BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 20-0140-EL-AAM

DIRECT TESTIMONY
OF
TYLER A. TEUSCHER

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

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tyler A. Teuscher. My business address is 1065 Woodman Drive, Dayton, Ohio 45432.

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

A. I am employed by The Dayton Power and Light Company d/b/a AES Ohio ("DP&L", "AES Ohio" or the "Company") as the Regulatory Manager in the Regulatory Operations department.

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

A. I assumed my present position in January 2019. Prior to that time, I was an Analyst in the Regulatory Operations department, responsible for the Energy Efficiency Rider, Decoupling Rider, Reconciliation Rider Nonbypassable, Universal Service Fund Rider, and DP&L's Standard Offer Rate recovery mechanism. During my time as an Analyst, I was also responsible for all Energy Efficiency, Competitive Retail Market, and Wholesale Distribution Service policy issues and regulatory filings at both the Public Utilities Commission of Ohio ("PUCO" or the "Commission") and the Federal Energy Regulatory Commission ("FERC").

Q. What are your responsibilities in your current position?

A. I am responsible for assisting in the overall development, analysis, revision, administration, and tracking of rate recovery and compliance with the Company's tariff schedules and policies. I am involved in evaluating regulatory and legislative initiatives, and regulatory commission orders that affect the Company's rates and overall regulatory operations.

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

A. Yes. I received a Bachelor of Science degree in Business Economics and a Bachelor of Science degree in Marketing from the University of Kentucky in 2009. I received a Master of Business Administration degree from Miami University in 2017. I have been employed by DP&L since January 2011.

Q. Have you previously provided testimony before the Public Utilities Commission of Ohio?

A. Yes. I have sponsored testimony before the PUCO in the Company's currently approved Distribution Rate Case, Case No. 15-1830-EL-AIR. In addition, I have sponsored testimony supporting the Commission approved Stipulation and Recommendations in DP&L's Third and Fourth Energy Efficiency and Peak Demand Reduction Program Portfolios, Case Nos. 16-649-EL-POR and 17-1398-EL-POR, respectively. I also sponsored testimony in the Company's most-recently filed Distribution Rate Case, Case No. 20-1651-EL-AIR.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of my testimony is to provide an overview of DP&L's decoupling amounts, the Decoupling Rider, and the deferral sought in this proceeding.

III. DP&L'S DECOUPLING MECHANISM

Q. What is decoupling?

A. Decoupling is a form of rate design typically developed for the purpose of separating a utility's revenue from customer usage so that the utility can recover fixed costs of infrastructure that do not vary with customer usage. Decoupling can be accomplished in many different ways and through various rate design methodologies.

Q. Please describe DP&L's approved Revenue Decoupling.

A. In Case No. 15-1830-EL-AIR ("the 2015 Rate Case"), the Commission approved, without modification, the June 18, 2018 Stipulation and Recommendation ("Rate Case Stipulation"), executed by DP&L and numerous other parties. The approved Rate Case Stipulation recommended that DP&L recover its authorized revenue requirement through base distribution rates and Revenue Decoupling. The Rate Case Stipulation provided (pp. 10-12) that the Company would implement Revenue Decoupling beginning January 1, 2019 based on a revenue per customer ("RPC") methodology, which were to include carrying costs at DP&L's stipulated cost of debt ("Decoupling Amounts"). DP&L's Revenue Decoupling is calculated by taking the difference, whether positive or negative, between the Allowed Revenue Requirement and actual base distribution revenues for the D17, D18, and D19 tariff classes. Additionally, DP&L was authorized to collect (or refund) the Decoupling Amounts through the Decoupling Rider. This was a comprehensive agreement in which base distribution rates were modified and established including this mechanism and methodology.

Q. Did DP&L have a Decoupling Rider to recover (refund) the Decoupling Amounts?

A. Yes. Previously, in Case No. 16-395-EL-SSO, *et al.* ("ESP III"), DP&L and a broad-based group of parties entered into the March 14, 2017 Amended Stipulation and Recommendation, which recommended implementation of the Decoupling Rider The Amended Stipulation and Recommendation further contemplated that "[a]ll other matters relating to the Decoupling Rider, including but not limited to cost allocation, term and rate design, shall be addressed in the pending distribution rate case, Case No. 15-1830-EL-RDR ["2015 Rate Case"] . . . ." The Commission adopted those provisions of the Amended Stipulation and Recommendation without modification in its October 20, 2017 Opinion and Order in that proceeding thereby establishing DP&L's Decoupling Rider.

Q. Does DP&L still have the Decoupling Rider?

A. No. On December 18, 2019, the Commission approved DP&L's termination of ESP III and reversion to its prior Electric Security Plan ("ESP I"). Dec. 18, 2019 Finding and Order, ESP III; Dec. 18, 2019 Second Finding and Order, Case No. 08-1094-EL-SSO, *et al.* ("ESP I"). ESP I does not include the Decoupling Rider.

