
11 credit ratings. You agree that credit ratings are a  
12 good measure of risk at a utility?

13 A. They are not a perfect measure, but  
14 they -- they can be a useful measure, particularly a  
15 financial risk but some degree of business risk as  
16 well. I would -- I refer to it as a risk indicator.

17 Q. And you are aware that credit rating  
18 agencies provide separate -- separate credit ratings  
19 for a corporation as an issuer for the corporation's  
20 secured debt and for the corporation as if it existed  
21 as a stand-alone entity?

22 A. Yes.

23 Q. Okay.

24 A. Yes. The bonds themselves are rated  
25 separately from the -- what someone called the

1 corporate rating, or consumer rating.

2 Q. Okay. And you agree that it is important  
3 for DP&L to have investment grade credit ratings  
4 under each of those separate ratings, correct?

5 A. I think it's certainly desirable. I  
6 would put far more emphasis on the secured bond  
7 ratings to assess the type of debt that DP&L issues.

8 Q. But it is important it has a -- an  
9 investment grade credit rating under each, right?

10 A. I think, yes, it's important and  
11 desirable to have investment grade ratings.

12 Q. You are aware that DP&L's corporate  
13 credit rating for S&P is currently below investment  
14 grade?

15 A. Yes. The last time I checked it was BB+  
16 which is one notch below investment grade. It's  
17 investment grade under the two other credit rating  
18 agencies.

19 Q. For the other two it's a low investment  
20 grade?

21 A. Yes. It's investment grade but the lower  
22 end of the investment grade spectrum.

23 Q. Okay. You would agree with me that, all  
24 else equal, a credit downgrade will lead to a higher  
25 cost of debt for a utility?

1           A.    Yes.  All else equal, it will,  
2   particularly the debts that the -- if it's the rating  
3   of the type of debt that the utility issues such as  
4   in the case of DP&L, there's secured debt.

5           Q.    And again, all else equal, higher cost of  
6   debt at a utility will lead to higher utility rates?

7           A.    Yes.  All else equal, the -- the all else  
8   equal assumption is -- can be pretty problematic  
9   because if you have to take expensive actions to  
10   avoid a downgrade, then -- then that would -- that  
11   would not be true.  So the all else equal assumption  
12   is -- is pretty critical to making a blanket  
13   statement like that.

14          Q.    But just so we're clear, if we do hold  
15   all else equal, an increased cost of debt of a  
16   utility would lead to higher utility rates.

17          A.    That's right.  If you -- if you assume  
18   that there is nothing else going on, that is, if  
19   it's -- if it's not necessary to take other actions  
20   such as increasing the equity rates to avoid the  
21   downgrade, that would be true.  That's a very, very  
22   restrictive assumption.  Under that assumption you  
23   are correct.

24          Q.    Have you ever heard of the non-investment  
25   grade markets sometimes referred to as a junk bond

1 market?

2 A. Yes.

3 Q. Okay. And you don't know whether or not  
4 DP&L has issued debt in that market in the last five  
5 years?

6 A. I believe they have. I believe -- I  
7 believe that occurred in 20 either 18 or 19.

8 Q. In the non-investment grade market, it's  
9 true, isn't it, a utility is more likely to have to  
10 agree to restrictive covenants on its ability to  
11 operate and its ability to issue new debt?

12 A. Yeah. That's entirely possible. It  
13 depends on the arrangement that the bond investors  
14 want to make.

15 Q. If the RSC was declared to be illegal,  
16 you would agree that would have a negative effect on  
17 DP&L's credit ratings?

18 A. It would unless there was some other  
19 remedial action taken. That's the essence of my  
20 testimony. That is, it need not cause any downgrade  
21 problem or credit problem because there are -- there  
22 are remedial actions that could be taken,  
23 particularly by AES, parent. But if no remedial  
24 actions are taken, if nothing is done to address  
25 credit quality, then that may be true.

1           Q.   And, similarly, if there is no remedial  
2   action taken, you would expect DP&L's credit ratings  
3   to fall if DP&L was ordered to issue \$150 million in  
4   refunds to customers, correct?

5           A.   I'm not predicting what would -- what  
6   would happen. I can only make the general statement  
7   that if there are no offsetting remedial actions  
8   taken, mitigation actions taken, for example, by the  
9   AES parent, then it would be -- it would be negative  
10   for credit. That's a statement that I could agree  
11   with.

12          Q.   Okay. You understand that DP&L provides  
13   Standard Service Offer to customers via an auction  
14   process, correct?

15          A.   It uses an auction, yes, a competitive  
16   bid process I think it's called.

17          Q.   Okay. And you understand that DP&L  
18   passes through the costs of acquiring generation  
19   through that bid process to SSO customers?

20          A.   Yes, that's my understanding. I haven't  
21   participated in any SSO cases, so I don't know the  
22   exact mechanics, but a competitive bid process is  
23   used. Contracts are entered into to indicate prices,  
24   and then it's passed onto the customers that take SSO  
25   service.

1 Q. And you understand that if one of those  
2 winning bidders were to default, then DP&L would have  
3 an obligation to provide generation service in place  
4 of that winning bidder?

5 MR. HEALEY: Objection. That calls for a  
6 legal conclusion in respect to his use of the word  
7 obligation. It's not clear whether he is discussing  
8 a legal requirement that DP&L might have; therefore,  
9 asking the witness to opine on that would be to  
10 request a legal conclusion.

11 EXAMINER SCHABO: Mr. Sharkey, would you  
12 like to reask your question, please?

13 MR. SHARKEY: Sure.

14 Q. (By Mr. Sharkey) What would happen if  
15 DP&L -- I'm sorry. What would happen if one of the  
16 winning bidders at the auction were to default and  
17 not provide generation service?

18 A. That's a complicated question. But let  
19 me try to answer it based upon my experience with  
20 default service and default service generally, and I  
21 don't know the details of the DP&L protocol since I  
22 have not been involved in DP&L SSO cases.

23 Generally there are a lot of things that  
24 can kick in. There -- competitive bid plan would  
25 normally provide protocols for dealing with potential



1 default. I don't happen to know exactly what they  
2 are for DP&L.

3 They can involve a lot of things. First  
4 of all, I think -- as your question suggests,  
5 Standard Service Offer still has to be provided.  
6 That is, the Standard Service Offer customers have to  
7 be served. Sometimes this is done by shifting the  
8 load onto other suppliers, that is, other winning  
9 bidders in the auction.

10 Sometimes the utility -- if that's not  
11 done, sometimes the utility goes in the market  
12 directly and procures the power that's no longer  
13 being supplied by the -- by the supplier that  
14 defaulted so there are procedures for dealing with  
15 that, but at the end of the day, the customers will  
16 be served, and they have to be served one way or the  
17 other.

18 Q. Let me ask you some questions about DPL  
19 Inc. You understand that DP&L and DPL Inc. are  
20 financially intertwined, correct?

21 A. They are.

22 Q. And you also agree that it's important  
23 that DPL Inc. be able to pay its roughly \$800 million  
24 in debt?

25 A. Yes. It's actually a little bit more

1     than 800 million; but, yes, it's important to be able  
2     to service that debt and by that I mean pay the  
3     interest on it and then deal with it however it  
4     should be dealt with at maturity which is several  
5     years away for most of that.

6             Q.     Okay. And you agree that a default on  
7     that debt by DPL Inc. would create problems for DP&L?

8             A.     There's the potential for that to happen.

9             Q.     Okay. And I think your direct testimony  
10    says the only salient difference between DP&L and DPL  
11    Inc. is that DPL Inc. has that \$800 million or so in  
12    debt, correct?

13            A.     Yes. And by that what I meant was that  
14    the -- the -- there is very little to the operations  
15    of DPL Inc. other than its utility. There is a  
16    little bit of, you know, other business but it's  
17    really extremely small.

18            Q.     Okay. You are aware that S&P gives DP&L  
19    the same credit rating that it gives the DPL Inc.?

20            A.     Yes, it does. That's under its umbrella  
21    credit rating practice. That's fairly corporate or  
22    issuer rating. Obviously that doesn't apply to  
23    DP&L's actual bonds which are -- I believe are rated  
24    BBB+ by S&P.

25            Q.     You believe that S&P's practice of giving

1 DP&L and DPL Inc. the same credit rating has merit?

2 A. You know, by merit I am referring to the  
3 type of information it's providing to investors and  
4 sets what it's there for. Yes, that's -- there's  
5 some merit to that. There's a disagreement among  
6 credit rating agencies how far that should go. But  
7 there's certainly an argument to be made for doing  
8 what S&P does. I mean, I can explain why but  
9 that's -- but, yeah, but that would be my short  
10 answer.

11 Q. Okay. You also know that Moody's makes  
12 notching adjustments to DP&L's credit rating based  
13 upon its financial relationship with DPL Inc.?

14 A. It does which means that the DPL's  
15 financial situation can affect DPL corporate or the  
16 issuer credit rating. It doesn't mean they are the  
17 same. In fact, it's investment grade under Moody's.

18 Q. And Fitch takes an approach similar to  
19 Moody's in terms of establishing DP&L's credit rating  
20 and considering DPL Inc.?

21 A. Yeah. I would describe Fitch's approach  
22 as being closer to Moody's than S&P.

23 Q. Let me ask you some questions about AES.  
24 You understand that the Commission does not have  
25 jurisdiction over AES?

1           A.     It does not have direct jurisdiction over  
2     AES.  I am sure it has a lot of information over AES  
3     but does not have direct jurisdiction, that's right.

4           Q.     Okay.  You are aware that AES invested  
5     \$150 million in 2020 in DP&L?

6           A.     Yes.

7           Q.     And you believe that is a responsible  
8     thing for AES to have done, correct?

9           A.     I think so.

10          Q.     You understand that AES plans to invest  
11     another \$150 million this year, correct?

12          A.     It may.  I think it -- what's been  
13     represented is that it's placed some conditions  
14     around it.

15          Q.     Okay.  You believe -- you believe that  
16     AES, if it made that future investment, that could  
17     also be positive for The Dayton Power and Light  
18     Company.

19          A.     Yeah, it could be.  I don't want to sit  
20     here and say exactly what would be the optimal  
21     sentencing plan for AES to be investing in DP&L, but  
22     I think that it's a good thing that AES is supporting  
23     the equity in the balance sheet of DP&L without  
24     regard to saying that 150 is necessarily the right  
25     number.

1           Q.    You understand that AES has not received  
2 any dividend payments associated with DP&L in a long  
3 time?

4           A.    Yes.   Dividend payments don't go from  
5 DP&L to AES, actually go from DPL Inc. to AES.   But  
6 AES has not received dividend payments from DPL Inc.  
7 in several years.

8           Q.    Okay.   You also understand that AES pays  
9 taxes on behalf of DPL Inc., and DPL Inc. has an  
10 obligation to make tax payments to AES to cover that  
11 tax liability?

12          A.    I believe there is a tax sharing  
13 agreement.

14          Q.    Okay.   And you are aware that DPL Inc.  
15 hasn't made any tax sharing payments to AES in a long  
16 time?

17          A.    I can't say what's happened very  
18 recently, but in the past several years it has not.

19          Q.    Okay.   You are aware that DP&L's --  
20 excluding OVEC, that DP&L's generation assets have  
21 been sold or retired?

22          A.    Yes.

23          Q.    Okay.   And that the proceeds of those  
24 sales have been used to reduce debt at DP&L and DPL  
25 Inc.?

1           A.    I think that's one of the purposes has  
2    been to -- for debt reduction.  I can't sit here and  
3    tell you that all of it has been used for that  
4    purpose.

5           Q.    Okay.

6           A.    But certainly there's been substantial  
7    debt reduction if we go back let's say 10 years with  
8    the proceeds from asset sales contributing to the  
9    debt reduction.

10          Q.    Okay.  And you would agree that the no  
11    dividends and the no tax sharing payments and the  
12    asset sales, those three items we have discussed,  
13    those were all positive steps for DP&L and things you  
14    were supportive of?

15          A.    I think I would go a little further than  
16    that.  I think they were necessary steps.  They  
17    had -- they basically had to do it.

18          Q.    And you consider those to be the  
19    equivalent of an equity infusion in DP&L by AES?

20          A.    Well, I wouldn't call not paying  
21    dividends an equity infusion.  The tax liability that  
22    we were just talking about a couple of minutes ago  
23    has been classified as -- as an equity contribution.  
24    It was basically converted to equity.  I don't know  
25    what that number was, but whatever it was, it was

1 converted to equity.

2 Q. Do you have a copy of your deposition  
3 available to you?

4 A. Can you give me just a second?

5 Q. Absolutely.

6 A. I apologize. I have a lot of documents  
7 to flip through. I believe I have it now.

8 Q. All right. If you would, please, sir,  
9 turn to page 62.

10 A. Yes, I have that.

11 Q. Okay. I am going to start on line 11  
12 there. There is a few questions and answers I am  
13 going to need to read into the record. So starting  
14 on line 11, I asked you the question "I believe you  
15 told me this in the ESP case, but did you consider  
16 the lack of dividends, the debt forgiveness, and then  
17 the asset sales, using the proceeds to pay debt to be  
18 the equivalent of AES equity investments in DPL Inc.  
19 and DP&L?"

20 You then answered "You lost me with one  
21 thing in your question. Debt forgiveness, I am not  
22 sure what you are referring to.

23 "Question: That was the tax sharing  
24 payments.

25 "Answer: Oh, okay. Yeah, the -- right,

1 the tax sharing liability. I think that was  
2 converted to equity. And then you are asking me  
3 whether these are positive steps?

4 "Question: First of all, yeah, if you  
5 can answer that question. Do you consider those to  
6 be positive steps?

7 "Answer: Yes.

8 "Question: Do you consider them to be  
9 the equivalent of an equity investment by AES?

10 "Answer: Yes, I do."

11 Did I read that accurately, sir?

12 A. You did.

13 MR. HEALEY: Your Honor, I am going to  
14 object and move to strike the impeachment. There was  
15 nothing inconsistent between Mr. Kahal's answers  
16 today at the hearing and his answers during the  
17 deposition. He explained why he did or did not  
18 believe that the topics Mr. Sharkey described were or  
19 were not equity investments and whether they were  
20 beneficial to the company, so it's an improper  
21 impeachment.

22 MR. SHARKEY: If I may, your Honor.

23 EXAMINER SCHABO: You may.

24 MR. SHARKEY: In his answer to my  
25 question, not in his deposition but in the record



1 here, he said that he did not consider the dividends  
2 to be equivalent of an equity investment, and he  
3 testified in the deposition transcript that I just  
4 read that he did.

5 EXAMINER SCHABO: We'll say this, I  
6 believe his answer today during testimony was that he  
7 did not consider it an equity infusion. That being  
8 said, I am not going to strike the impeachment. We  
9 can determine whether or not it was a proper  
10 impeachment when we consider the record.

11 However, to be clear, the part of his  
12 deposition that was read into the record does not  
13 have any evidentiary value other than what it may say  
14 for whether or not it was a proper impeachment. So  
15 let's move on.

16 Q. (By Mr. Sharkey) Let me ask you some  
17 questions about the prospective SEET. You in  
18 preparing your testimony on that subject did not  
19 review the SEET statute, correct?

20 A. I did not.

21 Q. Okay. And you also did not read  
22 Commission decisions on setting the threshold under  
23 the SEET statute, correct?

24 A. That's right. I did not review those --  
25 those decisions. I don't know if we ever talked

1 about that with any specificity but just as a general  
2 statement, yes.

3 Q. Okay. And if you turn in your direct  
4 testimony to page 51.

5 A. I have that.

6 Q. Well, set the stage here. This page 51  
7 comes within the section of your testimony dealing  
8 with the prospective SEET test, right? You started  
9 that on page 47 of your testimony.

10 A. Yes.

11 Q. Okay. So one of your criticisms on page  
12 51 starting on line 5 is that DP&L's projections  
13 regarding the prospective SEET test did not include a  
14 filing of a distribution rate case, correct?

15 A. Yes.

16 Q. Okay. We talked about that already,  
17 right?

18 A. Well, we discussed the general subject  
19 earlier this morning.

20 Q. You opine that the SEET threshold should  
21 be 12 percent, correct?

22 A. Yes.

23 Q. Okay. And you understand that amount or  
24 figure came from DP&L's ESP III Stipulation?

25 A. I do. It's also my understanding that it

1 was previously used in ESP I as well, but ESP III was  
2 obviously in effect until late 2019.

3 Q. So you believe DP&L's ESP I included a  
4 12 percent threshold?

5 A. I do. I believe it was used in ESP I.  
6 That's what I understand.

7 Q. Okay. And that forms part of your  
8 opinion that the 12 percent figure should be used in  
9 this case?

10 A. No. It's based upon the fact that it was  
11 used in -- it was part of ESP III.

12 Q. Okay. You understand that the ESP III  
13 Stipulation has been terminated and is no longer in  
14 effect?

15 A. That's right.

16 Q. Okay. You don't identify a comparable  
17 group of companies that have similar risks to DP&L,  
18 correct?

19 A. No. What I indicated is that I had no  
20 problem with the two groups that were identified by  
21 Mr. Malinak which were the XLU group and the Value  
22 Line group. I thought they were both okay to be used  
23 for comparison purposes.

