

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NOS. 20-1651-EL-AIR
20-1652-EL-AAM
20-1653-EL-ATA

SUPPLEMENTAL DIRECT TESTIMONY OF
JOHN J. SPANOS

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

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

**SUPPLEMENTAL DIRECT TESTIMONY OF
JOHN J. SPANOS**

**ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY**

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. PURPOSE OF TESTIMONY	1
III. ACCOUNT 362 SUBACCOUNTS	2
IV. SURVIVOR CURVE FOR ACCOUNT 362.20 AND ACCOUNT 396.....	5
V. CONCLUSION.....	6

1 **I. INTRODUCTION**

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

3 A. My name is John J. Spanos. My business address is 207 Senate Avenue, Camp Hill,
4 Pennsylvania, 17011.

5 **Q. Are you associated with any firm?**

6 A. Yes. I am the President of Gannett Fleming Valuation and Rate Consultants, LLC
7 ("Gannett Fleming").

8 **Q. Did you previously provide direct testimony in this proceeding?**

9 A. Yes. I submitted direct testimony in December 2020.

10 **II. PURPOSE OF TESTIMONY**

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

12 A. The purpose of my testimony is to support and explain the following objections of AES
13 Ohio to the July 26, 2021 Staff Report

14 **Objection No. 4 - Account 362 Subaccounts:** AES Ohio objects to the recommendation
15 by Staff regarding balances assigned to subaccounts for Account 362.13, Station
16 Equipment – Computers; Account 362.20 Station Equipment – Vehicles; Account 362.60
17 Station Equipment – EDS and Account 362.71, Station Equipment – Multiplex with the
18 average service life utilized. The recommendation with the average service life and type
19 curve is unreasonable and unlawful because Staff applied an incorrect average service life
20 that does not match the plant balances to those subaccounts.

Objection No. 5 - Accounts 362.20 and 396: AES Ohio objects to the recommendation by Staff regarding the use of a square curve for assets in Account 362.20, Station Equipment – Vehicles and Account 396, Power Operated related to the vehicle fleet. Staff Report, pp. 9, 48-54, 67-69 (Schedules B-2.1, B-3.2). This recommendation is unreasonable and unlawful because Staff's recommendation is not consistent with the life characteristics of vehicles or power operated equipment based on age, condition, and mile thresholds, which vary by usage.

Q. Please summarize your supplemental testimony.

A. My supplemental testimony will respond to the changes proposed in the Staff Report related to the segregation of assets into the subaccounts for Account 362 and how the analysis for these subaccounts does not represent an appropriate recovery pattern. Given that the Depreciation Study and the Staff Report are conducted at different time periods, the actual amount of the differences cannot be specifically quantified so approximations are presented in the testimony below.

III. ACCOUNT 362 SUBACCOUNTS

Q. Please explain AES Ohio Objection No. 4 to the Staff Report regarding assignment of balances to subaccounts.

A. As described below, Staff's assignment of certain balances to sub accounts with Staff's assigned average life is incorrect.

Q. Are there various subaccounts for Account 362, Station Equipment with different life characteristics?

1 A. Yes. There are eight subaccounts identified in the Depreciation Study with varying life
2 characteristics for Account 362, Station Equipment. However, the two subaccounts where
3 the average life and type curve do not reasonably match the recovery are Account 362.13,
4 Station Equipment - Computers and 362.20, Station Equipment - Vehicles.

5 **Q. Are there particular subaccounts that the Staff Report has considerably different**
6 **depreciation results than AES Ohio?**

7 A. Yes. There are four subaccounts that the Staff Report produced depreciation expense and
8 rates that did not result in reasonable depreciation expense. These subaccounts are Account
9 362.13, Station Equipment – Computers; Account 362.20 Station Equipment – Vehicles;
10 Account 362.60 Station Equipment – EDS and Account 362.71, Station Equipment –
11 Multiplex. I will also mention a similar issue for Account 396.00, Power Operated
12 Equipment.

13 **Q. Has the Staff Report proposed different average service lives for the subaccounts in**
14 **Account 362 and Account 396?**

15 A. No, however, the resulting depreciation expense and depreciation rates are not consistent
16 with the recovery patterns of the life characteristics of each account. This is due to Staff
17 applying different plant balances to each subaccount which is not a match to the average
18 service lives for the subaccount.

19 **Q. Can you identify the major issues which affect depreciation expense?**

20 A. Yes. The two primary subaccounts that have major depreciation expense impacts are
21 Account 362.13, Station Equipment – Computers and Account 362.20, Station Equipment-
22 Vehicles.

1 **Q. What are the life parameters utilized for these asset classes?**

2 A. Both the Company and Staff utilize a 10-SQ curve for Account 362.13. For Account
3 362.20, the Company proposes a 12-L3 type curve while Staff recommends a 12-SQ curve.
4 Thus, the proposed average service lives are the same, but the type curve for Account
5 362.20 is different.

