

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**THE DAYTON POWER AND LIGHT COMPANY**

**CASE NO. 20-0140-EL-AAM**

**DIRECT TESTIMONY  
OF  
KARIN M. NYHUIS**

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

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**TABLE OF CONTENTS**

I.	INTRODUCTION .....	1
II.	PURPOSE OF TESTIMONY.....	2
III.	DP&L'S DEFERRAL OF DECOUPLING AMOUNTS.....	2
IV.	CONCLUSION.....	6

1   **I.    INTRODUCTION**

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

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

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

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

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

11 A.    I was an employee of DP&L from October 2007 through December 2013, when I became  
12       an employee of AES Services. During my tenure with DP&L, I worked in various  
13       positions including senior accountant, supervisor of accounting and financial reporting,  
14       payroll supervisor, and manager of accounting and financial reporting. Since 2013, I  
15       have held roles as Director Financial Reporting and Assistant Controller. I have been the  
16       Controller of DP&L since March 2018.

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

18 A.    I hold a Bachelor of Arts Degree in Accounting and Finance from Cedarville University  
19       and a Masters of Business Administration from Wright State University. I am a Certified  
20       Public Accountant, licensed with the State of Ohio. I have over 15 years of accounting

1 experience in various industries including public accounting and 13 years of electric  
2 utility accounting experience.

3 **II. PURPOSE OF TESTIMONY**

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

5 A. The purpose of my testimony is to discuss the accounting rules and regulations regarding  
6 the decoupling deferral that DP&L requests in this proceeding.

7 **III. DP&L'S DEFERRAL OF DECOUPLING AMOUNTS**

8 **Q. Describe the deferral that DP&L seeks in this proceeding.**

9 A. As discussed in the testimony of DP&L Witness Teuscher, DP&L requests Commission  
10 authorization to defer decoupling amounts beginning December 19, 2019 calculated on a  
11 revenue per customer methodology ("Decoupling Amounts") that the Public Utilities  
12 Commission of Ohio ("Commission") authorized DP&L to recover in Case No. 15-1830-  
13 EL-AIR, *et al.* ("2015 Rate Case"), as well as associated carrying costs at the Company's  
14 most recently-approved cost of long-term debt. The Company no longer has a rider  
15 mechanism to recover such amounts following the Commission's approval of DP&L's  
16 reversion to its first Electric Security Plan. Dec. 18, 2019 Second Finding and Order,  
17 Case No. 08-1094-EL-SSO, *et al.*

18 **Q. Describe the Commission's authority to authorize deferrals.**

19 A. I understand that Section 4905.13 of the Ohio Revised Code authorizes the Commission  
20 to establish systems of accounts to be kept by public utilities and to prescribe the manner  
21 in which these accounts shall be kept. The Commission routinely allows utilities to defer

1 amounts on their regulatory books and, therefore, create regulatory assets or liabilities  
2 under this section.

3 **Q. What is a regulatory asset?**

4 Section 4928.01(A)(26) of the Ohio Revised Code defines the term "regulatory asset" as  
5 "the unamortized net regulatory assets that are capitalized or deferred on the regulatory  
6 books of the electric utility, pursuant to an order or practice of the public utilities  
7 commission or pursuant to generally accepted accounting principles as a result of a prior  
8 commission rate-making decision, and that would otherwise have been charged to  
9 expense as incurred or would not have been capitalized or otherwise deferred for future  
10 regulatory consideration absent commission action." (Emphasis added.)

11 **Q. Is the Commission bound by generally accepted accounting principles in allowing**  
12 **deferral of regulatory assets?**

13 A. No. Given the latitude provided by R.C. 4905.13 and 4928.01(A)(28), the Commission  
14 has wide discretion relating to how it requires utilities to maintain their accounts. There  
15 is no requirement in the Ohio Revised Code or the Ohio Administrative Code that limits  
16 the Commission to using U.S. generally accepted accounting principles ("GAAP") for  
17 regulatory books. FERC to GAAP accounting and reporting differences commonly occur  
18 throughout the utility industry.