24 Q. If the appropriate methodology for  
25 conducting the SEET test is to identify a comparable

1 group, identify a mean ROE from that comparable  
2 group, and then multiply that ROE by either  
3 1.5 percent or increase it by 1.64 standard  
4 deviations, you would agree that Malinak followed  
5 that approach, correct?

6 MR. HEALEY: Objection. It's a compound.

7 EXAMINER SCHABO: Why don't you break  
8 your question up.

9 Q. (By Mr. Sharkey) You agree with me that  
10 Malinak identified a comparable group of utilities  
11 with similar risks to DP&L.

12 A. Yes.

13 Q. Okay. And you agree with me that Malinak  
14 in his testimony multiplied that ROE by 1.5 percent  
15 and presented a series of SEET thresholds in his  
16 testimony, correct?

17 A. No, that's not what he did.

18 Q. What are you claiming he did?

19 A. I think that the problem with your  
20 question you said 1.5 percent. 1.5 percent is a  
21 very, very small number. That's -- that's not what  
22 he used.

23 Q. Fair enough. If I said 1.5 percent, I  
24 misspoke so let me try it again. You understand that  
25 Mr. Malinak multiplied the mean ROE earned by those

1 utilities by 1.5 to develop the SEET threshold.

2 A. Yes, that would be 150 percent.

3 Q. Okay. Yes, it would. And you also  
4 understood -- understand that in Mr. Malinak's  
5 testimony he took the mean ROEs earned by those  
6 utilities and increased it by 1.64 deviation --  
7 standard deviations to come up with another set of  
8 figures or SEET thresholds, correct?

9 A. Yes. I'm a little -- I'm a little  
10 confused by that description. It's a -- I don't  
11 think that the -- that may be correct, but I'm not  
12 sure that the standard deviation itself was 1.64.  
13 It's -- there was an adjustment factor of 1.64.

14 Q. Okay. Associated with getting to a  
15 standard -- to a confidence level of 95 percent?

16 A. Supposedly that's -- that's -- it's been  
17 represented that that's a 95 percent confidential  
18 interval. I don't know whether --

19 Q. Let me ask you some questions about risks  
20 that DP&L faces. You are aware that other Ohio  
21 utilities have a -- have riders called a Distribution  
22 Investment Rider?

23 A. Or something like that, yes.

24 Q. Okay. And you are --

25 A. They go by different names.

1           Q.    You are also aware that other Ohio  
2 utilities have decoupling riders.

3           A.    Yes.  I'm not -- I don't know if they all  
4 do, but it's -- that is a type of rider that's used  
5 by other Ohio utilities.

6           Q.    Okay.  And you are aware that other Ohio  
7 utilities have uncollectible riders?

8           A.    Yes.  Again, same answer.  I don't know  
9 that they all do, but it's -- at least some of them  
10 do.

11          Q.    Okay.  And you are aware that DP&L does  
12 not have a Distribution Investment Rider or a  
13 decoupling rider or an uncollectible rider?

14          A.    They -- they don't.  They walked away  
15 from the riders that they had in ESP III.

16          Q.    Okay.  And all else equal, the fact that  
17 other utilities have those riders and DP&L doesn't  
18 makes DP&L more risky?

19          A.    All else equal, I would say so.  I think  
20 that those riders have a risk-reducing effect.  But  
21 by risk reducing I mean risk reducing for the  
22 utility.

23               MR. SHARKEY:  Your Honor, I have no more  
24 questions.

25               EXAMINER SCHABO:  Thank you, Mr. Sharkey.

1 Ms. Bojko, do you have any  
2 cross-examination?

3 MS. BOJKO: I do, your Honor. Is it  
4 possible for us to take a 5 minute?

5 EXAMINER SCHABO: Yes, absolutely. Let's  
6 just make it 7. We will come back on the record at  
7 10:20.

8 (Recess taken.)

9 EXAMINER SCHABO: Let's go back on the  
10 record.

11 It's 10:21. We are back on the record.  
12 Ms. Bojko, I believe you were up next for  
13 cross-examination.

14 EXAMINER SCHABO: Mr. Kahal, in  
15 preparation if you could unmute your microphone or if  
16 Micah can do that for you. I don't know. Perfect.

17 THE WITNESS: Can you hear me?

18 EXAMINER SCHABO: I can. Thank you.

19 THE WITNESS: Thank you.

20 EXAMINER SCHABO: Sorry to interrupt,  
21 Ms. Bojko. Proceed.

22 MS. BOJKO: Thank you.

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CROSS-EXAMINATION

By Ms. Bojko:

Q. Good morning, Mr. Kahal. As you know, my name is Kim Bojko, and I am representing the Ohio Manufacturer's Association Energy Group.

A. Good morning, Ms. Bojko.

Q. I'm going to be referring mostly to your supplemental testimony, so if I say testimony, it will be the supplemental testimony. Do you have that in front of you?

A. I do.

Q. Great. And also just in preparation, do you have a copy of the settlement in front of you that was entered into this case or filed in this case?

A. Yeah. If you could just give me a minute. I have a pile of documents. Yes, I believe I have it.

Q. All right. Mr. Kahal, under the terms of the settlement that was identified and marked for the record as Signatory Parties Exhibit 1, the rate stabilization charge for the RSC cannot be included in Dayton Power and Light's next electric security plan case, correct?

A. That's how I interpret the settlement.



1           Q.    And the settlement requires Dayton Power  
2   and Light to file a new electric security plan case  
3   by October 1, 2023, correct?

4           A.    Yes, it does.

5           Q.    The new ESP may not contain any  
6   nonbypassable charge to customers related to provider  
7   of last resort risks, stability, or financial  
8   integrity, correct?

9           A.    Yes.

10          Q.    And --

11          A.    I'm sorry. Did you say non?  
12   Nonbypassable, yes.

13          Q.    And the settlement also provides that the  
14   ESP cannot include any other charge that is  
15   substantially calculated based on the credit ratings  
16   debt or financial performance of any parent or  
17   affiliate company of Dayton Power and Light, correct?

18          A.    Yes.

19          Q.    And the sentence that I was quoting was  
20   on page 45 of the settlement. Would you turn to page  
21   45.

22          A.    I have 45. I am not sure which paragraph  
23   you are referring to.

24          Q.    It's 20a on page 45.

25          A.    Yes, I have that.

1 EXAMINER WILLIAMS: Trish, I have lost  
2 audio. Are you able to hear okay?

3 EXAMINER SCHABO: I am, but we are going  
4 to take a break. We need Judge Williams to get his  
5 audio up. We will go off the record briefly.

6 (Discussion off the record.)

7 EXAMINER SCHABO: Let's go back on the  
8 record, Karen.

9 We took a brief break there to deal with  
10 a technical issue. We have everyone up and running.  
11 Ms. Bojko, please proceed.

12 MS. BOJKO: Thank you, your Honor.

13 Q. (By Ms. Bojko) Mr. Kahal, could you turn  
14 to page 45 of the settlement.

15 A. Yeah. I have that, yes.

16 Q. Okay. Just get everybody on the same  
17 page. Provision 20a, and there are no line numbers  
18 so I apologize, but at the bottom of the page, it's  
19 the second to last line, it says "or any other charge  
20 that is substantially calculated based on the credit  
21 ratings." Do you see that?

22 A. I do.

23 Q. And that any other charge is not  
24 qualified by either a bypassable or nonbypassable  
25 designation, correct?

1           A.    Yeah, the non -- the nonbypassable charge  
2 reference is two lines up.

3           Q.    So you would agree with me that after the  
4 "comma or any other charge" does not have a  
5 qualifier?

6           A.    It doesn't repeat the qualifier. I  
7 interpret it that the qualifier that was two lines up  
8 is applying to the entire sentence.

9           Q.    And two lines up it says "any  
10 nonbypassable charge" and then the piece I am talking  
11 about after the comma says "any other charge" without  
12 the bypassability qualifier, correct?

13          A.    Well, nonbypassability wasn't -- wasn't  
14 repeated, I will grant that. I'm not entirely  
15 certain now as you cite the language to me whether --  
16 whether or not the nonbypassability qualifier was  
17 intending to apply to that last line. I read it as  
18 that it applies to the entire sentence, but I guess  
19 people can read it different ways.

20          Q.    You would agree with me, sir, that not  
21 paying the RSC charge would benefit customers?

22          A.    Yes.

23          Q.    And you agree that the elimination of  
24 this charge would serve the public interest?

25          A.    It would.

1           Q.    The RSC charge -- and you understand that  
2   to be the rate stabilization charge; is that correct?

3           A.    Yes, the \$79 million a year roughly that  
4   customers are currently being charged.

5           Q.    The RSC charge is a per kWh charge; is  
6   that correct?

7           A.    I don't know the rate design.  At  
8   deposition you represented that to me, and I am  
9   not -- I'm certainly not disputing that.

10          Q.    And so it would be your understanding if  
11   it was a kWh charge included -- you would expect that  
12   the rate design that you just mentioned would be  
13   included in Dayton Power and Light's tariffs; is that  
14   fair?

15          A.    Yes, it would be in the tariff, I would  
16   think.

17          Q.    So if the charge is a kWh charge, you  
18   would agree with me that customers that use the most  
19   electricity would pay the most under the RSC?

20          A.    No, I can't -- no.  That doesn't follow.  
21   The -- when you say it's a kWh charge, that merely  
22   refers to the rate element that's used to collect it.  
23   It doesn't say anything about what the customer class  
24   allocation is.

25          Q.    So do you know --

1           A.     That's a separate issue.

2           Q.     Fair enough.   Do you know the customer  
3 allocation issue?

4           A.     I don't.   That's -- I consider that to be  
5 part of rate design, and I haven't investigated the  
6 rate design of the RSC.

7           Q.     Well, have you reviewed the settlement  
8 provisions regarding the economic development  
9 incentives and grants that was in the settlement?

10          A.     Yes, I did -- I did see that, yes.

11          Q.     And on page 12 of your testimony, your  
12 supplemental testimony, you agree that the settlement  
13 provides a \$30 million in shareholder dollars to the  
14 benefit of customers?

15          A.     That's what's -- that has been  
16 represented by the company in its SEC filing.   There  
17 is no way for me to independently confirm that but  
18 that's what's been represented and I accept that  
19 representation.

20          Q.     And is it your understanding now that the  
21 economic development incentives are also monthly kWh  
22 credits?

23          A.     They are credits or discounts, something  
24 like that.

25          Q.     And is it your understanding that the

1 economic development credits will assist customers in  
2 paying their bills under the current ESP?

3 A. Well, I am sure that those that receive  
4 those credits will find it helpful.

5 Q. Well, if it is a credit on the bill, then  
6 it would lower the customer's bill, correct?

7 A. Yes, yes. It would -- it would make it  
8 more economical for them to pay their bills.

9 Q. And the shareholder -- those are  
10 shareholders' funds; is that your understanding?

11 A. Yes.

12 Q. And the shareholders' funds are being  
13 paid to customers that use large amounts of  
14 electricity and contributed the most under the  
15 current ESP; is that correct?

16 A. Wait a minute. These credits are  
17 certainly being provided to a very small number of  
18 large customers, that's true. And, in fact, that --  
19 that makes up those credits or rate discounts and  
20 whatnot which I described in my testimony and I think  
21 Dr. Hill refers to, that makes up the vast, vast  
22 majority of that asserted \$30 million. That doesn't  
23 tell me anything about what RSC those customers  
24 are -- are paying. I don't know what their -- what  
25 their RSC charge is because, as I said, I don't know

1 what the customer class allocation is. All I know is  
2 that it's nonbypassable which means everybody is  
3 paying something.

4 Q. Let's look at page 12 of your testimony.

5 A. I have that.

6 Q. On page 12 of your supplemental  
7 testimony, you claim that the settlement results in a  
8 purported unwarranted \$450 million cost penalty to  
9 customers; is that correct?

10 A. Yes.

11 Q. And according to you, there was a  
12 correction made earlier today but it is -- it will  
13 cost customers about \$900 per customer over the next  
14 four years?

15 A. Yeah. That's -- \$900 figure is an  
16 average. It's just been calculated by taking the  
17 450 million, dividing that by the 530,000 customers.

18 Q. And in that you just did that simple  
19 calculation. You did not analyze how the costs were  
20 actually allocated among the different customer  
21 classes, correct?

22 A. No. I didn't provide the detail by  
23 customer class. That's just an average outcome.

24 Q. And the alleged cost/benefit, this  
25 \$450 million, it is in part based on the RSC charge

1 to customers; is that correct?

2 A. Yes. In fact, that makes up most of it.

3 Q. And that charge which I think you've  
4 estimated to be 300 million; is that correct?

5 A. I would say at least 300 million, yes.

6 Q. That charge is in existence today,  
7 correct?

8 A. It is.

9 Q. And that charge will continue to today  
10 whether or not the settlement is approved.

11 MR. HEALEY: Objection.

12 EXAMINER SCHABO: Basis?

13 MR. HEALEY: Yes, your Honor. That  
14 question calls for a legal conclusion whether or not  
15 the RSC will or will not continue, depends upon  
16 interpretation of various laws that are at play in  
17 this case and the PUCO interpretation of those laws  
18 and implementation of a future order before the  
19 Commission so it's both conferring conclusion and  
20 calling for speculation as to what the PUCO might do  
21 in this case.

22 EXAMINER SCHABO: Ms. Bojko.

23 MS. BOJKO: Well, your Honor, he is  
24 testifying to the number, and he is testifying to an  
25 alleged unwarranted \$450 million cost penalty due to



1 the Stip \$300 million is -- is being charged today,  
2 so it's not due to the Stip. I think he can testify  
3 if there is no Stip and there is no other action,  
4 what would occur. Otherwise I would move to strike  
5 this whole part of his testimony.

6 EXAMINER SCHABO: Mr. Kahal, you can --  
7 first of all, I am going to have Ms. Gibson read back  
8 the question so you know exactly what that question  
9 is, but you can just answer that to the best of your  
10 ability and understanding.

11 Ms. Gibson, if you would please.

12 (Record read.)

13 EXAMINER SCHABO: The objection is  
14 overruled. Mr. Kahal, answer that to the best of  
15 your ability.

16 A. My understanding is that the -- is that  
17 the charge will continue until the Commission issues  
18 a ruling eliminating the charge.

19 Q. So if -- if the settlement is not  
20 approved, it's your understanding that the RSC, the  
21 300 million portion of your \$450 million purported  
22 penalty will exist until the Commission takes further  
23 action.

24 A. Yes. Let me modify that slightly to say  
25 the Commission can decide to approve the settlement

1 but modifying it to exclude the RSC so, in other  
2 words, the Commission has a lot of options.

3 Q. And if the Commission decides to do  
4 nothing, the \$300 million will continue to be charged  
5 to customers, correct?

6 A. I'm not sure what you mean by do nothing.  
7 You mean not issue a ruling in this case?

8 Q. Correct.

9 A. The RSC will continue -- this is my  
10 understanding, that the RSC will continue until the  
11 Commission says otherwise.

12 Q. And the -- let's talk about the other  
13 piece of the \$450 million. We talked about the 300  
14 that is continuing today. And the other  
15 \$150 million, that \$150 million is based upon a  
16 refund or a purported refund through a SEET  
17 proceeding; is that correct?

18 A. Through two SEET proceedings, I believe,  
19 that have been consolidated.

20 Q. Thank you. Two cases, one proceeding  
21 that has been consolidated; is that fair?

22 A. Yeah.

23 Q. And the 150 million calculation, that was  
24 not done by you, correct?

25 A. That's correct. Dr. Duann is sponsoring

1     that calculation.

2             Q.     So you're just assuming that his  
3     calculation is accurate, correct?

4             A.     I am assuming that, but in addition to  
5     assuming that, I happened to do my own calculation of  
6     the company's earnings, and I got results similar to  
7     his, so I don't find his results to be surprising.

8             Q.     So the -- the calculation though, let's  
9     focus on the \$150 million refund claim of the 450  
10    cost penalty, that would have to be received or that  
11    would have to be ordered by the Commission through  
12    the SEET proceeding after a SEET test is done; is  
13    that correct?

14            A.     Yeah. I'm a little unsure when you say  
15    after a SEET test is done. I mean, the SEET test, I  
16    believe, has been done. Testimony has been filed on  
17    it, and the Commission has to adjudicate it.

18            Q.     So the Commission actually has to review  
19    the data and run its own SEET test and come out with  
20    a result of whether there will or will not be refunds  
21    to customers based on the SEET test; is that correct?

22            A.     Yeah. I mean, I am not sure. I suppose  
23    the Commission has the option of just approving the  
24    settlement which would -- if the Commission approved  
25    the settlement as filed, I -- I imagine that would

1 moot the whole process. But if it did not approve  
2 the settlement, then it would -- it would adjudicate  
3 it by reviewing the evidence. I'm not suggesting the  
4 Commission would necessarily do its own independent  
5 calculations, but it would review what's before it.

6 Q. Okay. Let's -- let's assume there is no  
7 settlement. So it's your understanding in order for  
8 customers to receive the benefit of the \$150 million,  
9 there would have to be a SEET proceeding and that  
10 SEET proceeding would have to run its course. The  
11 Commission would receive evidence. The Commission  
12 would receive testimony, and the Commission would  
13 adjudicate, to use your word, and issue a decision in  
14 that SEET proceeding as to whether customers will or  
15 will not receive any money under the SEET test?