6 **Q. If the average service lives are the same, why is the depreciation expense so different**
7 **in the Staff Report?**

8 A. The impact on depreciation expense is due to the incorrect plant balance the Staff Report
9 includes in each subaccount by vintage. For Account 362.13, the Staff Report incorrectly
10 assigns plant in service amounts of \$12.3 million to vintages with a zero depreciation rate
11 (Schedule B-3.2, page 67). For Account 362.20, the Staff Report incorrectly assigns a zero
12 rate to \$33.9 million of the plant account (Schedule B-3.2, page 67). Therefore, the Staff
13 Report does not depreciate the plant in service consistent with the life parameters of each
14 subaccount, and the depreciation expense for Account 362.13, Station Equipment –
15 Computers and Account 362.20, Station Equipment – Vehicles is understated by
16 approximately \$2.0 Million. A similar situation occurs in Account 362.60, Station
17 Equipment – EDS(Schedule B-3.2, page 68), Account 362.71, Station Equipment –
18 Multiplex (Schedule B-3.2, page 68) and Account 396 – Power Operated Equipment
19 (Schedule B-3.2, page 69) with a much smaller depreciation expense impact. However,
20 the Staff Report recommends a zero rate so new plant in service will not have an
21 appropriate depreciation rate when added.

1 **IV. SURVIVOR CURVE FOR ACCOUNT 362.20 AND ACCOUNT 396**

2 **Q. Please explain AES Ohio Objection No. 5 to the Staff Report regarding the use of**
3 **square curves.**

4 A. The assets in Account 362.20, Station Equipment – Vehicles and Account 396, Power
5 Operated are related to the vehicle fleet and rolling stock. The assets in these accounts are
6 not subject to amortization accounting or represented by a square curve. Staff has
7 recommended a square curve for these assets which means all assets are retired at the
8 average with no retirements before average and no retirements after the average (Schedule
9 B-3.2, pages 67 thru 69). This is not consistent with the life characteristics of vehicles or
10 power operated equipment. These assets are depreciated based on age, condition and mile
11 thresholds, which vary by usage. Consequently, depreciation rates would not be zero when
12 the average life has been reached and accumulated depreciation would not be equal to the
13 plant value at that time.

14 **Q. Does the survivor curve affect depreciation expense and accumulated depreciation by**
15 **vintage?**

16 A. Yes. When a square curve is applied, the assets are only depreciated until the average
17 service life. None are anticipated to be retired before and none are retired after the average.
18 However, many of these assets have stayed in service beyond the average and others have
19 been retired before the average. Therefore, the Staff Report does not properly reflect the
20 overall life cycle of the assets in the account. This creates an understatement of annual
21 depreciation expense. The L3 type curve for Account 362.20 and Account 396.0 in the
22 Company depreciation study properly recovers the assets consistent with the utilization of
23 the assets. For example, the Staff Report proposes a zero rate for Account 396, which is

1 not reasonable given that more than half of the account is less than 17 years old based on
2 the whole life depreciation procedure

3 **V. CONCLUSION**

4 **Q. Does the Company depreciation study for the subaccounts in Account 362 and**
5 **Account 396 properly represent the life cycles and surviving plant in service?**

6 A. Yes. The Company depreciation study more accurately represents the life characteristics
7 and full life cycle of the assets in each account. Additionally, the plant balances by
8 subaccount in Account 362 are more accurately representing the proper type of asset in
9 each account and the appropriate recovery pattern.

10 **Q. Does this conclude your supplemental testimony?**

11 A. Yes.

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:

Jodi Bair
Kyle Kern
Office of Ohio Attorney General
30 East Broad Street, 16th Floor
Columbus, OH 43215
jodi.bair@ohioattorneygeneral.gov
kyle.kern@ohioattorneygeneral.gov

Counsel for Staff of the Commission

Michael L. Kurtz
Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
Mkurtz@BKLawfirm.com
Kboehm@BKLawfirm.com
Jkylercohn@BKLawfirm.com

Counsel for Ohio Energy Group

Kimberly W. Bojko
Jonathan Wygonski
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, OH 43215
bojko@carpenterlipps.com
wygonski@carpenterlipps.com

Counsel for The Ohio Manufacturers'
Association Energy Group

Christopher Healey
Ambrosia E. Wilson
John Finnigan
The Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, OH 43215
christopher.healey@occ.ohio.gov
ambrosia.wilson@occ.ohio.gov
john.finnigan@occ.ohio.gov

Counsel for The Office of the Ohio
Consumers' Counsel

Angela Paul Whitfield
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, OH 43215
paul@carpenterlipps.com