19 **Q. Does GAAP contemplate the existence of regulatory assets on utilities' regulatory**  
20 **books that do not qualify for deferral under GAAP?**

21 A. Yes. Under ASC 980-10-05-7, GAAP recognizes that the Commission may order a  
22 utility to capitalize a cost on its regulatory books that GAAP require to be expensed if the

1 capitalization does not meet all of the criteria for capitalization in ASC 980. Specifically,  
2 that guidance provides:

3 "Accounting requirements that are not directly related to the  
4 economic effects of rate actions may be imposed on regulated  
5 businesses by orders of regulatory authorities and occasionally by  
6 court decisions or statutes. For example, a regulatory authority  
7 may order an entity to capitalize and amortize a cost that would be  
8 charged to income currently by an unregulated entity. Unless  
9 capitalization of that cost is appropriate under this Topic, GAAP  
10 requires the regulated entity to charge the cost to current income."

11 Likewise, the Uniform System of Accounts promulgated by the Federal Energy  
12 Regulatory Commission does not always follow GAAP. As stated in DP&L's Notes to  
13 Financial Statements in its 2019 FERC Form 1:

14 "The principal differences [between] GAAP [and the Uniform System of Accounts] relate  
15 to the presentation of nonlegal asset retirement costs, the presentation of mark to market  
16 gains and losses on the change in fair value of derivative instruments, the presentation of  
17 losses on disposal of assets, the presentation of certain pension and other postretirement  
18 benefits, the presentation of the current portion of deferred income taxes, the requirement  
19 to report deferred tax assets and liabilities separately rather than as a single net amount,  
20 the presentation of license fees and capitalized costs for internal use software, the  
21 presentation of deferred financing costs, the presentation of current maturities of long-  
22 term debt and the requirement to include uncertain tax positions in deferred income  
23 taxes."

24 **Q. Does ASC 980-605-25-4 preclude the Commission from allowing DP&L to defer the**  
25 **Decoupling Amounts at issue on its regulatory books?**

1 A. No. The Commission is bound by the Ohio Revised Code regarding what can be deferred  
2 on a utility's regulatory books. As discussed above, Section 4928.01(A)(28) of the Ohio  
3 Revised Code defines the term "regulatory asset" as "the unamortized net regulatory  
4 assets that are capitalized or deferred on the regulatory books of the electric utility,  
5 pursuant to an order or practice of the public utilities commission or pursuant to generally  
6 accepted accounting principles . . . ." (Emphasis added.)

7 **Q. Does ASC 980-605-25-4 preclude DP&L from deferring the Decoupling Amounts at**  
8 **issue on its GAAP books?**

9 A. No. ASC 980-605-25-4 establishes GAAP requirements regarding whether a utility can  
10 recognize revenues and not whether a utility can record a deferral. Specifically, it states:

11 "[T]he regulated utility shall recognize the additional revenues if  
12 all of the following conditions are met:

- 13 a. The program is established by an order from the  
14 utility's regulatory commission that allows for  
15 automatic adjustment of future rates. Verification of  
16 the adjustment to future rates by the regulator would  
17 not preclude the adjustment from being considered  
18 automatic.
- 19 b. The amount of additional revenues for the period is  
20 objectively determinable and is probable of  
21 recovery.
- 22 c. The additional revenues will be collected within 24  
23 months following the end of the annual period in  
24 which they are recognized."

25 Since ASC 980-605-25-4 merely "provides guidance for revenue recognition in  
26 alternative revenue programs," that guidance does not address whether DP&L can defer  
27 any amounts, such as the Decoupling Amounts at issue in this proceeding. In other

1 words, ASC 980-605-25-4 is guidance on when a company should recognize revenues,  
2 not a limit on when it can make a regulatory deferral. Therefore, while ASC 980-605-25-  
3 4 may preclude DP&L from recognizing revenues on its income statement prior to an  
4 order from the Commission that allows for automatic adjustment of future rates to  
5 recover the Decoupling Amounts, it does not preclude the authorization of the deferral.

6 **IV. CONCLUSION**

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

8 **A.** Yes, it does.



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