16 A. Well, I'm a little confused by the  
17 question because I thought that's what we were doing  
18 here. I thought that the -- the SEET testimony was  
19 entered in as part of what we're doing here. So I  
20 think -- I think it's ongoing.

21 Q. I'm trying to -- you said there is a  
22 \$450 million penalty in the settlement. So I am  
23 walking through what that \$450 million penalty comes  
24 from. We talked about the 300 million. Now we are  
25 talking about the \$150 million. And we are talking

1 about how customers would have to realize that, and  
2 it would be through a SEET calculation that the  
3 Commission would order refunds under; is that fair?

4 A. That's right.

5 Q. Okay. And for that calculation, you  
6 assumed that the Commission would apply a 12 percent  
7 ROE threshold, correct?

8 A. That's what Dr. Duann used. I didn't  
9 exclusively make that assumption. I think it would  
10 be more accurate to say that I am assuming that the  
11 Commission in adjudicating this would -- would adopt  
12 Dr. Duann's finding and recommendation.

13 Q. So the record is clear, you relied on  
14 that recommendation to create your \$450 million cost  
15 penalty that you are testifying in your -- in your  
16 testimony.

17 A. Yes. My calculation of the \$450 million  
18 harm incorporates Dr. Duann's recommendation.

19 Q. And, sir, you are aware that the  
20 Commission has approved SEET threshold ROEs as high  
21 as 17 percent, correct?

22 A. They've approved various SEET thresholds.  
23 I couldn't cite all the numbers to you.

24 Q. But you are aware that they could -- that  
25 they have rise -- they have been at the level of

1 17 percent.

2 MR. HEALEY: Objection.

3 EXAMINER SCHABO: Basis?

4 MR. HEALEY: Assumes facts not in  
5 evidence. There is nothing in the record of previous  
6 SEET thresholds at a level Ms. Bojko was  
7 representing. She is trying to testify in her own  
8 testimony into the record.

9 MS. BOJKO: Your Honor, I am not. I  
10 asked if he was aware that the Commission has  
11 approved rate of return or return on equity SEET  
12 thresholds as high as 17 percent, if the Commission  
13 ordered. There's no evidence.

14 MR. HEALEY: May I respond, your Honor?

15 EXAMINER SCHABO: You may.

16 MR. HEALEY: If there is a specific  
17 order, Ms. Bojko is certainly welcome to cite that,  
18 but questions of the form are you aware that X  
19 assumes facts not in evidence if the X is not  
20 something in the record in this case. That's exactly  
21 what Ms. Bojko is asking. You can't ask a witness  
22 are you aware that whatever if that whatever has not  
23 already been established. She can ask him whether he  
24 knows if that is true, but she cannot ask him are you  
25 aware that this is true. Those are different -- it's

1 not -- those are different questions.

2 MS. BOJKO: They are not different  
3 questions. I will rephrase, your Honor.

4 EXAMINER SCHABO: Okay.

5 Q. (By Ms. Bojko) Is it true that the  
6 Commission in Case No. 11-4571 has approved a SEET  
7 threshold as high as 17 percent?

8 A. I am not aware of that, that they have  
9 approved a SEET threshold that high.

10 Q. The SEET proceedings that we've been  
11 talking about and that you've referenced for the  
12 point of your \$450 million, those are referencing  
13 revenues received in 2018 and 2019, correct?

14 A. I'm sorry. We are still talking about  
15 the SEET test?

16 Q. Yes.

17 A. Yes. It applies to 2018, 2019.

18 Q. And the test would look at over-earnings  
19 for those two years, 2018 to '19, correct?

20 A. Yes.

21 Q. And any refunds would have been on  
22 revenues from 2018-19, correct?

23 A. Well, the revenues would be part of what  
24 goes into it.

25 Q. And as part of that \$150 million

1 calculation, were DMR revenues included?

2 A. Oh, yes, yes. There were -- in each year  
3 there was something like in excess of \$100 million of  
4 DMR revenue.

5 Q. And you would agree with me that there is  
6 no guarantee that the \$150 million would actually be  
7 refunded to customers, correct?

8 A. I can't sit here and guarantee what the  
9 Commission's ruling is going to be.

10 Q. And it's your understanding that  
11 typically the SEET proceedings have, in fact, not  
12 resulted in refunds to customers; is that correct?

13 A. I think that's right. In most cases they  
14 have not. Of course, in this case the earnings are  
15 rather extreme.

16 Q. And were customers refunded after the  
17 termination of the DMR? Do you know?

18 A. No, no. Customers -- to my knowledge  
19 customers have not received any refunds from the DMR.

20 Q. And it's your understanding that the  
21 Supreme Court did not order refunds of the DMR after  
22 they overturned FirstEnergy's decision.

23 A. That's my understanding.

24 Q. And it's also your understanding that no  
25 DP&L past or prior proceedings has result -- SEET



1 proceedings has resulted in refunds, correct?

2 A. It's my understanding there have been no  
3 refunds under the SEET for DP&L.

4 Q. Under the settlement, the economic  
5 development incentives paid to customers are, in  
6 fact, guaranteed; is that correct?

7 A. I don't think I would put it that way.  
8 No. I mean, maybe we're -- maybe this is semantics.  
9 I regard what's in the settlement as being a -- a  
10 commitment by DP&L that they would provide those  
11 grants, discounts, you know, whatever credits,  
12 whatever form they take, what they total up to can  
13 only be estimated because it's going to be based  
14 on -- on electric usage.

15 Q. But under the settlement, the provision  
16 of credits is guaranteed.

17 A. It's a commitment. I mean, I -- I'm not  
18 sure I see the word "guaranteed" anywhere. I don't  
19 know what a guarantee even means here. It's a  
20 commitment by DP&L to provide that benefit to those  
21 specific customers.

22 Q. And you are not aware of specific  
23 language in this settlement that makes that  
24 commitment a guarantee and certain things happened  
25 if -- certain things happen if Dayton Power and Light

1 does not meet that commitment or satisfy the  
2 commitment?

3 A. No. Maybe you can refer me to what you  
4 are -- what you have in mind in the settlement.

5 Q. If you turn to page 48, 49 of the  
6 settlement.

7 A. I'm at page 48.

8 Q. Section c. Just take a minute to read  
9 that.

10 A. You want me to read all of paragraph c?

11 Q. Yes, please.

12 A. Yes, I've read this.

13 Q. Isn't it true that at the top of page 49,  
14 the first full sentence it says "Signatory Parties  
15 acknowledge that this paragraph is a contractual  
16 commitment and thus may be -- may be enforced by the  
17 Franklin County Court of Common Pleas"?

18 A. It is and that's why I said it was a  
19 commitment. It's -- in this sense it's a legally  
20 enforceable commitment, and I certainly accept that.

21 Q. And doesn't this paragraph also say that  
22 it creates a binding agreement?

23 A. Yes, yes. DP&L is bound by what it's  
24 agreed to subject to the caveats in the early part of  
25 the paragraph.

1           Q.    And doesn't that binding agreement  
2 sentence also include the funding commitments from  
3 DP&L to the applicable stakeholders or signatory  
4 parties?

5           A.    Yes.  As I said, it's a commitment.

6           Q.    A binding commitment.

7           A.    A binding commitment, yes, subject to the  
8 caveats that were mentioned in the early part of the  
9 paragraph.

10          Q.    And under the settlement it's your  
11 understanding that the termination of the RSC is also  
12 a commitment by DP&L, DP&L commits to terminate the  
13 RSC by not filing for an RSC in its next ESP case.

14          A.    Yes.  As a general statement, I view all  
15 the paragraphs in the settlement as being  
16 commitments.

17          Q.    Right.  But there is a commitment that  
18 the RSC will terminate, correct?

19          A.    Yes, although there is no specific date  
20 as to -- it contemplates that it's going to end  
21 sometime.  There is no date given for when it ends.  
22 It merely says that the Company will file a new RSC  
23 by October 1, 2023.  And so what I understand is that  
24 the RSC would then continue until the Commission  
25 approves a new RSC.  And that's indeterminate as to

1 when that would happen.

2 Q. Sir, I think twice you said file a new  
3 RSC. I think you meant file a new ESP; is that fair?

4 A. I'm sorry. Thank you for the correction,  
5 a new ESP.

6 Q. So it's your understanding that the  
7 newest -- the new ESP has to be filed by 2023 and  
8 that filing cannot include an RSC charge.

9 A. That's how I interpret it, by October 1,  
10 2023, that new filing, I guess it's going to be  
11 called ESP IV, would not include an RSC charge.

12 Q. And, sir, it's your understanding that  
13 the RSC has not been deemed unlawful by the  
14 Commission to date, correct?

15 A. Yes.

16 Q. And it has not been deemed unlawful for  
17 the -- by the Ohio Supreme Court to date, correct?

18 A. Not so far, no.

19 Q. And the Commission has not otherwise  
20 ordered Dayton Power and Light to cease collecting  
21 the RSC, correct?

22 A. It has not. That's what's at issue in  
23 this proceeding.

24 Q. And Dayton Power and Light has not  
25 otherwise agreed to cease collecting the RSC,

1 correct?

2 A. They certainly have not other -- other  
3 than what's in this settlement.

4 Q. In order for the costs that you claim are  
5 a penalty, in order for that to come to fruition, the  
6 Commission would have to do two things. It would  
7 have to terminate the RSC charge, and it would have  
8 to find that a refund should be issued to customers  
9 in the amount of \$150 million per the SEET test.

10 A. Yes, to get to the total of 450.

11 Q. And if either of those do not come to  
12 fruition, the \$450 million penalty would not occur.

13 A. That's correct. There may be a very  
14 substantial penalty but it may not be 450 million.

15 Q. Your -- Mr. Kahal, you have not contested  
16 through your testimony prong one; is that accurate?

17 A. I have not in the sense that I am not  
18 disputing the factual information in -- in  
19 Ms. Schroder's testimony which describes the settling  
20 parties and the settlement process.

21 Q. Sir, you were not involved in the  
22 settlement process, correct?

23 A. I was not.

24 Q. And you are aware that 20 parties  
25 participated in the proceeding?

1           A.    Approximately, yes.

2           Q.    And you are aware that only one party,  
3 the Consumers' Counsel, is opposing the settlement?

4           A.    I don't know of another party that's  
5 actively opposing it.  There may be, you know, other  
6 parties that are in non-opposition or not actively  
7 opposing it.

8           Q.    And you are aware that there are 18  
9 parties that have actually signed the settlement.

10          A.    Something like that, yes.

11               MS. BOJKO:  If I could have 2 minutes to  
12 go through my notes, your Honor, I think I am close  
13 to being finished.

14               EXAMINER SCHABO:  Sure.  Let's just go  
15 off the record.

16               (Discussion off the record.)

17               MS. BOJKO:  Your Honor, I have no further  
18 questions.  Thank you.

19               EXAMINER SCHABO:  I think we were off the  
20 record.  Did you bring us back on?  Okay.

21               MS. BOJKO:  I can repeat.

22               EXAMINER SCHABO:  Please do.

23               MS. BOJKO:  Are we back on?

24               EXAMINER SCHABO:  Yeah.

25               MS. BOJKO:  Your Honor, I have no further

1 questions for this witness.

2 Thank you, Mr. Kahal.

3 THE WITNESS: You're quite welcome.

4 EXAMINER SCHABO: Thank you, Ms. Bojko.

5 Are there any other Intervenors that have  
6 questions on cross-examination of Mr. Kahal?

7 All right. Seeing and hearing no one  
8 volunteering, I will go to Mr. Beeler. Does Staff  
9 have any cross-examination for Mr. Kahal?

10 MR. BEELER: I just have one -- one  
11 clarifying question.

12 EXAMINER SCHABO: All right. Please  
13 proceed.

14 - - -

15 CROSS-EXAMINATION

16 By Mr. Beeler:

17 Q. Hello, Mr. Kahal. I am Steve Beeler. I  
18 represent the Staff of the Commission.

19 A. Good morning, sir.

20 Q. Good morning. I'm just clearing up a  
21 question that was asked by Mr. Sharkey earlier. He  
22 asked you about whether AES is under the PUCO  
23 jurisdiction. Do you remember him asking you  
24 questions about that?

25 A. Yes, whether the Commission has

1 jurisdiction over AES.

2 Q. Correct. In your answers you went on to  
3 say that -- it may not be exactly what you said but  
4 the gist was that the PUCO may control AES in a  
5 number of other ways. Do you remember that?

6 A. Yes. What I -- what I said was the  
7 Commission does not have direct jurisdiction over --  
8 over AES but it certainly has quite a bit of  
9 influence over AES.

10 Q. Okay. And just what do you mean by  
11 influence?

12 A. Well, in terms of the Commission can make  
13 its desires known to AES what it -- since AES, of  
14 course, controls DP&L, and effectively AES is the  
15 management of DP&L and makes the financial decisions  
16 for DP&L and so forth, the Commission can make -- can  
17 let AES know what it expects of AES. And it can do  
18 that through statements that it makes, orders that it  
19 issues, and in terms of the way in which it regulates  
20 DP&L.

21 Q. Okay.

22 A. This is very, very common. I'm not  
23 saying it's unique for AES. It's really true of any  
24 holding company.

25 MR. BEELER: Okay. Thank you. I have



1 nothing further, your Honor.

2 EXAMINER SCHABO: Thank you, Mr. Beeler.

3 Mr. Healey, do you have redirect?

4 MR. HEALEY: No, your Honor, no redirect.

5 Thank you.

6 EXAMINER SCHABO: Okay. Thank you very  
7 much for your testimony, Mr. Kahal. You are -- you  
8 are excused for the day.

9 Okay. It is 11:04. We would like to --

10 EXAMINER WILLIAMS: Do you want to take  
11 up the exhibits, Ms. Schabo, and then we'll take a  
12 break to restage?

13 EXAMINER SCHABO: Yeah. Thank you. I  
14 always forget the exhibits.

15 Mr. Healey.

16 MR. HEALEY: Yes, your Honor. At this  
17 time OCC moves for the admission of Exhibits 1, 1C,  
18 and 2.

19 EXAMINER SCHABO: Are there any  
20 objections? Seeing and hearing none, OCC 1, 1C, and  
21 2 will be admitted.

22 (EXHIBITS ADMITTED INTO EVIDENCE.)

23 EXAMINER SCHABO: Okay. Now we will go  
24 off the record for a moment.

25 (Recess taken.)

1 EXAMINER WILLIAMS: We will go back on  
2 the record.

3 Ms. O'Brien, do you want to call your  
4 next witness?

5 MS. O'BRIEN: Yes, your Honor. Thank  
6 you. OCC would like to call Paul J. Alvarez.

7 MR. SCHMIDT: Mr. Alvarez, you have been  
8 promoted to panelist. If you can enable your audio  
9 and video.

10 EXAMINER WILLIAMS: I'm still searching.

11 MS. O'BRIEN: He was just here.

12 EXAMINER WILLIAMS: He was. I saw him.

13 MR. SCHMIDT: I think after the test, he  
14 actually got up and walked away from his desk.

15 EXAMINER WILLIAMS: Karen, let's go back  
16 off.

17 (Discussion off the record.)

18 EXAMINER WILLIAMS: All right. We are  
19 back on.

20 Ms. O'Brien, you just called Mr. Alvarez.  
21 Mr. Alvarez, welcome to our hearing.

22 MR. ALVAREZ: Thank you for having me.

23 EXAMINER WILLIAMS: Very honored, thank  
24 you, sir. Would you please raise your right hand  
25 while I swear you in.

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(Witness sworn.)

EXAMINER WILLIAMS: Thank you.

Ms. O'Brien.

MS. O'BRIEN: Yes. At this time, your Honors, I would like to mark the direct testimony -- the public version of the direct testimony of Paul J. Alvarez as OCC Exhibit 7 and then the confidential version of that same testimony as OCC 7C.

EXAMINER WILLIAMS: So marked.

(EXHIBITS MARKED FOR IDENTIFICATION.)

- - -

PAUL J. ALVAREZ

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Ms. O'Brien:

Q. Good morning, Mr. Alvarez. How are you?

A. Good.

Q. Now, did you prepare testimony in this proceeding that was filed in December 2020?

A. I did.

Q. And do you have that testimony with you today?

A. I do.

Q. And do you have any changes to make to

1 your testimony?

2 A. I do not.

3 Q. Okay. And if I were to ask you the  
4 questions in your testimony, would your answers be  
5 the same?

6 A. They would.

7 MS. O'BRIEN: And with that I have no  
8 further questions at this time for Mr. Alvarez, and I  
9 will turn him over for cross.

10 EXAMINER WILLIAMS: Thank you,  
11 Ms. O'Brien. Before we begin the first cross, I want  
12 to confirm who is intending to proceed with cross.  
13 Based on our earlier witness today, I had Attorneys  
14 Sharkey and Bojko and I understand that Attorney Long  
15 had also indicated an interest in cross-examination.  
16 Anybody else besides Staff, of course, who would want  
17 to cross-examination?

18 MS. FLEISHER: Your Honor, this is  
19 Madeline Fleisher. I just wanted to reserve the  
20 right. I don't anticipate at this point I would have  
21 any questions for cross but.

22 EXAMINER WILLIAMS: I will open it  
23 generally before we turn it over to Staff. And so at  
24 that point if you still want to contemplate cross, go  
25 ahead and interject at that point.