Counsel for The Kroger Company

Stephanie M. Chmiel
Kevin D. Oles
Thompson Hine LLP
41 South High Street, Suite 1700
Columbus, OH 43215
Stephanie.Chmiel@ThompsonHine.com
Kevin.Oles@ThompsonHine.com

Counsel for the University of Dayton

Matthew R. Pritchard
Rebekah J. Glover
Bryce A. McKenney
MCNEES WALLACE & NURICK LLC
21 East State Street, 17th Floor
Columbus, OH 43215
mpritchard@mcneeslaw.com
rglover@mcneeslaw.com
bmckenney@mcneeslaw.com

Counsel for Industrial Energy Users-Ohio

Robert Dove
KEGLER BROWN HILL +
RITTER CO., L.P.A.
65 East State Street, Suite 1800
Columbus, OH 43215-4295
rdove@keglerbrown.com

Counsel for Ohio Partners for
Affordable Energy

Carrie H. Grundmann
SPILMAN THOMAS & BATTLE, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
cgrundmann@spilmanlaw.com

Derrick Price Williamson
SPILMAN THOMAS & BATTLE, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

Counsel for Walmart Inc.

Mark A. Whitt
Lucas A. Fykes
WHITT STURTEVANT LLP
The KeyBank Building
88 East Broad Street, Suite 1590
Columbus, OH 43215
whitt@whitt-sturtevant.com
fykes@whitt-sturtevant.com

Counsel for Direct Energy Business LLC
and Direct Energy Services, LLC

Bethany Allen
Joseph Olier
Michael Nugent
Evan Betterton
IGS ENERGY
6100 Emerald Parkway
Dublin, OH 43016
bethany.allen@igs.com
joe.olier@igs.com
michael.nugent@igs.com
evan.betterton@igs.com

Counsel for IGS Energy

Miranda Leppla
1145 Chesapeake Avenue, Suite I
Columbus, OH 43212
mleppla@theOEC.org

Rebecca Lazer, Legal Assistant
ENVIRONMENTAL LAW & POLICY
CENTER
21 West Broad Street, 8th Floor
Columbus, OH 43215
ccox@elpc.org
rlazer@elpc.org

Counsel for Environmental Law & Policy
Center

Devin D. Parram
Rachael N. Mains
BRICKER & ECKLER LLP
100 South Third Street
Columbus, OH 43215-4291
dparram@bricker.com
rmains@bricker.com

Counsel for The Ohio Hospital Association

Kara Herrnstein
BRICKER & ECKLER LLP
100 South Third Street
Columbus, OH 43215-4291
kherrnstein@bricker.com

Counsel for ChargePoint, Inc.

Drew Romig
ARMADA POWER, LLC
230 West Street, Suite 150
Columbus, OH 43215
dromig@nationwideenergypartners.com

Counsel for Nationwide Energy Partners,
LLC

Christina Wieg
FROST BROWN TODD LLC
10 West Broad Street, Suite 2300
Columbus, OH 43215
cwieg@fbtlaw.com

Darren A. Craig (Pending Pro Hac Vice)
Robert L. Hartley (Pending Pro Hac Vice)
FROST BROWN TODD LLC
201 North Illinois Street, Suite 1900
P.O. Box 44961
Indianapolis, IN 46204
dcraig@fbtlaw.com
rhartley@fbtlaw.com

Counsel for Nationwide Energy Partners,
LLC

N. Trevor Aleander
Kari D. Hehmeyer
Sarah G. Siewe
BENESCH FRIEDLANDER COPLAN &
ARONOFF
41 South High Street, Suite 2600
Columbus, OH 43215
talexander@beneschlaw.com
khehmeyer@beneschlaw.com
ssiewe@beneschlaw.com

Counsel for City of Dayton

Matthew W. Warnock
Dylan Borchers
BRICKER & ECKLER LLP
100 South Third Street
Columbus, OH 43215-4291
mwarnock@bricker.com
dborchers@bricker.com

Marion H. Little, Jr.
Christopher J. Hogan
ZEIGER, TIGGES & LITTLE LLP
41 South High Street
3500 Huntington Center
Columbus, OH 43215
little@litohio.com
hogan@litohio.com

Katie Johnson Treadway
James Dunn
ONE ENERGY ENTERPRISES LLC
Findlay, OH 45840
ktreadway@oneenergyllc.com
jdunn@oneenergyllc.com

Counsel for One Energy Enterprises, LLC

Miranda Leppla
Tret Dougherty
Chris Tavenor
1145 Chesapeake Avenue, Suite I
Columbus, OH 43212
mleppla@theOEC.org
tdougherty@theOEC.org
ctavenor@theOEC.org

Counsel for Ohio Environmental Council

/s/ Christopher C. Hollon
Christopher C. Hollon

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

8/25/2021 5:11:05 PM

in

Case No(s). 20-1651-EL-AIR, 20-1652-EL-AAM, 20-1653-EL-ATA

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