

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

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

CASE NO. 20-1651-EL-AIR
CASE NO. 20-1652-EL-AAM
CASE NO. 20-1653-EL-ATA

SUPPLEMENTAL DIRECT TESTIMONY
OF FRANK J. SALATTO

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

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ON BEHALF OF
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1 **I. INTRODUCTION**

2 **Q. Please state your name, employer and position.**

3 A. My name is My name is Frank J. Salatto. My business address is 1 Monument Circle,
4 Indianapolis, IN 46204. I am employed by AES US Services, LLC. I am the Tax
5 Director in the U.S. and Utilities Strategic Business Unit ("U.S. SBU") of The AES
6 Corporation ("AES"), with responsibilities for The Dayton Power & Light Company
7 ("DP&L," "AES Ohio," or "Company") and other AES businesses.

8 **Q. Did you previously file testimony in these matters?**

9 A. Yes.

10 **Q. Please describe your duties as the Tax Director for the USSBU.**

11 A. I direct all aspects of federal and state income, property, sales and use tax for the
12 regulated businesses that are part of the U.S. SBU, including DP&L and Indianapolis
13 Power & Light Company ("IPL"). I work closely with the U.S. SBU accounting, finance,
14 legal, operations and development teams. I also work with the Arlington, Virginia tax
15 group on a variety of US federal, state, and local tax matters.

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

17 A. The purpose of this testimony is to support and explain the following objections of AES
18 Ohio to the July 26, 2021 Staff Report:

1 **Objection No. 15 - Property Tax Expense:** AES Ohio objects to the recommendation in
2 the Staff Report to adjust property tax expense. Staff Report, pp. 15, 93 (C-3.10). That
3 recommendation is unreasonable and unlawful because the Staff Report failed to account
4 for the historical average increase of 1.5% in such expense, WPC-3.10c.

5 **Objection No. 16 - Income Tax Expense:** AES Ohio objects to the recommendation in
6 the Staff Report to adjust federal and state income tax expense to reflect the flow-through
7 effects of Staff's adjustments to test year revenue, expenses, and rate base. Staff Report,
8 pp. 13, 84 (Schedule C-3.1). That recommendation is unreasonable and unlawful because
9 of the flow-through effects of Staff's adjustments to test year revenue, expenses, and rate
10 base set forth in these Objections.

11 **II. OBJECTIONS TO THE STAFF REPORT**

12 **Q. Please explain AES Ohio Objection No. 15 to the Staff Report (p. 15) regarding the**
13 **removal of the inflation factor in AES Ohio's calculation of test year property taxes.**

14 A. AES Ohio's Application adjusts the average property tax rate by 1.5% (see Company
15 schedule WPC-3.10c) reflecting a historical average increase over the last 5 years .

16 **Q. Why is the inclusion of an inflation factor appropriate?**

17 A. There is a very consistent pattern of increasing property taxes over the last five years, and
18 it is reasonable to include an inflation adjustment to account for that pattern.

19 **Q. Please explain AES Ohio Objection No. 16 to the Staff Report regarding the impact**
20 **on taxes of adjustments to the Company's pre-tax amounts.**

- 1 A. Many of the objections sponsored by other AES Ohio witnesses will have flow-through
2 tax effects. To the extent that the Commission agrees with those other objections, the
3 Commission should make corresponding adjustments to the tax expense.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing supplemental testimony has been served via electronic mail upon the following counsel of record, this 25th day of August, 2021:

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