1 MS. FLEISHER: Thank you, your Honor.

2 EXAMINER WILLIAMS: Thank you. Okay.

3 Mr. Sharkey.

4 Mr. Sharkey, I think you are on mute.

5 EXAMINER SCHABO: Yeah.

6 MR. SHARKEY: Twice I have a done that.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Sharkey:

10 Q. Hello, Mr. Alvarez. As you know, my name  
11 is Jeff Sharkey. We met previously, and I represent  
12 The Dayton Power and Light Company in this  
13 proceeding. If you would in your testimony please  
14 turn to page 8.

15 A. I have it.

16 Q. Okay. Starting on line 20, you say "I  
17 understand the PUCO is anxious to secure the  
18 potential benefits available from smart meters and  
19 smart grids." You would like to see customers get  
20 those benefits too, right?

21 A. Yes.

22 Q. Okay. So you believe there are real  
23 potential benefits from smart grid that could be  
24 available to customers, right?

25 A. I do.

1 Q. Okay. And then on the next page you say  
2 "So, you do not oppose smart meter or Smart Grid  
3 investments" is the question, and you answer "Of  
4 course not. I appreciate the vision, and that much  
5 of that vision is future state and difficult to  
6 quantify." Did I read that correctly?

7 A. You did.

8 Q. Okay. And you agree with me that a well  
9 executed plan for Smart Grid and AMI can provide net  
10 benefits to customers, correct?

11 A. Yes. I've defined it here on page 9.  
12 You will see just above where you were reading there  
13 is kind of a definition I would argue of -- of what's  
14 required for a grid modernization investment to  
15 deliver benefits to customers, right? So in lines 11  
16 to 16 of that page, I specify exactly what that kind  
17 of a plan that you mentioned should include.

18 EXAMINER WILLIAMS: Mr. Alvarez, could  
19 you please increase the volume there.

20 THE WITNESS: Any better?

21 EXAMINER WILLIAMS: That's much better.

22 Thank you.

23 Please proceed, Mr. Sharkey.

24 MR. SHARKEY: Thank you, your Honor.

25 Q. (By Mr. Sharkey) You agree that potential

1 benefits of a well executed Smart Grid plan can  
2 include utility cost savings that are passed onto  
3 customers.

4 A. They can.

5 Q. And another potential benefit would be  
6 energy and demand savings, correct?

7 A. They can.

8 Q. Another benefit potentially includes  
9 reliability improvements, right?

10 A. Potentially.

11 Q. Okay. And to the extent there is a  
12 reduced generation usage, that can also lead to  
13 reduced greenhouse gases which is a benefit, correct?

14 A. Potentially.

15 Q. And the economic investments associated  
16 with the Smart Grid plan can operate to stimulate the  
17 local economy too, correct?

18 A. I believe that's possible. I think that  
19 the question is are those stimuli greater than the  
20 costs of the rate increases required but, yes,  
21 potentially.

22 Q. Okay. And, Mr. Alvarez, I would like you  
23 to look at one of the exhibits that the company has  
24 circulated. It is a document that has on the front a  
25 picture of a person near a substation and then titled

1 "Duke Energy Ohio's SmartGrid Audit and Assessment."

2 A. Yes, I have that document.

3 Q. Do you have that available to you?

4 A. I do.

5 Q. Okay. And you were the principal author  
6 of this document, correct?

7 A. I was.

8 Q. Okay. And I have provided just excerpts,  
9 three pages of it, but it's actually a significantly  
10 longer document than the three pages I provided,  
11 correct?

12 A. Correct.

13 Q. Okay. Turn, if you would, to page 3 of  
14 that document.

15 A. Uh-huh.

16 Q. The preface.

17 A. Yes, sir.

18 Q. There's an opening paragraph and about  
19 eight or nine lines down at the end of that paragraph  
20 it says "In the future." Do you see that? "In the  
21 future, electric customers"?

22 A. I do.

23 Q. Okay. It says "In the future, electric  
24 customers will likely expect new capabilities, and  
25 the distribution grid must be prepared to deliver.



1 New demands are likely to include bidirectional power  
2 flow, a large number of customers generating as well  
3 as using electricity." And you agree with me that is  
4 still a customer demand.

5 A. Potentially, yes.

6 Q. Okay. And the next item, advanced  
7 pricing plans provide customers with cost management  
8 opportunities" is still a customer demand?

9 A. Potentially, yes.

10 Q. And higher distribution, energy  
11 efficiency, minimizing line losses is still a  
12 customer demand, correct?

13 A. Agree, yep.

14 Q. Improved customer service levels and new  
15 services is also still a customer demand, correct?

16 A. To varying degrees, yes, I would agree  
17 with that.

18 Q. Okay. And the ability to accommodate  
19 large numbers of electric vehicles is still a  
20 customer demand, correct?

21 A. Could be, yes.

22 Q. Okay. And then in the next paragraph you  
23 say grid operators are also likely to require new  
24 services to facilitate management of many objectives  
25 at the lowest possible cost including maintenance or

1 improved reliability in the face of new demands and  
2 that's still true, correct?

3 A. Yes.

4 Q. And then the next bullet reliability --  
5 I'm sorry, reliable incorporation of intermittent  
6 renewable generation sources, that's still true,  
7 correct?

8 A. Could be, yes.

9 Q. And then --

10 MS. BOJKO: Your Honor, I'm sorry to  
11 interrupt. I am really having difficulties hearing  
12 Mr. Alvarez. I don't know if he can speak up. My  
13 speakers are all the way to 100 percent, and Jeff is  
14 shouting at me, but I can't hear Mr. Alvarez.

15 EXAMINER WILLIAMS: Thank you, Ms. Bojko.  
16 Is there a way for you to increase your  
17 volume further, Mr. Alvarez?

18 THE WITNESS: I'm viewing. Within the  
19 application perhaps or?

20 EXAMINER WILLIAMS: Let's go ahead and go  
21 off the record.

22 (Discussion off the record.)

23 EXAMINER WILLIAMS: All right. We will  
24 go ahead and go back on the record.

25 Q. (By Mr. Sharkey) Okay. Mr. Alvarez,

1 before we went off the record, I was asking you about  
 2 the paragraph in the preface at the bottom of the  
 3 left-hand column and then onto the next column, one  
 4 of the other items you identified that the grid  
 5 operators are likely to require is improved  
 6 utilization of generation, transmission, and  
 7 distribution system capacity and that's still true as  
 8 well, correct?

9 A. Yes.

10 Q. Okay. You are aware that Smart Grid and  
 11 AMI have been implemented by utilities across the  
 12 country?

13 A. Yes, to varying degrees.

14 Q. And all of the other utilities in Ohio  
 15 have Smart Grid and AMI?

16 A. I know many do. I don't know about all.

17 Q. AMI and Smart Grid plans typically  
 18 include the installation of smart meters, correct?

19 A. Often, yes.

20 Q. They also typically include distribution  
 21 automation, correct?

22 A. Often, yes.

23 Q. They also often include substation  
 24 automation, correct?

25 A. Yes.

1           Q.    They often include voltage regulation,  
2 correct?

3           A.    Yes.

4           Q.    They also often include  
5 telecommunications upgrades as well, correct?

6           A.    Yes.

7           Q.    There's nothing that DP&L proposes to  
8 implement here that other utilities across the  
9 country have not already implemented, correct?

10          A.    I would say that's probably correct.

11          Q.    Okay.  Do you know whether DP&L has  
12 engineers working on the Smart Grid program?

13          A.    I imagine they must.

14          Q.    You don't know the capabilities and  
15 qualifications of those engineers though, correct?

16          A.    No.

17          Q.    Okay.  You are aware that DP&L has  
18 engaged West Monroe to advise it in putting together  
19 its Smart Grid plan?

20          A.    Yes.

21          Q.    Okay.  And you know West Monroe has  
22 experience working on other Smart Grid projects in  
23 the country?

24          A.    Yes.

25          Q.    Okay.  You are aware of the fact that

1 Staff has its own technical experts that it employs,  
2 correct?

3 A. Yes. I imagine they do.

4 Q. Okay. You are aware that Staff signed a  
5 Stipulation in this case?

6 A. I am.

7 Q. You don't have an engineering degree, do  
8 you?

9 A. I do not.

10 Q. Turn to page 10 of your testimony. You  
11 say starting on line 6 "I believe the PUCO -- PUCO's  
12 focus must shift from vision to execution," correct?

13 A. Correct.

14 Q. Let me ask you some questions about that.  
15 You do not propose a different set of AMI or Smart  
16 Grid technology that you say should be approved,  
17 correct?

18 A. No.

19 Q. And by no, you are agreeing with me that  
20 you don't propose a different set of technology.

21 A. That's correct.

22 Q. It was a poorly-worded question so that's  
23 on me. You would agree with me that each utility  
24 system is unique?

25 A. Yes, I would agree with that.

1 Q. Okay. And you never inspected DP&L's  
2 system, correct?

3 A. I have not.

4 Q. Okay. And you never reviewed any sort of  
5 technical specifications regarding what equipment  
6 DP&L already has in the field, right?

7 A. I have not.

8 Q. You didn't review any technical  
9 specification as to where DP&L's poles, lines, and  
10 substations are located, correct?

11 A. Correct.

12 Q. And you didn't review any information  
13 regarding how old that equipment is, correct?

14 A. No.

15 Q. Okay. You would agree with me that in  
16 recent years utilities using Smart Grid and AMI have  
17 improved their ability to manage voltage?

18 A. Well, yes.

19 Q. Okay. And they've also gotten better at  
20 using AMI data over time, correct?

21 A. Yes, I think that's fair.

22 Q. Turn, if you would, to page 6 of your  
23 testimony. You start on page 6 identifying a sort of  
24 a series of bullets regarding proposed  
25 recommendations to the Stipulation, correct?

1           A.    Yes, I do.

2           Q.    Okay.  And the first one you're -- you're  
3   critical of the cost allocation methodologies and  
4   suggest that reliability should be considered more  
5   because it -- reliability skews dramatically to DP&L  
6   customers in terms of benefits, correct?

7           A.    That's correct.

8           Q.    When we started, I identified a list of  
9   potential benefits associated with the -- with a  
10   Smart Grid plan.  Do you recall that?

11          A.    Yes.

12          Q.    Okay.  And it's true, isn't it, that you  
13   made no effort to measure those benefits and allocate  
14   them among customer classes?

15          A.    That's fair.

16          Q.    Okay.  And while your proposal is  
17   critical of the cost allocation methodology used in  
18   the stipulation, you don't propose your own cost  
19   allocation method, do you?

20          A.    I do not.

21          Q.    Okay.  Page 7 you suggest that the  
22   Commission should establish guidelines for grid  
23   modernization cost/benefit analyses, correct?

24          A.    I do.

25          Q.    Okay.  Did you read the PowerForward

1 Roadmap?

2 A. I did.

3 Q. Okay. And you don't propose in your  
4 testimony any of the types of guidelines that you are  
5 talking about in this particular bullet, do you?

6 A. Well, other than those that are mentioned  
7 here. You know, there are some rough ideas here  
8 mentioned.

9 Q. Topics of guidelines but you don't  
10 propose specific guidelines that would be necessary  
11 for conducting a cost/benefit analysis, correct?

12 A. That's correct.

13 Q. You suggest that the Commission should  
14 conduct a willingness to pay research among customer  
15 classes, correct?

16 A. That's correct.

17 Q. You haven't done that, have you?

18 A. I have not.

19 Q. Okay. And then you also suggest that the  
20 Commission should engage in some type of independent  
21 research project to estimate the economic impact of  
22 service interruptions, correct?

23 A. Correct.

24 Q. You don't do that either, do you?

25 A. I have not done that. I would appreciate



1 an opportunity to do so but, no, I have not.

2 Q. Okay. And then the other remaining  
3 bullets here, I believe, are all discussed in greater  
4 detail in your testimony, and I will come back to  
5 these bullets, but I just want you to confirm these  
6 other remaining bullets are discussed in greater  
7 detail in your testimony?

8 A. Yeah. The first -- yes, the first  
9 bullets we went over kind of more general in nature  
10 and these are covered -- these other bullets are  
11 covered in the testimony, that's correct.

12 Q. Okay. Turn then, if you would, to page 1  
13 of your testimony. On that page you are critical of  
14 DP&L's cost/benefit analysis because in your view it  
15 excludes carrying charges, correct?

16 A. Right.

17 Q. And turn, if you would, please, to  
18 Appendix B to your testimony. Tell me when you are  
19 there.

20 MS. O'BRIEN: Before we go on, Mr.  
21 Sharkey, could you maybe just slow down just a little  
22 bit. I am flipping through the pages really quickly  
23 here.

24 MR. SHARKEY: Absolutely. Appendix B.

25 MS. O'BRIEN: Thank you.

1           Q.     (By Mr. Sharkey) At the bottom of  
2 Appendix B a something that reads "Missing Carrying  
3 Charges," correct?

4           A.     Yes.

5           Q.     Okay. And this is an estimate that you  
6 created yourself, correct?

7           A.     Correct.

8           Q.     Okay. And you don't show the detail for  
9 how the -- this information was calculated elsewhere  
10 in your testimony, correct?

11          A.     I do not.

12          Q.     Okay. Turn, if you would, then to --  
13 this is still in your exhibits, PJA-02, five or six  
14 pages back.

15          A.     Yes.

16          Q.     Okay. So PJA -- Exhibit PJA-02 begins  
17 with a response by the Dayton Power and Light Company  
18 to a Request for Production of documents served by  
19 OCC, correct?

20          A.     You are referring here to this RPD-1-001?

21          Q.     Correct.

22          A.     Yes.

23          Q.     Okay. And, in fact, says in the -- in  
24 DP&L's response after a series of objections, it says  
25 "Subject to all general objections, DP&L states that

1 it will produce responsive -- responsive unprivileged  
2 documents in accordance with General Objection 8,"  
3 correct?

4 A. It does say that, yes.

5 Q. And you understand that Dayton Power and  
6 Light Company provided to OCC documents that OCC  
7 requested and OCC, in fact, provided those to you,  
8 correct?

9 A. I'm sorry. Could you repeat that?

10 Q. OCC asked for documents from DP&L and you  
11 understand that's what that is and that OCC provided  
12 documents to you that it received from DP&L, correct?

13 A. Yes, but I would argue not all the  
14 documents you requested were provided.

15 Q. Turn then to page 2 of PJA Exhibit 2.  
16 This is a page from DP&L's original application,  
17 correct?

18 A. It appears to be, yes.

19 Q. Okay. I'll represent to you that DP&L  
20 hasn't filed any schedules like this or, you know,  
21 with things like "Witness Responsible: Kathryn  
22 Storm" since its original application in the --

23 A. Right.

24 Q. -- grid modernization case so.

25 A. That is an indicator this is indeed from

1 the original application, yes.

2 Q. Okay. And you used the investments shown  
3 here, the projected investments, to calculate the  
4 carrying charges that we looked at previously in  
5 Appendix B, correct?

6 A. I believe I used the documents provided  
7 with the application -- sorry, with the Stipulation  
8 to make those calculations because there are  
9 differences, you know, between the original  
10 application and the Stipulation, so I believe I'm  
11 quite sure I used the document provided with the  
12 Stipulation to make those calculations and not the  
13 original application.

14 Q. Did you use these documents, this page  
15 here, to develop a 20-year revenue requirement?

16 A. Again, I believe I used the information  
17 provided with the -- or in discovery, discovery on  
18 the Stip to do that.

19 Q. Do you have a copy of your deposition  
20 available, Mr. Alvarez?

21 A. I do.

22 Q. Turn to page 115.

23 MS. O'BRIEN: Jeff, could you give me  
24 just a second to get there. I am flipping between  
25 screens here.

1 MR. SHARKEY: Okay.

2 MS. O'BRIEN: Thank you.

3 MR. SHARKEY: Are you ready, Ms. O'Brien?

4 MS. O'BRIEN: What page?

5 MR. SHARKEY: Page 115.

6 MS. O'BRIEN: Okay. That's fine.

7 A. I'm there as well.

8 Q. (By Mr. Sharkey) Okay. On line 18, I  
9 asked you this question "Then there's PJA-2 and then  
10 attached to it page 2. What -- what are you showing  
11 or attempting to show on page 2 of PJA-2?"

12 And you go on to say "My recollection is  
13 that I used this data to help me develop that very  
14 20-year-old revenue requirement we talked about  
15 because it has both smart meter investments, and they  
16 have UDC and the cost of estimating equipment, you  
17 know, all the year-by-year information, I would need  
18 to develop an estimate of revenue requirements. Not  
19 all the information, all the capital investment. All  
20 the capital information that would be required for  
21 that calculation is in -- is in here." Did I read  
22 that accurately?

23 A. You did.

24 Q. Did -- in your calculation of the  
25 carrying charges, did you include or consider any

1 avoided capital and associated avoided carrying  
2 charges?

3 A. I do not believe I did, no.

4 Q. Okay. And did you make any adjustments  
5 associated with an allowance for funds used during  
6 construction?

7 A. I did not.

8 Q. Turn, if you would, then to page 14 in  
9 your testimony.

10 A. Yes.

11 Q. On page 14 of your testimony, you are  
12 discussing DP&L's plan to implement a new customer --  
13 customer information system -- excuse me, computer  
14 information system, correct?

15 A. I believe you are correct, it is a  
16 customer information system.

17 Q. I was correct the first time. Shouldn't  
18 have doubted myself. And you say starting on line 11  
19 "The new CIS is essential for enabling some of the  
20 largest potential customer benefits," correct?

