

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY D/B/A AES OHIO

CASE NO. 21-0588-EL-UNC

**DIRECT TESTIMONY
OF DUSTIN J. ILLYES**

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

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1 **I. INTRODUCTION**

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

3 A. My name is Dustin J. Illyes. My business address is One Monument Circle, Indianapolis,
4 IN 46204.

5 **Q. What is your position and professional relationship with The Dayton Power & Light**
6 **Company?**

7 A. I am employed by AES US Services, LLC as Manager, Corporate Finance in the U.S. and
8 Utilities Strategic Business Unit ("U.S. SBU") of The AES Corporation ("AES"), with
9 responsibilities for The Dayton Power & Light Company d/b/a AES Ohio ("AES Ohio"
10 or "Company") and other AES businesses. I also serve as the Assistant Treasurer of AES
11 Ohio.

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

13 A. I have been the Manager, Corporate Finance since April 2018.

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

15 A. In my current position, I report to the Chief Financial Officer of the U.S. SBU, which
16 includes AES Ohio. I have direct responsibility and oversight for treasury related
17 activities of AES Ohio and other AES companies, including but not limited to capital
18 markets financing activity, investor relations, management of communications with
19 rating agencies, and maintaining banking relationships.

1 **Q. Please describe your educational and business background?**

2 A. I received a Bachelor of Science degree in Finance from Indiana University in May 2007.
3 I also received a Master of Business Administration degree in Finance from Indiana
4 University in May 2015. From 2007-2009, I worked for The Bank of New York Mellon
5 as a trust associate within their collateralized debt obligation group. From 2009-2015, I
6 was an asset manager for PNC Bank in its commercial banking department. In 2015, I
7 joined AES as a senior analyst within the treasury department focusing on the corporate
8 finance efforts of AES' United States affiliates. In April 2018, I was promoted to my
9 current role.

10 **II. PURPOSE OF TESTIMONY**

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

12 A. The purpose of this testimony and accompanying exhibit is to present and support the
13 appropriate Return on Equity ("ROE") (hereafter, "SEET Threshold") to which AES
14 Ohio's ROE in 2020 should be compared.

15 **Q. Are you presenting the ROE of AES Ohio including any potential adjustments?**

16 A. No. Company Witness Donlon is presenting both the adjusted and unadjusted ROE of
17 AES Ohio for 2020.

18 **Q. What schedules and workpapers are you supporting?**

19 A. I am sponsoring the following exhibit:

- 20 • Exhibit DJI-1: Calculation of SEET Threshold

1 **III. SEET THRESHOLD**

2 **Q. What data did you use for your analysis of the appropriate SEET Threshold?**

3 A. I used Bloomberg, a well-known and respected provider of financial-related information,
4 as the source of data that was used.

5 **Q. How did you calculate the SEET Threshold?**

6 A. I first determined the appropriate SEET benchmark ROE ("Benchmark ROE") and then
7 determined the appropriate amount by which the Benchmark ROE could be exceeded
8 before the return earned by AES Ohio would be significantly excessive ("Threshold
9 ROE"). I calculated the Benchmark ROE using the average 2020 ROE of a sample of
10 peer firms to AES Ohio. The spread that was added to the Benchmark ROE to arrive at
11 the Threshold ROE was based on two alternative approaches: the "1.5x Approach",
12 where the threshold is determined by multiplying the Benchmark ROE by 1.5x; and the
13 "Standard Deviation Approach", where the standard deviation of the peer group ROEs is
14 multiplied by 1.64x based on a 95% confidence threshold and then added to the
15 Benchmark ROE. I understand both of these approaches have been used by the
16 Commission in past proceedings.

17 **Q. How did you identify the sample peer group used in developing the SEET**
18 **Threshold?**

19 A. The sample is comprised of firms in the SPDR Select Sector Fund – Utility ("XLU")
20 ("Peer Group"). The XLU is a well-known exchange traded fund that consisted of 28
21 firms during 2020, entirely from the utility and energy sector, who are independently

1 selected. I also understand the XLU exchange fund has been used to select peer groups
2 in the past by the Commission.

3 **Q. What SEET Thresholds came out of the analysis?**

4 A. The Benchmark ROE based on the average ROEs for the Peer Group in 2020 was
5 10.48%. The SEET Threshold using the 1.5x Approach is thus 15.72%. The SEET
6 Threshold under the Standard Deviation Approach is 19.80%.

7 **Q. What is the "Safe Harbor" in SEET Analyses?**

8 A. I understand that in the 09-786-EL-UNC case, the Commission was willing to accept at
9 "safe harbor" threshold of 200 basis points above the mean of the comparable group,
10 whereby the electric utility will automatically be found not to have significantly
11 excessive earnings.

12 **Q. What is the Safe Harbor ROE for AES in 2020?**

13 A. The Safe Harbor threshold for AES Ohio in 2020, based upon the XLU Peer Group is
14 12.48%.

15 **IV. CONCLUSION**

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

17 A. Yes, it does.

The Dayton Power and Light Company
Case No. 21-0588-EL-UNC
Calculation of SEET Threshold