Q. Does DP&L currently have a mechanism to recover Decoupling Amounts?

A. No. DP&L currently has no mechanism to charge or credit the Decoupling Amounts that the Commission authorized DP&L to recover in the 2015 Rate Case.

Q. Is DP&L seeking authorization to recover any amounts authorized for deferral in this proceeding at this time?

A. No. Recovery of any amounts deferred in this proceeding will be addressed in a separate proceeding. This matter is limited solely to deferral of the Decoupling Amounts approved in the 2015 Rate Case.

Q. Are the Decoupling Amounts related only to energy efficiency or demand side management programs?

A. No. As mentioned above, the Decoupling Amounts are calculated using an RPC methodology, so the number of customers as well as anything that affects revenues can lead to a credit or debit to the Decoupling Amounts. Revenue impacts caused by changes in weather patterns, the COVID-19 pandemic, or other rate designs, in particular, can impact the revenues received.

IV. DEFERRAL OF DECOUPLING AMOUNTS

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

A. DP&L requests Commission authorization to defer Decoupling Amounts for the period of December 19, 2019 through the effective date of new base distribution rates, plus carrying costs. DP&L filed a new base distribution rate case on November 30, 2020 in Case No. 20-1651-EL-AIR. These amounts reflect the Decoupling Amounts that the Company has and will incur following the elimination of the Decoupling Rider as the method to recover such amounts. This deferral amount is directly related to the amount of base distribution revenue collected through the rate design agreed to in the Rate Case Stipulation.

Q. Is deferral of the Decoupling Amounts reasonable?

A. Yes. The Commission authorized DP&L to defer and recover the Decoupling Amounts when it approved the Rate Case Stipulation. No party sought rehearing on the issue of Revenue Decoupling. Deferral of the Decoupling Amounts would enable DP&L to retain the benefit of its bargain in settling that proceeding, that I understand to still be in effect. The Company made several concessions in reaching that settlement, including rate design, agreeing to refund to customers excess accumulated deferred income taxes associated with a reduction in the corporate tax rate, and accepting a significantly reduced revenue requirement. Beyond honoring the benefit of the bargain approved by this Commission, DP&L's decoupling methodology is a beneficial rate design mechanism that allows for flexibility in a distribution utility's revenue requirement that can minimize the expenses associated with frequent rate cases and creates consistency in rates for the utility and customers alike.

Q. Is the rate design concession that you mentioned related to the Decoupling Amounts?

A. Yes. DP&L's 2015 rate case application proposed a larger fixed customer charge than DP&L's was charging at the time, to allow DP&L to recover more of its fixed costs to provide service despite variations in customer usage. As a concession in the Rate Case Stipulation, DP&L agreed to a different rate design that included a much lower customer charge. The principal reason that DP&L was willing to abandon its customer charge proposal was that the Stipulation established the Decoupling methodology, which was a different method to allow DP&L to maintain the authorized revenue requirement.

Allowing DP&L to defer the Decoupling Amounts is thus consistent with the bargain struck in that Stipulation.

Q. Has the Commission approved deferrals that do not have clear collection mechanisms?

A. Yes. It is often the case that there is no rider recovery mechanism that exists when a deferral is approved. As one example, in the 2015 Rate Case, the Commission approved the Rate Case Stipulation that authorized DP&L to defer as a regulatory asset, for future recovery, annual expenses for vegetation management performed by third-party vendors.

Q. Is DP&L seeking deferral authority based upon R.C. 4928.471?

A. No. As previously explained, DP&L's decoupling deferral is based upon the Rate Case Stipulation that was approved by the Commission in the Company's 2015 Rate Case.

Q. Is deferral of the Decoupling Amounts consistent with Commission policy and precedent?

A. Yes. The Commission has held that the appropriate time to implement a decoupling rate design is during an electric utility's base rate case. Aug. 21, 2013 Finding and Order, Case No. 10-3126-EL-UNC. Indeed, the Commission has approved recovery of decoupling amounts for Duke Energy Ohio, Inc. (id.) and Ohio Power Company (April 22, 2019 Staff Review and Recommendation, Case No. 19-571-EL-RDR (finding without objection that Ohio Power had appropriately calculated its Pilot Throughout Balancing Adjustment)).

Q. What is the duration of DP&L's request to defer the Decoupling Amounts?

A. DP&L is seeking deferral of the Decoupling Amounts reflecting the period of December 19, 2019 through the effective date of new base distribution rates. DP&L filed a new base distribution rate case on November 30, 2020 in Case No. 20-1650-EL-AIR.

V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

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