21 A. Uh-huh.

22 Q. I need a "yes" or "no" answer.

23 A. Yes, yes. Sorry.

24 Q. No problem. Everybody does it. And  
25 further on in that same answer you explain those

1 benefits you are referring to include time-varying  
2 rates and energy conservation support, correct?

3 A. That's correct.

4 Q. Okay. You understand that DP&L's filed  
5 application that proposed recovery of its CIS  
6 investments through a rider mechanism?

7 A. Correct.

8 Q. And the Stipulation, in fact, says that  
9 DP&L won't recover the CIS through a rider mechanism  
10 but will need to file a distribution rate case to  
11 recover those investments, correct?

12 A. That's correct.

13 Q. And there would have been advantages to  
14 DP&L to have its -- its original proposal, namely,  
15 rider recovery in place as opposed to recovering  
16 those investments through a distribution rate case,  
17 correct?

18 A. That's my understanding, yes.

19 Q. Okay. And you are aware that DP&L pulled  
20 from its cost/benefit analysis the costs associated  
21 with the CIS, correct?

22 A. Correct.

23 Q. And DP&L also pulled out the benefits  
24 that CIS is going to be generating, correct?

25 A. Potentially could generate, yes.

1 Q. Fair enough. Fair enough. Turn, if you  
2 would, in your testimony to page 43. Are you there?

3 A. Yes.

4 Q. Okay. On line 15 there is a number and  
5 that amount is confidential so we are not going to  
6 say this on the public transcript but that figure was  
7 the projection -- projection of benefits that it  
8 pulled out of its cost/benefit analysis associated  
9 with the CIS, correct?

10 A. That's correct.

11 Q. Okay. Turn, if you would, to page 34 of  
12 your testimony.

13 A. Yes.

14 Q. This is a summary chart and some of these  
15 adjustments we haven't talked about yet but on the  
16 bottom of that chart, you have "Costs per DP&L,"  
17 right?

18 A. Yes.

19 Q. And one of the items you identify is  
20 missing CIS capital & O&M of \$58.9 million, correct?

21 A. Correct. As a present value, yes.

22 Q. Yes, yes, I am looking at present value  
23 figure. You don't then back in the benefits  
24 associated with the CIS that DP&L projected, correct?

25 A. I do not but there is a good reason for



1 that. And that reason is that the -- there are no  
2 guarantees or -- or commitments that certain levels  
3 of those benefits will be delivered, so while the  
4 Stipulation requires DP&L to implement a CIS, this  
5 Stipulation does not make any enforcements regarding  
6 the level of benefits associated with those  
7 investments.

8 Q. Okay. We will come back to that topic  
9 later, but you do agree you did not add back in the  
10 level of projected benefits that DP&L had that we  
11 looked at previously, right?

12 A. Correct.

13 Q. Okay. Turn, if you would, to page 15  
14 of my -- of my testimony, your testimony. And here  
15 you are talking about the -- DP&L having excluded  
16 \$9 million in undepreciated book value of existing  
17 meters, correct?

18 A. Uh-huh.

19 Q. Again, you have to say "yes" or "no" for  
20 our court reporter.

21 A. Yes, yes. Sorry.

22 Q. And you agree with me that this issue  
23 would be resolved in DP&L's next rate case, correct?

24 A. Yes.

25 Q. And you would agree -- you understand, I

1 think we just discussed it earlier, DP&L can't  
2 recover its investments associated with its CIS until  
3 it files another rate case, right?

4 A. That's correct.

5 Q. Okay. Turn, if you would, to page 16 of  
6 your testimony.

7 A. If I could just add to that previous  
8 response?

9 MR. SHARKEY: Your Honor, I believe I  
10 have asked the next question. He can deal with any  
11 additions he might have on any redirect.

12 EXAMINER WILLIAMS: Ms. O'Brien, I will  
13 let you pick that up on redirect.

14 Please proceed.

15 Q. (By Mr. Sharkey) Are you on page 16 of  
16 your testimony, sir?

17 A. I am.

18 Q. Great. Set the stage, you understand  
19 that DP&L projects its Smart Grid plan will reduce  
20 expenses associated with things such as reading  
21 meters and a variety of other types of expenses,  
22 correct?

23 A. Yes.

24 Q. Okay. And the Stipulation provides that  
25 for a -- at least a period of four years, those

1 operational benefits will be passed back to customers  
2 in the form of offsets to the IIR, correct?

3 A. Correct.

4 Q. And you are aware that DP&L's  
5 cost/benefit analysis in this case shows those  
6 operational benefit offsets being loaded back to  
7 customers for a full 20 years?

8 A. Yes.

9 Q. Okay. You are critical of that CBA  
10 because you don't see any guarantee in the  
11 Stipulation that that operational offset will  
12 continue past year four, correct?

13 A. Yes, that's one critique, yes.

14 Q. And if you would turn again to page 34 of  
15 your testimony. In the box that has the heading  
16 "Benefits per DP&L," there's a line item that is  
17 "Discontinued Benefit Offset" with a net present  
18 value of \$60 million, correct?

19 A. Correct.

20 Q. And that's your calculation of what would  
21 happen if the operational benefit is eliminated after  
22 year four, right?

23 A. Correct. It's the impact of  
24 discontinuing that benefit offset.

25 Q. Okay. And then in the line above that

1 still on page 34, "Rate Case Timing."

2 A. Yes.

3 Q. That item also results from the  
4 elimination of the operational offset after year four  
5 of the Stipulation, correct?

6 A. I'm sorry. Repeat that question, please.

7 Q. Sure. That's an item that also results  
8 from the termination of the operational benefit  
9 offset after year four, right?

10 A. Well, it's related. I think -- it's the  
11 excessing benefits over the amount -- it's -- it's  
12 the estimate of projected benefits not included in  
13 the benefit offset. So, in other words, the benefit  
14 offset is dis -- being discontinued as part of the  
15 problem but there are additional benefits in the  
16 projections over and above the benefit offset and  
17 that's what this number represents.

18 Q. Okay. And, in fact, if you turn to page  
19 21 of your testimony, Mr. Alvarez, Question 22 deals  
20 with this late case timing adjustment, correct?

21 A. Yes.

22 Q. Okay. And you say, I'm starting on line  
23 12, "On Settlement Exhibit 2, line 16, the 'estimated  
24 operational benefits that the parties agree DP&L will  
25 realize' totals 7.6 million in years 1-4. As a

1 result of this mechanism, no rate case timing issue  
2 exists in years 1-4." Did I read that accurately?

3 A. You did.

4 Q. Okay. So those items are both linked in  
5 your mind to the conclusion that DP&L's CBA is  
6 incorrect in concluding -- or including that  
7 operational offset benefit for a full 20 years?

8 A. I'm sorry, Jeff. You are going to have  
9 to repeat that question.

10 Q. Okay. So the rate case timing issue and  
11 the elimination of the operational offset benefit are  
12 both linked in your mind to the elimination of the  
13 operational offset benefit after year four.

14 A. Well, they are both linked to the same  
15 issue but that issue is what's the difference between  
16 what actually gets captured in rates versus what's  
17 reflected in the benefit/cost analysis, right? So  
18 the benefit/cost analysis, as you mentioned earlier,  
19 includes certain benefits and expense reductions.  
20 And my contention is that customers will only  
21 recognize those benefits, be they due to the  
22 elimination of an offset or the timing of that rate  
23 case such that those benefits are not reflected in  
24 rates.

25 And so my concern is that there is a

1 difference there, right? That the benefit/cost  
2 analysis assumes those benefits will get passed  
3 through through some mechanism, right? Either the  
4 benefit offset or a rate case and I'm -- and I'm  
5 suggesting or declaring honestly that there is no  
6 assurance that either of those things will happen in  
7 actual customer rates.

8 Q. Turn, if you would, to page 23 of your  
9 testimony, please.

10 A. I'm there.

11 Q. Here you are critical of a number of  
12 customer benefits that DP&L includes in its CBA,  
13 correct?

14 A. Yes.

15 Q. And the first one you are critical of the  
16 fact DP&L applies 20 years of benefits associated  
17 with smart meters, correct?

18 A. Yes.

19 Q. Okay. And you cite as support in that  
20 answer the fact that Duke had to replace its smart  
21 meters after five to seven years?

22 A. Correct.

23 Q. Okay. And do you know why Duke had to  
24 replace its meters after such a short period?

25 A. Yes. I believe those meters were

1 incapable of -- well, the meters and the associated  
2 communication systems and software systems, you know,  
3 the system in its entirety was incapable of providing  
4 some of the benefits that Duke asserted it would be  
5 able to provide in its petition to install those  
6 assets.

7 Q. Are you aware of any facts suggesting  
8 that DP&L intends to install the same type of meters  
9 or other meters that lack those types of  
10 capabilities?

11 A. No, I am not.

12 Q. Okay. And you have not conducted any  
13 studies as to the useful life of smart meters  
14 yourself, have you?

15 A. I have not.

16 Q. Okay. On later in that same paragraph  
17 the amount is confidential, but you understand that  
18 DP&L is projecting increased revenue associated with  
19 pole attachments as part of its Smart Grid  
20 cost/benefit analysis?

21 A. Yes.

22 Q. Okay. And you understand that DP&L  
23 believes that there are many attachments to its poles  
24 that it's not currently aware of and is not currently  
25 collecting revenue associated with those attachments,

1 right?

2 A. That's my understanding, yes.

3 Q. Okay. And DP&L, as a part of its Smart  
4 Grid plan, intends to conduct a field audit of  
5 attachments to its poles, right?

6 A. That would be my assumption, yes.

7 Q. Okay. You opine that DP&L's estimation  
8 of the benefit is overstated because a geographic  
9 information system software that DP&L would use to  
10 manage that data would last only 5 to 10 years in  
11 your view, correct?

12 A. That's correct.

13 Q. Have you done any studies regarding --  
14 regarding the useful life of a GIS software?

15 A. No, but my understanding is that the  
16 standard depreciation for major software systems like  
17 GIS is five years. That's -- that's a pretty  
18 standard anticipated lifetime in the industry.

19 Q. Do you know whether -- do you know  
20 whether GIS software needs to interact with other  
21 software to be operational?

22 A. I believe typically that it does, yes,  
23 for optimum results.

24 Q. And regardless of the length of the use  
25 of the software, you would agree with me that the



1 information developed by the audit of attachments to  
2 DP&L's poles would be -- would continue to be of  
3 value to the company?

4 A. That may be true.

5 Q. Then at the bottom of 23 moving onto 24,  
6 you are critical of DP&L's inclusion or estimation  
7 that it's going to have O&M savings associated with a  
8 remote disconnect/reconnect capabilities because, in  
9 your view, DP&L might not get a waiver of a  
10 Commission role?

11 A. I'm sorry. Where are you now?

12 Q. I am at the bottom of page 23 scrolling  
13 onto the top of 24.

14 A. Yes, I see that.

15 Q. Okay. And so DP&L in its projections  
16 shows it expects to reduce expenses because it would  
17 not have to knock on a customer's door before dis --  
18 disconnecting a customer for nonpayment, right?

19 A. Correct.

20 Q. And you are critical of that because the  
21 Commission might deny the request for a waiver that's  
22 included in the application, correct?

23 A. That's correct.

24 Q. First of all, DP&L could still do and use  
25 remote connect and reconnect features even if it

1 doesn't get a waiver from the requirement it knocks  
2 on a customer's door before it disconnects the  
3 customer, correct?

4 A. Yes, but the fact that DP&L would have to  
5 go knock on that customer's door is a cost in itself  
6 which reduces the size of the benefit.

7 Q. Do you know whether the Commission has  
8 granted similar waiver requests to other Ohio  
9 utilities?

10 A. I believe it may have.

11 Q. Turn, if you would, to page 25 of your  
12 testimony. You are there critical of the fact that  
13 DP&L includes in its cost/benefit analysis benefits  
14 associated with electric vehicles, correct?

15 A. Yes.

16 Q. And you, in fact, state on line 11 that  
17 "DP&L's charger rebate program is not likely to be a  
18 significant driver of EV adoption," right?

19 A. That's my claim, yes.

20 Q. Okay. You understand that there are  
21 people who are reluctant to purchase electric  
22 vehicles due to range anxiety?

23 A. That may be a concern of some people,  
24 yes.

25 Q. Okay. And you've also heard of the

1 purchase of electric vehicles and the installation of  
2 charging stations as a chicken and egg problem,  
3 right?

4 A. I am aware of that, yes.

5 Q. Okay. And the reference to that is that  
6 people might not want to purchase EVs due to a range  
7 anxiety and lack of charging stations, but businesses  
8 in that area might be reluctant to install charging  
9 stations because people aren't purchasing EVs, right?

10 A. I understand that's the claim, yes.

11 Q. Okay. Do you know what percentage of EV  
12 benefits within DP&L's service territory that DP&L  
13 claims would result from its EV rebate program?

14 A. I don't know it off the top of my head.  
15 I know DP&L has established, or at least has claimed  
16 that it should get some share of those benefits, yes.

17 Q. Okay. But it was -- it's not that DP&L  
18 is claiming that its EV rebate program is going to  
19 drive 100 percent of the benefits associated with EVs  
20 and included them in the CBA, correct?

21 A. That's correct.

22 Q. Okay. Then on page 26 of your testimony  
23 you are critical of DP&L's inclusion of economic  
24 benefits, specifically sort of economic stimulation  
25 that would result from DP&L's investment in Smart

1 Grid in its service territory, correct?

2 A. Yes.

3 Q. You believe that DP&L should offset those  
4 benefits by purported economic detriments to  
5 customers associated with amounts that they would be  
6 paying to the utility to fund the plan, right?

7 A. Right.

8 Q. Okay. You've not made any calculation of  
9 the purported economic detriments, have you?

10 A. No.

11 Q. And other Smart Grid filings you've seen  
12 by other utilities, you've not seen them including  
13 some type of calculation of these purported economic  
14 detriments either, have you?

15 A. I have not. That does not mean they do  
16 not exist.

17 Q. Understand. But you raise that issue in  
18 other utilities' cases, correct?

19 A. I have.

20 Q. And you can't identify any Commissions  
21 that have agreed with you, can you?

22 A. Not on that specific issue, not on that  
23 issue specifically. But, in general, some  
24 Commissions have agreed with me that the benefits a  
25 utility proposes including economic development

1 benefits of the type you mentioned do not exceed  
2 costs. Some -- some Commissions before which I have  
3 testified have come to that conclusion.

4 Q. Have come to the conclusion the benefits  
5 of a plan do not exceed the costs.

6 A. Correct.

7 Q. Okay. Turning to, if you would, to page  
8 27 of your testimony.

9 A. Yes.

10 Q. Here you are critical of DP&L's inclusion  
11 of benefits associated with reduction in greenhouse  
12 gases in its cost/benefit analysis correct?

13 A. Correct.

14 Q. You don't dispute that reducing  
15 greenhouse gases can produce health and environmental  
16 benefits, right?

17 A. No.

18 Q. So you are agreeing with me?

19 A. Yes.

20 Q. Okay.

21 A. It can.

22 Q. And you understand there are estimates  
23 made, including estimates by governmental agencies,  
24 as to how to value those benefits, correct?

25 A. Yes.

1           Q.    Okay.  And DP&L is -- has used an  
2   estimate of the value of those benefits as prepared  
3   by one of DP&L's consultants?

4           A.    I'm not sure I recall the source of those  
5   values that DP&L used.  I am not sure they cited it.

6           Q.    Fair enough.  DP&L is using an estimate  
7   of those health benefits associated with the  
8   reduction of greenhouse gases, correct?

9           A.    I've imagined they have some source.  I  
10   don't know that they cited that source -- those  
11   sources in the documentation.

12          Q.    Okay.  In any event you have not  
13   attempted to make an estimate yourself as to how to  
14   value a reduction in greenhouse gases, correct?

15          A.    That's correct.

16          Q.    Turn, if you would, then to page 29 of  
17   your testimony.  Page 29 and 30 of your testimony you  
18   are critical of DP&L's estimates of reliability  
19   improvements associated with DA, SA, and smart  
20   meters, right?

21          A.    I am.

22          Q.    And regarding DA, the entire basis for  
23   your opinion of DP&L's estimated reliability  
24   improvements are overstated are studies that you've  
25   done for Duke and a Boulder, Colorado, utility,

1 correct?

2 A. Correct.

3 Q. And you told me earlier that every  
4 utility is unique, right?

5 A. That's correct.

6 Q. And you told me earlier you never  
7 inspected DP&L's system or technical specifications  
8 regarding DP&L's system, right?

9 A. That's correct.

10 Q. Page 29 at the bottom you're critical of  
11 DP&L's reliability estimates associated with  
12 substation automation because "The ability to throw  
13 switches remotely will eliminate the 15 minutes it  
14 typically takes a lineman to travel to a substation  
15 and throw a switch manually," correct?

16 A. I do.

17 Q. You did not study how long it takes a  
18 DP&L lineman to travel to throw a switch, did you?

19 A. I did not.

20 Q. And you've never worked in the field  
21 throwing switches, have you?

22 A. I have not.

23 Q. Turn then, if you would, to page 30. You  
24 are there discussing reliability benefits associated  
25 with smart meters, correct?