DJI-1

Witness Responsible: Illyes

Line No.	Utilities ¹	Ticker	Currency	Adjusted Net Income	Adjusted 2019 Common Equity	Adjusted 2020 Common Equity	Average Common Equity	Return on Equity ²	Comments
(A)	(B)	(C)	(D)	(E)	(F)	(G)	Col. (F)+(G)/2 = (H)	Col. (E) / (H) = (I)	(J)
1	NEXTERA ENERGY INC	NEE US	USD	4,552,000,000.00	37,005,000,000.00	36,513,000,000.00	36,759,000,000.00	12.38%	
2	DUKE ENERGY CORP	DUK US	USD	1,611,300,000.00	44,860,000,000.00	46,002,000,000.00	45,431,000,000.00	3.55%	
3	SOUTHERN CO/THE	SO US	USD	3,438,000,000.00	27,505,000,000.00	27,972,000,000.00	27,738,500,000.00	12.39%	
4	DOMINION ENERGY INC	D US	USD	2,757,000,000.00	29,607,000,000.00	23,730,000,000.00	26,668,500,000.00	10.34%	
5	AMERICAN ELECTRIC POWER	AEP US	USD	2,177,200,000.00	19,675,100,000.00	20,596,100,000.00	20,135,600,000.00	10.81%	
6	EXELON CORP	EXC US	USD	2,978,000,000.00	32,224,000,000.00	32,585,000,000.00	32,404,500,000.00	9.19%	
7	SEMPRA ENERGY	SRE US	USD	2,353,200,000.00	17,671,000,000.00	20,226,000,000.00	18,948,500,000.00	12.42%	
8	XCEL ENERGY INC	XEL US	USD	1,457,200,000.00	13,239,000,000.00	14,575,000,000.00	13,907,000,000.00	10.48%	
9	EVERSOURCE ENERGY	ES US	USD	1,237,300,000.00	12,629,994,000.00	14,063,566,000.00	13,346,780,000.00	9.27%	
10	PUBLIC SERVICE ENTERPRISE GP	PEG US	USD	1,539,900,000.00	15,089,000,000.00	15,984,000,000.00	15,536,500,000.00	9.91%	
11	WEC ENERGY GROUP INC	WEC US	USD	1,230,200,000.00	10,113,400,000.00	10,469,700,000.00	10,291,550,000.00	11.95%	
12	AMERICAN WATER WORKS CO INC	AWK US	USD	709,000,000.00	6,121,000,000.00	6,454,000,000.00	6,287,500,000.00	11.28%	
13	CONSOLIDATED EDISON INC	ED US	USD	1,399,000,000.00	18,022,000,000.00	18,847,000,000.00	18,434,500,000.00	7.59%	
14	EDISON INTERNATIONAL	EIX US	USD	2,094,000,000.00	13,303,000,000.00	14,048,000,000.00	13,675,500,000.00	15.31%	
15	DTE ENERGY COMPANY	DTE US	USD	1,436,700,000.00	11,672,000,000.00	12,425,000,000.00	12,048,500,000.00	11.92%	
16	PPL CORP	PPL US	USD	1,824,000,000.00	12,991,000,000.00	13,373,000,000.00	13,182,000,000.00	13.84%	
17	ENTERGY CORP	ETR US	USD	1,138,000,000.00	10,223,675,000.00	10,926,142,000.00	10,574,908,500.00	10.76%	
18	AMEREN CORPORATION	AEE US	USD	871,000,000.00	8,059,000,000.00	8,938,000,000.00	8,498,500,000.00	10.25%	
19	CMS ENERGY CORP	CMS US	USD	764,000,000.00	5,018,000,000.00	5,496,000,000.00	5,257,000,000.00	14.53%	
20	FIRSTENERGY CORP	FE US	USD	1,220,200,000.00	6,975,000,000.00	7,237,000,000.00	7,106,000,000.00	17.17%	
21	AES CORP	AES US	USD						Excluded
22	ALLIANT ENERGY CORP	LNT US	USD	605,000,000.00	5,205,000,000.00	5,688,000,000.00	5,446,500,000.00	11.11%	
23	EVERGY INC	EVERG US	USD	681,500,000.00	8,571,900,000.00	8,733,400,000.00	8,652,650,000.00	7.88%	
24	ATMOS ENERGY CORP	ATO US	USD	580,481,000.00	5,750,223,000.00	6,791,203,000.00	6,270,713,000.00	9.26%	
25	CENTERPOINT ENERGY INC	CNP US	USD	1,120,000,000.00	6,619,000,000.00	5,985,000,000.00	6,302,000,000.00	17.77%	
26	NRG ENERGY INC	NRG US	USD	619,800,000.00	1,658,000,000.00	1,680,000,000.00	1,669,000,000.00	37.14%	
27	PINNACLE WEST CAPITAL	PNW US	USD	514,200,000.00	5,430,648,000.00	5,633,503,000.00	5,532,075,500.00	9.29%	
28	NISOURCE INC	NI US	USD	489,900,000.00	5,106,700,000.00	4,872,200,000.00	4,989,450,000.00	9.82%	
29	Total			41,398,081,000.00	390,344,640,000.00	399,843,814,000.00	395,094,227,000.00	10.48%	

¹ AES Corporation is excluded

² Calculated as 2020 Net Income after deduction of all expenses but before any non-recurring, special, discontinued, and extraordinary items, divided by the average of the Q4 2019 and Q4 2020 adjusted Common Equity. All adjusted figures are as determined by Bloomberg.

Standard Deviation Approach

Standard Deviation	5.68%
95% Confidence	1.64
Adder	9.32%
2020 SEET Threshold	19.80% Line 29, Col. (I) + Line 34, Col. (I)

1.5x Approach

Adder	1.5
2020 SEET Threshold	15.72% Line 29, Col. (I) multiplied by Line 38, Col. (I)

Safe Harbor Approach

Adder	2%
2020 SEET Threshold	12.48% Line 29, Col. (I) + Line 42, Col. (I)

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Summary: Testimony Direct Testimony of Dustin J. Illyes electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company