1           A.    Yes.

2           Q.    Okay.  And you understand that if DP&L  
3   has smart meters deployed, it will be able to tell  
4   more accurately than it can tell now which homes and  
5   buildings have power and which don't, correct?

6           A.    That's correct.

7           Q.    Okay.  And DP&L says that is -- that will  
8   enable it to more rapidly restore service to those  
9   entities that lack power and, thus, will lead to  
10   reliability, right?

11          A.    Yes.  I think the question is the size of  
12   that improvement.

13          Q.    Well, you -- you criticize DP&L's  
14   reliance on smart meters because it will benefit DP&L  
15   principally during major event days for storms --

16          A.    Yes.

17          Q.    -- which are excluded from the  
18   Commission's reliability standard metrics?

19          A.    Correct.

20          Q.    You would agree that smart meters and the  
21   information we discussed would be operable and  
22   provide benefits during major event days even if  
23   those major event days are included in the  
24   Commission's reliability metrics?

25          A.    To a small extent, yes.



1           Q.   And you are also aware that during the  
2 major event days includes major storms but there are  
3 still storms that don't qualify or -- as a major  
4 event day under the Commission's rules?

5           A.   That is correct.

6           Q.   And smart meters may help DP&L in  
7 response to power outages to such storms, correct?

8           A.   Again, I think my concern is the size,  
9 right? If most major event days are already being  
10 excluded and the benefit during major event days is  
11 small, that's going to be a very, very small impact  
12 on reliability relative to cost.

13          Q.   You have not done any studies as to the  
14 amount of the reliability improvements that have  
15 resulted from smart meters, have you?

16          A.   I have actually in the cases of -- in  
17 that Boulder instance, I have reviewed that -- that  
18 impact, yes.

19          Q.   Well, at least as to how much benefits  
20 DP&L is likely to receive from the installation of  
21 smart meters, the reliability benefits, you haven't  
22 studied that topic, have you?

23          A.   Not beyond my description here, no.

24          Q.   Then at the bottom of page 30, you are  
25 discussing DP&L's reliance on the U.S. Department of

1 Energy ICE model, correct?

2 A. I am.

3 Q. And ICE stands for interruption cost  
4 estimate calculator, correct?

5 A. Correct.

6 Q. And that is a model that was prepared by  
7 the U.S. Department of Energy, correct?

8 A. Yes.

9 Q. Okay. And you are critical of the model  
10 itself, and you don't claim that DP&L has somehow  
11 misused the model, right?

12 A. Well, that's correct except for the  
13 extent that the inputs may be inflated. As I  
14 mentioned in this testimony in the previous pages we  
15 just discussed, I talked about why I believed DP&L's  
16 estimate of the reliability impacts was overstated.  
17 And to the extent that those -- those values are  
18 input into the tool, that could be understood as a  
19 misuse of that tool but I believe DP&L is using the  
20 tool in the manner it was designed to be used, if  
21 that's your question.

22 Q. Yes, it was. If you would, please, I  
23 provided to your counsel a single page that is a  
24 printout from a website for the ICE calculator. Do  
25 you have that available?

1           A.     I do.

2           Q.     Okay.  And it says there "The  
3     interruption cost estimate, ICE, calculator is a tool  
4     designed for electric reliability planners at  
5     utilities, government organizations, or other  
6     entities that are interested in estimating  
7     interruption costs and/or benefits associated with  
8     reliability improvements."  Did I read that  
9     correctly?

10          A.     Yes.

11          Q.     Okay.  And I believe you just said this,  
12     but it's your understanding that DP&L used the ICE  
13     model consistent with how the U.S. Department of  
14     Energy intended it to be used?

15          A.     Yes.

16          Q.     Okay.  You've, in fact, used the -- the  
17     ICE model multiple times yourself in testimony in  
18     other proceedings, correct?

19          A.     I have.

20                 MR. SHARKEY:  Your Honor, I apologize.  I  
21     neglected to identify that page.  I would like it to  
22     be marked as DP&L Exhibit 8.

23                 EXAMINER WILLIAMS:  That is the one-page  
24     ICE calculator PDF?

25                 MR. SHARKEY:  Correct.  I don't remember,

1 your Honors, if I identified and marked the excerpts  
2 from the -- from the Duke report. I would like that  
3 marked as DP&L Exhibit 7.

4 EXAMINER WILLIAMS: Go ahead and let's  
5 back up to 7. What are you marking as 7?

6 MR. SHARKEY: Yes, your Honor. It's the  
7 document I asked Mr. Alvarez about earlier. It was  
8 the three-page document that had a picture on the  
9 front and was -- had the caption "Duke Energy Ohio  
10 Smart Grid Audit and Assessment."

11 EXAMINER WILLIAMS: Those are both so  
12 marked.

13 (EXHIBITS MARKED FOR IDENTIFICATION.)

14 MR. SHARKEY: Thank you, your Honor.

15 MR. HEALEY: Your Honor, I don't mean to  
16 butt in, but I believe DP&L 7 is Mr. Garavaglia's  
17 testimony already.

18 EXAMINER WILLIAMS: Your interruption is  
19 welcomed in that regard. Let's go off record,  
20 please.

21 (Discussion off the record.)

22 EXAMINER WILLIAMS: All right. Let's go  
23 back on the record.

24 MR. SHARKEY: Thank you, your Honor.  
25 While we were off record, we had a discussion of the

1 fact that I had missed that some other exhibits had  
2 been numbered so I gave some duplicative numbers so  
3 we are going to be renumbering the exhibits. What I  
4 had identified during the cross-examination as DP&L  
5 Exhibit 6, that would be the cross-examination of  
6 Witness Kahal, there is already an Exhibit 6. That  
7 is going to be redesignated as DP&L Exhibit 8.

8 EXAMINER WILLIAMS: I am taking notice of  
9 that. And I am looking toward the parties, and no  
10 one has any objection, so prior DP&L 6 is now  
11 renumbered DP&L 8.

12 MR. SHARKEY: Then earlier I was asking  
13 Mr. Alvarez regarding the three-page excerpt from the  
14 Duke Energy Ohio Smart Grid Audit and Assessment and  
15 that will be -- I believe I said that was going to be  
16 DP&L 7 but that will be marked instead as DP&L  
17 Exhibit 9.

18 EXAMINER WILLIAMS: That is also changed  
19 in its designation. Former DP&L 7 is now DP&L 9.

20 MR. SHARKEY: And then the ICE  
21 calculator, the one-page sheet that I was asking  
22 Mr. Alvarez about, being DP&L Exhibit 10.

23 EXAMINER WILLIAMS: DP&L 8, the ICE  
24 calculator, one page, is now renumbered as DP&L 10.

25 (EXHIBITS MARKED FOR IDENTIFICATION.)

1           Q.     (By Mr. Sharkey) Okay. Mr. Alvarez, do  
2     you have available to you testimony that you filed  
3     before the Indiana Utility Regulatory Commission that  
4     I had sent to counsel for OCC?

5           A.     I do.

6           Q.     Okay.

7           MR. SHARKEY: Your Honor, that was filed  
8     in the Indiana Utility Regulatory Commission, Cause  
9     No. 45264, and if I'm doing it correctly, that will  
10    become DP&L Exhibit 11.

11          EXAMINER WILLIAMS: If you can help me  
12    find that on your zip file. Which document am I  
13    looking for?

14          MR. SHARKEY: Is Mr. Hollon on the line?  
15    He would be the one who would best be able to help  
16    you identify that.

17          EXAMINER SCHABO: It's the fifth one  
18    down, I think, Judge Williams.

19          EXAMINER WILLIAMS: It's labeled I  
20    believe --

21          EXAMINER SCHABO: It's labeled 10-7-19.

22          EXAMINER WILLIAMS: I have found that, so  
23    the testimony you are referring to will now be  
24    numbered DP&L 11.

25                 (EXHIBIT MARKED FOR IDENTIFICATION.)

1           Q.     (By Mr. Sharkey) And, first of all,  
2     Mr. Alvarez, DP&L Exhibit 11 is, in fact, testimony  
3     that you filed at Indiana, correct?

4           A.     It is.

5           Q.     Okay. And it was in response to a Smart  
6     Grid and AMI program that IPL, Indiana Power & light,  
7     had proposed, correct?

8           MS. O'BRIEN: I'm going to object, your  
9     Honor. I am going to object to any questioning  
10    regarding this testimony. I think the witness has  
11    established already that Smart Grid, the projects are  
12    unique. This is a different utility, a different  
13    state, a different Commission, so I am going to  
14    object to its relevancy.

15          EXAMINER WILLIAMS: Mr. Sharkey.

16          MR. SHARKEY: Yes, your Honor. The  
17    witness in this proceeding has testified that the way  
18    that the U.S. Department of Energy gathered data  
19    to -- for the ICE model was flawed, so he is, in  
20    fact, critical of the model itself. And as to that  
21    issue, I think I am entitled to show that he has, in  
22    fact, used the ICE model previously without voicing  
23    those same criticisms or objections.

24          EXAMINER WILLIAMS: I agree. I will  
25    overrule the objection.

1 MS. O'BRIEN: Again, I would just...

2 EXAMINER WILLIAMS: Go ahead,  
3 Ms. O'Brien, if you want to finish your objection.

4 MS. O'BRIEN: I would just reiterate  
5 that, again, it's a different case, different  
6 circumstances, different utility, and on that ground  
7 it's not relevant.

8 EXAMINER WILLIAMS: I will overrule the  
9 objection. I will allow him to proceed with the  
10 questions, and again, if you want to clean anything  
11 up on redirect, you can.

12 Mr. Sharkey.

13 MR. SHARKEY: Thank you, your Honor.

14 Q. (By Mr. Sharkey) So on page 8 of that  
15 testimony, tell me when you're there.

16 A. Yes.

17 Q. You, in fact, performed calculations  
18 using that model, correct?

19 A. I do.

20 Q. And you are not critical of the ICE model  
21 in this testimony in the same way you are critical of  
22 the ICE model for the testimony that you filed for  
23 The Dayton Power and Light Company, correct?

24 A. Give me a moment to check that because I  
25 believe I did critique the model but let me verify



1 that. It appears I did not critique the model in  
2 this testimony.

3 Q. You understand that one of the benefits  
4 associated with DP&L's Smart Grid plan is that  
5 employees and contractors will be driving fewer miles  
6 than they are currently driving, correct?

7 A. Correct.

8 Q. And in addition to reducing costs, you  
9 realize or you understand that that will generate  
10 safety benefits?

11 A. It could.

12 Q. Go turn, if you would, to page 35 of your  
13 testimony. Are you there?

14 A. I am.

15 Q. Okay. You are there critical of DP&L's  
16 Smart Grid plan because, in your words, customers  
17 bear 100 percent of the risk of DP&L's Smart Grid  
18 investments. I am reading from the heading you  
19 wrote.

20 A. Correct.

21 Q. Okay. Then down on the bottom of page 35  
22 starting on line 19, you say "Until recently,  
23 utilities invested in their grids to the extent  
24 required to deliver safe and reliable service. The  
25 risk that such investments would be disallowed as

1 imprudent was extremely low," correct?

2 A. Correct.

3 Q. And to be clear, you are talking about  
4 the fact that utilities would be recovering those  
5 investments through a traditional base rate case, but  
6 even in those cases the risk disallowance would be  
7 very low.

8 A. Correct.

9 Q. Okay. And that would be true whether it  
10 was a traditional utility investment or a Smart Grid  
11 type of investment that DP&L or other utilities are  
12 trying to recover in a typical rate case, correct?

13 A. That the risk of disallowance is low?

14 Q. Correct.

15 A. Correct.

16 Q. Okay. So if instead of using this  
17 particular preapproval process like we have here,  
18 instead of doing that, DP&L had just made its Smart  
19 Grid investments and then sought to recover them  
20 through a distribution rate case, it's your view that  
21 the risk of those investments would be disallowed for  
22 recovery which would have been very low?

23 A. Yes.

24 Q. Okay. And further in that situation  
25 Staff and customers would not have been involved in

1 the decisions as to what investments would DP&L make  
2 and not make typically, correct?

3 A. That's correct.

4 Q. Okay. And once those investments had  
5 been made, there would not typically be a process to  
6 determine the level of benefits that the investments  
7 were likely to provide.

8 A. I don't know that that's true. I  
9 think -- I think stakeholders typically review all  
10 utility investments with an eye on what kind of value  
11 did we get for these investments.

12 Q. Here you do understand that DP&L's  
13 original -- original application in this case sought  
14 approval of \$866 million of investments, correct?

15 A. Correct.

16 Q. And the Stipulation reduced those amounts  
17 to \$267 million, correct?

18 A. Correct.

19 Q. Do you know whether the Stipulation  
20 includes and provides for a prudence review by the  
21 Commission of DP&L's investments?

22 A. I believe it does.

23 Q. And the Stipulation also provides for a  
24 Commission audit, correct?

25 A. An accounting audit, yes, I would agree.

1 Q. Okay. DP&L's application didn't include  
2 provisions establishing an accounting audit, correct?

3 A. The original application, no.

4 Q. Okay. The Stipulation also includes in  
5 one of the exhibits a list of metrics that the  
6 company is going to be reporting on, correct?

7 A. Yes.

8 Q. And you understand that that list of  
9 metrics is substantially identical to the list of  
10 metrics that were attached to a FirstEnergy  
11 Stipulation, right?

12 A. Yes. Similar does not equate in my  
13 opinion to adequate but, yes.

14 Q. Okay. And the application didn't include  
15 any such metrics, correct, in DP&L's original  
16 application?

17 A. That's correct.

18 Q. And while you believe there should be  
19 different or more metrics, it's better to have them  
20 than not, correct?

21 A. Some metrics are better than no metrics,  
22 that is correct.

23 Q. Okay. DP&L's application did not include  
24 any detail regarding the form of data access that  
25 DP&L was going to be providing to customers, correct?

1           A.    Not that I recall, no.

2           Q.    The Stipulation is very specific and  
3 detailed on that subject, right?

4           A.    It is.

5           Q.    Okay.  Stipulation -- I'm sorry, DP&L's  
6 application didn't include any type of update group  
7 where DP&L would be meeting with interested parties  
8 to discuss with them and keep them informed?

9           A.    That's correct, although I -- I have not  
10 seen those types of update working groups to be  
11 effective in my experience; but, yes, your statement  
12 is correct.

13          Q.    In -- there are customers and third-party  
14 groups that are interested in and frequently attend  
15 and participate in those type of update groups,  
16 correct?

17          A.    Yes.

18          Q.    The fact that they are participating in  
19 them, if we assume their economically rational, they  
20 must believe they have some type of benefits to them,  
21 right?

22               MS. O'BRIEN:  Objection, your Honor.  
23 That calls for him to speculate.

24               EXAMINER WILLIAMS:  I'll let him provide  
25 an answer and explain.

1           A.    You know, people participate in those  
2 things for a variety of reasons. Some think it's  
3 their role and responsibility to -- to participate  
4 even though they may not believe they are securing  
5 any incremental benefits for customers through their  
6 participation.

7           Q.    You are aware that DP&L's application  
8 didn't include any requirement that DP&L update its  
9 reliability targets that it seeks to achieve,  
10 correct?

11          A.    Correct.

12          Q.    Okay. And the application, in fact,  
13 includes a requirement that DP&L update its SAIFI and  
14 SAIDI requirements, right?

15          A.    Yes, though my testimony takes issue with  
16 those updates, as you know.

17          Q.    I do know that. You are critical of  
18 those provisions because the Commission reliability  
19 rules require the use of SAIDI and CAIFI, not SAIDI  
20 and SAIFI, correct?

21          A.    I believe you missed that a little bit.  
22 It's SAIFI and CAIDI, not SAIFI and SAIDI, but yes.

23          Q.    Okay. I apologize for the error. I  
24 thought I had that right. In any event the formula  
25 for calculating CAIDI is SAIDI divided by SAIFI?

1           A.     That's correct.

2           Q.     Okay.  So the Commission can still  
3     determine DP&L's CAIDI figures if DP&L includes in  
4     its filing information regarding SAIDI and SAIFI?

5           A.     Yes.  But as demonstrated in my  
6     testimony, a strict application of that calculation  
7     that we just went over, SAIFI divided by SAIDI, deals  
8     no increase in -- no increased requirement of CAIDI.

9           Q.     You do understand that the Commission --  
10    strike that.

11                    You do understand that DP&L has committed  
12    though to make filings regarding both of the  
13    components that lead to CAIDI, namely, SAIFI and  
14    SAIDI.

15           A.     Yes.

16                   MR. SHARKEY:  Okay.  Your Honors, I have  
17    no further questions.

18                   EXAMINER WILLIAMS:  Thank you,  
19    Mr. Sharkey.  I think that timed out about perfectly  
20    in terms of an appropriate break.

21                    So we will go ahead and take -- we seem  
22    to be on schedule, so we will take almost an hour.  
23    We will reconvene at 1:30 eastern, and at that time  
24    we will pick up with further cross.

25                   MR. SHARKEY:  All right.

1                   EXAMINER WILLIAMS: We are adjourned.  
2   Thank you.  
3                   (Thereupon, at 12:33 p.m., a lunch recess  
4   was taken.)

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1 Wednesday Afternoon Session,  
2 January 13, 2021.

3 - - -

4 EXAMINER WILLIAMS: Karen, would you put  
5 us back on the record.

6 Okay. Before we took lunch, Attorney  
7 Sharkey had finished his cross-examination, and I  
8 believe the next attorney who wants to cross-examine  
9 was Ms. Bojko.

10 MS. BOJKO: Thank you, your Honor.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. Bojko:

14 Q. Good afternoon, Mr. Alvarez. My name is  
15 Kim Bojko, and I represent the Ohio Manufacturers'  
16 Association Energy Group in this case. I am going to  
17 try not to ask you questions that have been  
18 previously asked by Mr. Sharkey, but I might have to  
19 for foundational purposes. So if you will bear with  
20 me, I would appreciate that.

21 A. Of course.

22 Q. Sir, it's my understanding that you are  
23 the only employee of the Wired Group; is that  
24 correct?

25 A. That's correct.

1           Q.    And the Wired Group is a consultant group  
2   that you developed and work for full-time; is that  
3   correct?

4           A.    Correct.

5           Q.    Mr. Alvarez, you would agree that most --  
6   if I say C&I customers, you know that I am referring  
7   to commercial and industrial customers?

8           A.    Yes.

9           Q.    Okay. You would agree that most C&I  
10   customers currently have smart meters, correct?

11          A.    Or smart meter capabilities, yes.

12          Q.    In the settlement you referenced a CIS  
13   system which was the communication information  
14   system; is that correct? Customer information  
15   system?

16          A.    Yes.

17          Q.    And in this settlement costs for the CIS  
18   system have been eliminated from the application and  
19   will no longer be collected under the IIR, correct?

20          A.    Correct.

21          Q.    And DP&L, even though the costs will not  
22   be included in the IIR, DP&L has agreed or committed  
23   under the settlement to install the CIS system; is  
24   that correct?

25          A.    That's correct.

1           Q.    And if that system is actually installed,  
2           you would agree that customers will receive some  
3           benefits from the CIS system?

4                    Let me back up.  Let's assume it's  
5           properly installed and operating.  If this system is  
6           properly installed and operating, you would agree  
7           that customers would receive some benefits from the  
8           CIS system, correct?

9           A.    I would agree that the customers might  
10          have -- or might get capabilities they don't have  
11          today.  I would agree with that.

12          Q.    And regardless of the level or value of  
13          the benefit that they receive, you do agree that once  
14          Dayton Power and Light installs and begins operation  
15          of the CIS, that's when those benefits would begin to  
16          accrue.

17          A.    Again, you would say that's when those  
18          capabilities become available for customer's use,  
19          yes.

20          Q.    And you would agree with me that those  
21          customer -- you keep using the word capabilities  
22          instead of benefit so let's use that.  You would  
23          agree that the customer -- the capabilities for those  
24          customers would begin to accrue regardless of whether  
25          the CIS system is paid for or not.

1           A.     Yes.

2           Q.     And it's your understanding that under  
3 the settlement Dayton Power and Light will offer a  
4 time-of-use program, correct?

5           A.     That's correct.

6           Q.     And under the settlement Dayton Power and  
7 Light is committed to implement a customer portal,  
8 correct?

9           A.     That's correct.

10          Q.     And Dayton Power and Light has committed  
11 under the settlement to offer third-party access to  
12 the customer information system, correct?

13          A.     Or the data from that system, correct.

14          Q.     And Dayton Power and Light is committed  
15 to not charge access fees to customers or suppliers  
16 to obtain that data, correct?

17          A.     Yes. As part of the settlement, yes.

18          Q.     Let's turn to page 44 of your testimony,  
19 please, sir. On line 13 of your testimony, you --  
20 you state that you've observed utilities mitigating  
21 the economic exposure of certain capabilities and  
22 then -- and then you list some capabilities and  
23 failures of the utilities. Do you see that?

24          A.     Yes. These are the ways that I have  
25 observed utilities mitigating the economic exposure

1 of some of the capabilities that could harm them  
2 economically.

3 Q. And in this context you are not  
4 referencing Dayton Power and Light; is that correct?

5 A. Not specifically, no.

6 Q. And when you list the failings on line 16  
7 to 21, you are not specifically referring to Dayton  
8 Power and Light's failings, correct?

9 A. Not specifically, no.

10 Q. Sir, I don't recall, but I believe you  
11 stated that you reviewed we'll call it the Smart Grid  
12 Proposal 1, SPG1, as originally proposed by Dayton  
13 Power and Light in their application, correct?

14 A. Yes. Not to be the extent of  
15 Stipulation, but yes --

16 Q. Okay.

17 A. -- in a limited fashion.

18 Q. And that's to say you didn't conduct a  
19 cost/benefit analysis for SGP 1 as originally  
20 proposed, correct?

21 A. Not to the degree presented in my  
22 testimony and the Stipulation, that's correct.

23 Q. And you, therefore, didn't calculate a  
24 net present value for the costs of that SGP 1 as  
25 proposed.

1           A.    I mean, that's correct. I did review it  
2   to the extent that I identified some of the same  
3   issues in that proposal as I do in the Stip, but yes.

4           Q.    And it's fair to say you did review SGP 1  
5   as modified by the settlement?

6           MS. O'BRIEN: I am going to object to the  
7   characterization of what was filed in the initial  
8   application as SGP Phase 1. SGP Phase 1 is a term  
9   used as part of the Stipulation and Recommendation  
10   and is much more limited than the application; so,  
11   you know, I think it mischaracterizes the initial  
12   application.

13          EXAMINER WILLIAMS: Ms. Bojko, can you  
14   rephrase?

15          MS. BOJKO: Yes, your Honor, except I do  
16   disagree with Ms. O'Brien's characterization. There  
17   was a Phase 1 in the settlement and I -- I think my  
18   questions were pretty clear about initial application  
19   versus settlement. Under this case he agreed with me  
20   that he had not reviewed the first phase in the  
21   application as significantly or robustly as he did as  
22   modified by the settlement, so my question was simply  
23   he did review SGP 1 as modified by the settlement.

24          THE WITNESS: Yes.

25          MS. O'BRIEN: And again, I would -- well.

1 I'll withdraw.

2 THE WITNESS: Sorry, Angela.

3 MS. O'BRIEN: That's okay.

4 EXAMINER WILLIAMS: I am going to allow  
5 the question and the response. Please proceed.

6 Q. (By Ms. Bojko) Mr. Alvarez, just so the  
7 record is clear, you understand what I mean by SGP  
8 Phase I under the initial application versus SGP  
9 Phase 1 as modified by the settlement, correct?

10 A. Yeah. I can understand that you're  
11 referring to the initial application versus the  
12 modified -- the application as modified in the Stip.  
13 I can distinguish those, yes.

14 Q. Thank you. And isn't it true that the  
15 settlement made SGP 1 more favorable than it was  
16 originally proposed for customers in terms of cost?

17 A. In terms of costs, in isolation, yes.

18 Q. And do you know what the total cost of  
19 the first phase of SGP as originally proposed was?

20 A. I believe it was in the range of  
21 800 million to 900 million dollars.

22 Q. And do you know what the cost of SGP 1 is  
23 under the settlement?

24 A. It seems to be about 300 million or so.

25 Q. And is it your understanding, sir, that

1 under SGP 1 as originally proposed the CIS costs were  
2 recovered through the IIR?

3 A. Correct.

4 Q. And under the settlement the CIS costs  
5 will not be recovered through the IIR, correct?

6 A. Correct.

7 Q. Let's turn to page 25 of your testimony,  
8 please. I'm looking at the top of page 25, lines 1  
9 through 3. As you note here on page 25, you would  
10 agree that a customer would rather have a direct  
11 benefit with which to offset a direct cost, correct?

12 A. Yes.

13 Q. Turning to page 34 of your testimony,  
14 sir, I am looking at the chart, the table on page 34.

15 A. Yes.

16 Q. First, you are not an economic expert; is  
17 that correct?

18 A. I am not a classically trained economist,  
19 that's correct.

20 Q. Looking at this chart, the benefits  
21 included in the economic impact line that you  
22 considered only include benefits regarding Dayton  
23 Power and Light's spending on the local economy,  
24 correct?

25 A. Yes, that's correct.



1           Q.    And the -- you did not include -- in the  
2   economic impact analysis you did not include benefits  
3   associated with the economic incentive and economic  
4   impact benefits by businesses, correct?

5           A.    Are you referring to those pieces of the  
6   Stipulation that awarded various things to various  
7   stakeholders?

8           Q.    Well, I'm asking in your economic impact  
9   line it appears from page 26 that you are only  
10   considering benefits associated with the favorable  
11   impact of spending on the local economy; is that  
12   correct?

13          A.    Yes, consistent with what I understand  
14   DP&L's definition is, yes.

15          Q.    So you didn't consider any favorable  
16   impact of spending by businesses that may be achieved  
17   under provisions of the settlement, correct?

18          A.    Can you give me an example of what  
19   that -- what you mean by that spending?

20          Q.    Well, when you listed "economic impact,"  
21   you did not consider any favorable impact of spending  
22   by businesses other than Dayton Power and Light on  
23   the local economy, correct?

24          A.    Correct.

25                MS. BOJKO:   Thank you, Mr. Alvarez.

1                   Your Honor, I have no further questions.

2                   EXAMINER WILLIAMS: Thank you, Ms. Bojko.

3                   Mr. Long, you had indicated you might  
4 have to ask some questions.

5                   MR. LONG: Yes, your Honor. Thank you.

6   - - -

7   CROSS-EXAMINATION

8 By Mr. Long:

9                   Q. Mr. Alvarez, Todd Long. Can you see me?

10                  A. I can. Hello, Mr. long.

11                  Q. Good afternoon. You did not propose a  
12 cost allocation methodology in your direct testimony,  
13 correct?

14                  A. That's correct.

15                  Q. And you did not make any specific cost  
16 allocation recommendations regarding the Stipulation,  
17 did you?

18                  A. No.

19                  Q. You're not a cost-of-service expert, are  
20 you?

21                  A. I'm not.

22                  Q. Is it fair to say that a cost/benefit  
23 analysis is not a cost-of-service study?

24                  A. That's fair.

25                  Q. And you're not at all purporting to

1 present a cost-of-service study in your direct  
2 testimony, are you?

3 A. No.

4 Q. I believe you told Ms. Bojko that you  
5 agreed that most large commercial and industrial  
6 customers already have smart meter capabilities,  
7 correct?

8 A. Yes.

9 Q. And you've reviewed the Stipulation  
10 proposed in this case?

11 A. I have.

12 Q. Do you have that Stipulation handy?

13 A. I do.

14 Q. Can you turn to Exhibit 1 of the  
15 Stipulation, please.

16 A. I have it.

17 Q. Total capital costs are estimated  
18 \$249 million. Do you see that?

19 A. I do.

20 Q. And then toward the top of the same  
21 column smart meters are \$77.6 million. Do you see  
22 that?

23 A. I do.

24 Q. And I believe you've previously testified  
25 that you assumed that the smart meters and the cost

1 of smart meters are primarily for residential  
2 customers, correct?

3 A. Correct.

4 MR. LONG: All right. Mr. Alvarez, I  
5 have no further questions. Thank you, your Honor.

6 EXAMINER WILLIAMS: Thank you, Mr. Long.

7 Before I open it up to Staff, I will  
8 invite anybody else to entertain cross, if they would  
9 like.

10 Ms. Fleisher, you had spoken you might  
11 want to do that.

12 MS. FLEISHER: And I'm glad to say I  
13 don't feel the need. Thank you, your Honor.

14 EXAMINER WILLIAMS: Okay. I will look  
15 for anyone else to speak up now or waive. I'm seeing  
16 no activity in my monitor. So with that, I will turn  
17 to you, Mr. Beeler, to entertain cross on behalf of  
18 the Staff.

19 Can't hear you, sir.

20 MR. BEELER: How about now? Sorry about  
21 that.

22 EXAMINER WILLIAMS: Perfect.

23 MR. BEELER: All right.

24 - - -

25

CROSS-EXAMINATION

By Mr. Beeler:

Q. Good afternoon, Mr. Alvarez.

A. Hello, Mr. Beeler.

Q. I'm Steve Beeler. I represent the Staff of the Commission. Just a few questions here for you. And start on page 3 of your testimony.

A. Yes.

Q. Line -- line 10 you say finally you are the developer of Utility Evaluator, an internet-based software application. Do you see that?

A. Yes, I do.

Q. You're -- so your company, do they market that product?

A. They do.

Q. Okay. And that product, does that provide performance indicators like CAIDI, SAIFI, and those sort of things?

A. It does.

Q. Similar things that an ICE calculator would be able to provide?

A. I am not sure I would characterize it that way. I think, again, the ICE calculator, although I quarrel with it, was designed to estimate the economic value of reliability improvements. The

1 Utility Evaluator is more about bench marking and  
2 taking the reliability and other data that is  
3 available from utilities and comparing them to one  
4 another. So there are some -- some things in common  
5 but I would argue the objectives are different.

6 Q. Okay. Thank you. Take you to page 35 of  
7 your testimony.

8 A. Okay. I'm there.

9 Q. And this is at the bottom there where you  
10 talk about customers bear 100 percent of the risk of  
11 the SGP investments; correct?

12 A. Yes, correct.

13 Q. Are you familiar with rate case process  
14 in Ohio, just the rate case process in general?

15 A. Yes.

16 Q. And you would agree that a company bears  
17 the burden of proof in a rate case, correct?

18 A. Correct.

19 MS. O'BRIEN: Objection. Asking for a  
20 legal conclusion but you can answer obviously.

21 EXAMINER WILLIAMS: We will let the  
22 answer stand. Thank you.

23 Q. (By Mr. Beeler) Do you know if the  
24 company through its settlement is guaranteed a  
25 recovery of the capital costs, recover all of the

1 capital costs associated with either implementation  
2 of the --

3 EXAMINER WILLIAMS: Mr. Beeler, you are  
4 kind of breaking up in your question. I'm sorry.  
5 I'm not sure how to fix that maybe but go a little  
6 more slowly.

7 MR. BEELER: Okay.

8 MS. O'BRIEN: I think in general I am  
9 having a real difficult time hearing him so.

10 EXAMINER WILLIAMS: Micah, rather than  
11 perpetuate this, can we just go ahead and just put  
12 Mr. Beeler on the phone line?

13 MR. SCHMIDT: Mr. Beeler, if you look to  
14 the top left of the Webex window, you will see a tab  
15 that says "Audio & Video."

16 MR. BEELER: Yep, yep. "Switch audio."

17 MR. SCHMIDT: Click that and you can put  
18 in your phone number and click the switch button and  
19 Webex will call you.

20 MR. BEELER: Okay. Can you hear me  
21 better?

22 EXAMINER WILLIAMS: Much better.

23 MS. O'BRIEN: Yes, much.

24 EXAMINER WILLIAMS: Please proceed.

25 Q. (By Mr. Beeler) Okay. Mr. Alvarez,

1 through the settlement in this case do you know if  
2 the company is entitled to recover all of the capital  
3 costs associated with the implementation of the new  
4 customer information system?

5 A. I believe that is mentioned in the  
6 Stipulation, yes. Did you hear that?

7 Q. Yes, I did.

8 A. Okay.

9 Q. So take you to page 28 of your testimony.

10 A. Yes.

11 Q. That's where your -- your basic -- you  
12 know, up there you say it's your concern that the  
13 reliability benefits are -- are unrealistic, correct?

14 A. Correct.

15 Q. Are you familiar -- are you aware that  
16 the -- that the Stipulation calls for an  
17 acknowledgment that the company is to incorporate  
18 improvements into its next reliability standard case  
19 within 60 months of the opinion and order in this  
20 settlement?

21 A. Yes, I am, subject to the concerns that I  
22 list about that process in my testimony.

23 Q. Okay. Are you -- are you familiar with  
24 the -- the Ohio Administrative Code which -- which  
25 provides -- prescribes the measurement for



1 reliability and the development of minimum  
2 performance standards and the like?

3 A. Somewhat.

4 Q. Okay. In just your understanding of  
5 that, are there consequences in Ohio law if -- if  
6 DP&L doesn't meet minimum standards?

7 MS. O'BRIEN: Objection, your Honor. He  
8 is not an attorney.

9 EXAMINER WILLIAMS: He can answer  
10 regarding his general understanding of how Ohio law  
11 treats minimum standards.

12 A. I am not aware to that level of detail  
13 what those consequences might be.

14 Q. Do you know if the utility could be fined  
15 for not meeting minimum standards?

16 A. I don't know that, but I am familiar with  
17 those types of consequences in other states.

18 Q. I asked you previously where -- if the  
19 company was guaranteed to recover all the capital  
20 costs of the CIS in the settlement. Would you be  
21 able to point to me in the settlement where you  
22 believe that's true?

23 A. I think the word you used was "entitled."  
24 I don't think it was guaranteed.

25 Q. Okay. I would ask my -- I would reask my

1 question with guaranteed recovery of a capital cost  
2 of the CIS. Sorry about that.

3 MS. O'BRIEN: Actually, your Honor, could  
4 he just restate the question because I'm a little  
5 unclear?

6 EXAMINER WILLIAMS: That seems more than  
7 fair.

8 Mr. Beeler, could you start that question  
9 from the beginning.

10 MR. BEELER: Sure.

11 Q. (By Mr. Beeler) Is the company guaranteed  
12 to recover all of its capital costs associated with  
13 the CIS through this settlement?

14 A. I do not believe the settlement  
15 guarantees recovery, no.

16 Q. Okay. So and then back to the line of  
17 questioning on the rate case process, do you know if  
18 during a rate case that the test year reflects  
19 current book value, or does it reflect original cost  
20 of the plant investments?

21 A. The rate case should reflect net book  
22 value after accumulated depreciation.

23 Q. Okay. Do you know -- do you know if  
24 there are timing risks that are involved with  
25 companies that file rate cases in general?

1           A.    Can you explain what you mean by timing  
2 risk?

3           Q.    In a rate case generally a company has a  
4 test year and a date certain that they -- that those  
5 are the parameters of their filing. Would you  
6 consider that a risk to a -- to a company?

7           A.    I'm sorry. I still don't understand  
8 what -- what risks specifically you are referring to.  
9 Do you mean that the -- not all the company's costs  
10 will be reflected as of that date? That type of  
11 risk?

12          Q.    Just in timing of rate cases in general  
13 whether -- whether that's a risk to -- to a company.

14          A.    Oh, yes. Yes, I would agree that that  
15 represents a risk, potentially represents a risk or  
16 represents a potential risk.

17               MR. BEELER: Okay. I believe that's all  
18 I have, your Honor.

19               EXAMINER WILLIAMS: Thank you,  
20 Mr. Beeler.

21               Ms. O'Brien, do you want a few minutes to  
22 compose and get ready for redirect?

23               MS. O'BRIEN: Yeah. That would be great.  
24 Thank you.

25               EXAMINER WILLIAMS: You want 5 or 10?

1 MS. O'BRIEN: 10 minutes would be great.

2 EXAMINER WILLIAMS: Okay. It's

3 2 o'clock. We will come back at 2:10.

4 We are off the record. Thank you.

5 (Recess taken.)

6 EXAMINER WILLIAMS: We will go back on  
7 the record and invite you to do redirect.

8 MS. O'BRIEN: Okay.

9 - - -

10 REDIRECT EXAMINATION

11 By Ms. O'Brien:

12 Q. Hi, Mr. Alvarez.

13 A. Hi, Angela, or Ms. O'Brien.

14 Q. No, that's okay. Just wanted to make  
15 sure my sound was on and you can hear me okay.

16 Okay. Now, do you recall questions from  
17 Mr. Sharkey regarding I believe it was your Exhibit  
18 PJA-2 regarding responses that DP&L made to OCC's  
19 discovery requests?

20 A. I do.

21 Q. And I believe that Mr. Sharkey  
22 represented to you that DP&L provided information to  
23 OCC in response to those requests. Do you recall  
24 that?

25 A. I do.

1           Q.    Now, can you tell me did DP&L provide the  
2 information you need to do your analysis?

3           A.    Well, in particular, I mean, when you are  
4 doing the benefit/cost analysis, I think one of the  
5 most critical pieces of data to have is what is the  
6 total cost customers will pay. And I think everyone  
7 can understand why that's an important piece of  
8 information. We did ask for that in discovery.

9                   Let's see, I believe it's -- I think it's  
10 an estimate. Sorry. I am looking for it. Maybe  
11 we -- it's cited in testimony. In our PD-1-008B we  
12 asked for the total cost to customers, you know, over  
13 the entire benefit/cost analysis period, the entire  
14 cost recovery period, and DP&L cannot provide that  
15 which prompted me to use the data that was available  
16 including PJA-02 to develop my own estimate of the  
17 total cost customers would pay.

18                   And, you know, Mr. Sharkey asked me about  
19 some things that seemed to, you know, critique my  
20 calculation, did you use AFUDC, did you do this, did  
21 you do that. I stand by my estimate. I mean, I  
22 think, you know, I'm not a revenue requirement  
23 accountant, but my -- my position is that my estimate  
24 of costs is within a couple of decimal points of what  
25 customers will actually end up paying for this plan

1 if approved. And I stand by that.

2 Q. Okay. Thank you. And, now, do you also  
3 recall questions by Mr. Sharkey regarding the  
4 recovery of the costs related to the customer  
5 information system through DP&L's rate case?

6 A. Yes.

7 Q. And can you tell me whether or not we  
8 know whether the costs for the customer information  
9 system will actually be recovered through the rate  
10 case that DP&L filed in late 2020?

11 A. We don't know that. So, in fact, it's  
12 possible that recovery of those costs is already --  
13 has already been requested. I think Mr. Sharkey --  
14 as I understand, Mr. Sharkey's point was that -- or  
15 will be that the benefits of this Smart Grid  
16 deployment will be included in rates because a rate  
17 case is required to recover CIS costs, and the  
18 company is going to file a rate case and require  
19 those cost/benefits will be involved.

20 My response to that line of logic is that  
21 we don't know that because a variety of things could  
22 have -- could have happened that will -- that will  
23 enable DP&L to recover those costs without an  
24 additional rate case which would recognize these  
25 benefits that I've testified are missing. For

1 example, that rate case that you mentioned that was  
 2 filed in late 2020 could include the CIS costs. It  
 3 could be possible that the upcoming ESP case that  
 4 DP&L -- we are expecting from DP&L could -- could  
 5 include or recover those costs. It's possible that  
 6 the IIR rider could be extended or another rider  
 7 could be put in its place, I mean, a variety of  
 8 things that could happen where -- such that DP&L  
 9 could recover its CIS costs without necessarily  
 10 filing the rate case that would recognize the  
 11 benefits DP&L claims will actually reduce customer  
 12 rates.

13 Q. Okay. Thank you. Now, do you recall  
 14 questioning about your testimony in Indiana Power &  
 15 Light case before the Indiana Utility Regulatory  
 16 Commission?

17 A. I do.

18 Q. And can you explain to me why you  
 19 utilized the ICE calculator in that case?

20 A. Yeah. And I think -- I think it is an  
 21 important distinction. You know, Mr. Sharkey  
 22 seemed -- seemed to suggest that -- well, if DP&L  
 23 uses this tool to estimate the economic value of  
 24 reliability benefits and you don't believe in the  
 25 tool, then why did you use that tool, you know, in

1 another case?

2 And there's a good explanation for that.  
 3 So in the IPL case, IPL did not provide reliability  
 4 improvement estimates. All they provided was  
 5 reliability improvement dollars. We identified that  
 6 they used too many, you know, in the calculation of  
 7 those benefits. And so what I did was I reversed  
 8 engineered, right? I used the tool but for a very  
 9 specific purpose and that purpose was to try to  
 10 determine what inputs would be required, what SAIDI  
 11 and SAIFI reliability improvement would need to be  
 12 demonstrated to deliver the economic benefits IPL is  
 13 claiming in that case.

14 It was not -- my use of that tool in that  
 15 case was not to estimate the benefits of reliability  
 16 improvements which is how DP&L used it. So -- so  
 17 just -- I just wanted to make that distinction  
 18 because I'm not sure that I would not agree that my  
 19 use of the tool in the IPL case for the specific  
 20 purposes I just described is the same as using it to  
 21 estimate the economic impact of reliability  
 22 improvements.

23 Q. Okay. Thank you. Now, also do you  
 24 recall actually a series of questions from  
 25 Mr. Sharkey about how the settlement modified the



1 original -- how the settlement modifies the Smart  
2 Grid plan as filed in the initial application?

3 A. Yes.

4 Q. And can you tell me why despite these  
5 modifications the Smart Grid plan as provided for in  
6 the settlement is not in the best interest of  
7 customers?

8 A. Yes. So Mr. -- Mr. Sharkey's line of  
9 questioning, you know, characterizes those  
10 modifications as improvements, right? And -- and  
11 continued to get me to agree that -- that the  
12 Stipulation was an improvement. I think that's a  
13 different question, right?

14 The second prong of the three-prong test  
15 for Settlement Agreements, right, as I understand it,  
16 is -- as you mentioned, is the Settlement Agreement  
17 in the best interest of customers and the public?  
18 That's a different question than is this Settlement  
19 an improvement over what the company usually  
20 initially offered? And so I think it's possible for  
21 both to be true.

22 So the -- the Stipulation may represent  
23 an improvement over the initial company's application  
24 and yet still not be in the best interest of  
25 customers. As my testimony indicates from -- for a

1 variety of reasons, this Stipulation is not in the  
2 best interest of customers despite any improvements  
3 that the Stipulation might represent over the initial  
4 application.

5 Q. Okay. Okay. Thank you. And then do you  
6 also recall questions from Mr. Sharkey about indirect  
7 benefits resulting from decreases in greenhouse gas  
8 emissions?

9 A. I do.

10 Q. And are there also indirect costs  
11 associated with those reductions?

12 A. Yeah. You know -- yes. You know, as I  
13 recall Mr. Sharkey's question, he was specifically  
14 inquiring about the health benefits of greenhouse gas  
15 reductions, and while I would have to agree there are  
16 some health benefits from greenhouse gas reductions,  
17 there are also health costs, negative health impacts  
18 of electric rate increases, right?

19 And so this is what I -- so, you know,  
20 some people will have to do with less food. They  
21 will have to do with less medication, right? So you  
22 could argue that not only does the plan have a  
23 greenhouse gas benefit and associated health  
24 benefits, you must also argue that the Smart Grid  
25 plan has indirect costs and indirect negative health

1 impacts.

2 And so the whole idea of a cost/benefit  
3 analysis is to compare benefits to costs, right? So  
4 as I mentioned in testimony, I can't include indirect  
5 benefits without also including indirect costs and  
6 these true -- just as true for greenhouse gas  
7 emissions as it is for economic development or -- or  
8 electric vehicle or any other type of indirect  
9 benefits that the company might claim.

10 Q. And did DP&L consider those indirect  
11 costs in its cost/benefit analysis?

12 A. There is no evidence of that, no.

13 MS. O'BRIEN: Okay. Thank you. I have  
14 no further questions at this time.

15 EXAMINER WILLIAMS: Thank you,  
16 Ms. O'Brien.

17 Mr. Sharkey, recross?

18 MR. SHARKEY: Yes, your Honor. I'll be  
19 brief.

20 - - -

21 RECROSS-EXAMINATION

22 By Mr. Sharkey:

23 Q. Mr. Alvarez, turn, if you would, in your  
24 testimony to PJA-01.

25 A. I have it.

1           Q.    Okay.  And you referred in your redirect  
2   testimony to DP&L's response to RPD-1-0008B as being  
3   inadequate and not providing you a worksheet that  
4   estimated the revenue requirement over the entire  
5   20-year period --

6           A.    Correct.

7           Q.    -- in the cost/benefit summary.

8           A.    Correct.

9           Q.    Do you know in response to a request for  
10   production of documents whether the Company is only  
11   obligated to provide documents that it actually has  
12   in its possession and that exist?

13               MS. O'BRIEN:  Objection.  Calls for a  
14   legal opinion.

15               EXAMINER WILLIAMS:  To the extent he  
16   knows.

17           A.    Yes, I guess I am aware of that, but I  
18   would argue or ask why doesn't that document exist?  
19   Isn't the understanding of what the proposal is as  
20   customers a very critical data point?

21           Q.    You did receive from the company a  
22   revenue requirement estimate over four years,  
23   correct?

24           A.    Yes.  Over four years but the cost  
25   recovery period as, you know, will be much longer

1     than that so that's not an adequate response to that  
2     request.

3             Q.     You also testified regarding the CIS, and  
4     I believe, if I understood you, your testimony was  
5     that DP&L might recover the costs of the CIS through  
6     a variety of other means including potentially ESP  
7     IV, correct?

8             A.     Yes.

9             Q.     Turn, if you would, to the Stipulation,  
10    page 21.

11            A.     I have it.

12            Q.     Paragraph g, do you see there where it  
13    says that DP&L will recover the costs of the CIS  
14    through base distribution rates?

15            A.     Okay.

16            Q.     That's what it says, isn't it?

17            A.     It does say that.

18            MR. SHARKEY:   Thank you, Mr. Alvarez.

19            Your Honor, I have no further questions.

20            EXAMINER WILLIAMS:   Thank you,

21    Mr. Sharkey.

22            Ms. Bojko?

23            MS. BOJKO:   Yes, thank you, your Honor.

24                                 - - -

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RECROSS-EXAMINATION

By Ms. Bojko:

Q. Mr. Alvarez, isn't it true that the only cost recovery being requested to be approved in this case is over the four-year period?

MS. O'BRIEN: I'm sorry. I didn't catch that last part of her question.

EXAMINER WILLIAMS: Ms. Bojko, you did break up. Can you try again?

MS. BOJKO: Yes.

Q. (By Ms. Bojko) Mr. Alvarez, isn't it true that the only cost recovery being requested to be approved in this case is over the four-year period?

A. I would agree with that.

MS. BOJKO: Thank you.

Nothing further, your Honor.

EXAMINER WILLIAMS: Thank you.

Mr. Long.

MR. LONG: No questions, your Honor.

Thank you.

EXAMINER WILLIAMS: Mr. Beeler.

MR. BEELER: No questions.

EXAMINER WILLIAMS: I saw your lips saying no further questions, so we'll take it for that.

1 We will take up the issue of exhibits.

2 Mr. Alvarez, I thank you for your time  
3 and testimony for today. You are excused

4 THE WITNESS: Thank you, your Honor.

5 EXAMINER WILLIAMS: Ms. O'Brien, do you  
6 want to begin?

7 MS. O'BRIEN: Yes. At this time OCC  
8 would like to move for admission of OCC Exhibit 7  
9 which is Paul Alvarez's public direct testimony and  
10 Exhibit -- OCC Exhibit 7C which is the confidential  
11 version of his testimony.

12 EXAMINER WILLIAMS: Okay. Are there any  
13 objections?

14 I am not seeing anybody raise any  
15 objections. Those are admitted without objection  
16 then.

17 (EXHIBITS ADMITTED INTO EVIDENCE.)

18 EXAMINER WILLIAMS: Mr. Sharkey.

19 MR. SHARKEY: Yes, your Honor. There's  
20 three exhibits. Would you like me to do them one at  
21 a time?

22 EXAMINER WILLIAMS: Please.

23 MR. SHARKEY: Okay. DP&L would move for  
24 the admission of DP&L Exhibit 9 which was the Duke  
25 Energy Ohio Smart Grid Audit, the excerpt of the

1 report.

2 EXAMINER WILLIAMS: Ms. O'Brien?

3 MS. O'BRIEN: We would object to the  
4 admission of OCC -- I'm sorry, DP&L Exhibit 9 to the  
5 extent it is not the complete document and that it's  
6 only excerpts, and the complete documents would also  
7 provide more context.

8 EXAMINER WILLIAMS: Mr. Sharkey.

9 MR. SHARKEY: Your Honor, she certainly  
10 could introduce the complete document and could have  
11 done so on redirect if she thought there was  
12 additional information. This exhibit as an excerpt  
13 was provided to OCC last week, so they were certainly  
14 on notice there was more information that they  
15 thought would be useful. So I think this document  
16 adequately shows that this witness has in the past  
17 written about the potential significant benefits of  
18 Smart Grid and is directly relevant here.

19 EXAMINER WILLIAMS: I agree. I will  
20 admit the exhibit over the objection. That's a  
21 document that he addressed. He was intimately  
22 familiar with it. It certainly had the opportunity  
23 for being heard, additional questions, or additional  
24 filing if we thought more was needed. 9 will come  
25 in.



1 (EXHIBIT ADMITTED INTO EVIDENCE.)

2 MR. SHARKEY: Then, your Honor, DP&L  
3 would move for the admission of DP&L Exhibit 10 which  
4 was a printout from the ICE calculator website.

5 EXAMINER WILLIAMS: Ms. O'Brien.

6 MS. O'BRIEN: No objection.

7 EXAMINER WILLIAMS: So it will come in  
8 with no objection.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 EXAMINER WILLIAMS: Mr. Sharkey.

11 MR. SHARKEY: Yes, your Honor. DP&L  
12 would move for the admission of DP&L Exhibit 11 which  
13 was testimony Mr. Alvarez filed in the Indiana  
14 Utility Regulatory Commission case.

15 EXAMINER WILLIAMS: Ms. O'Brien.

16 MS. O'BRIEN: Again, we would object to  
17 admission of that testimony on the grounds of  
18 relevancy. It was a different proceeding, different  
19 utility, different Commission. This Commission has  
20 held in the past that proceedings involving utilities  
21 in different jurisdictions are irrelevant to issues  
22 before the current -- in current proceedings before  
23 the PUCO. So we will renew our objection on  
24 relevancy grounds.

25 EXAMINER WILLIAMS: Okay. I am going to

bring the exhibit in over the objection. The witness was able to testify regarding his opinion in that case in comparison with his opinion in this case. And we'll certainly consider the relevancy of the testimony and the information in the exhibit as compared to the information that is testimony in this case during the course of our consideration of the case. So that comes in over the objection.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER WILLIAMS: I think those are all of the procedural aspects in the testimony that we planned for today, so we are going to finish a bit early.

We will go ahead and go off the record, and we will talk about what we are going to do tomorrow.

(Thereupon, at 2:35 p.m., the hearing was adjourned.)

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CERTIFICATE

I do hereby certify that the foregoing is  
a true and correct transcript of the proceedings  
taken by me in this matter on Wednesday, January 13,  
2021, and carefully compared with my original  
stenographic notes.

\_\_\_\_\_  
Karen Sue Gibson, Registered  
Merit Reporter.

(KSG-7024)

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Gibson, Karen Sue Mrs.