

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

AES OHIO

CASE NO. 22-0514-EL-UNC

**DIRECT TESTIMONY
OF PATRICK DONLON**

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
PATRICK DONLON
ON BEHALF OF AES OHIO

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Patrick Donlon. My business address is One Monument Circle, Indianapolis, Indiana, 46204.

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

A. I am employed by AES US Services, LLC (“AES Services”) as Director of Regulatory Accounting for its US Strategic Business Unit (“SBU”), which includes The Dayton Power & Light Company d/b/a AES Ohio (“AES Ohio” or “Company”), as well as Indianapolis Power & Light Company (“AES Indiana”).

Q. Please describe briefly your educational and business background.

A. I received a Bachelor of Science degree in Accounting with a minor in Economics Management from Ohio Wesleyan University in 2000. In 2010, I earned a Master of Business Administration degree from Franklin University. I worked for American Electric Power (“AEP”) for just under ten years in two stints with the company serving in various roles. During my time at AEP, I was an accountant in the Generation Accounting Department; an Hourly Energy Trader focusing in the Southwestern Power Pool market; a Fuel, Emissions and Logistics Coordinator; and a Financial Planning Analyst in Commercial Operations. I worked for the Public Utilities Commission of Ohio (“Commission”) from August 2012 through January 2018. I served as a Manager of the Rates Division of the Utilities Department and then was promoted to Director of the Rates and Analysis Department and Executive Director of Power Siting. Following my

time at the Commission I worked as a consultant and for a small energy startup prior to joining AES Services in June 2020 as the Director of Regulatory Accounting.

Q. Have you previously provided testimony before the Commission?

A. Yes, I have provided testimony in various gas and electric rate cases, electric Standard Service Offer cases, Significant Excessive Earnings Test (“SEET”) and natural gas cost recovery cases.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to demonstrate that AES Ohio did not have significantly excessive earnings under R.C 4928.143(F) in 2021. As shown in PJD-1 and PJD-2, AES Ohio’s adjusted Return on Equity (“ROE”) and unadjusted ROE for 2021 are significantly lower than any appropriate ROE level to which AES Ohio’s ROE in 2021 should be compared in this proceeding.

Q. Please list the exhibits you are supporting.

A. I am supporting the following exhibits:

Exhibit PJD-1: Calculation of Per Books Return on Equity – Base with Adjustments,

Exhibit PJD-2: Calculation of Per Books Return on Equity – Base,

Exhibit PJD-3: Future Estimated Capital Expenditures, and

Exhibit PJD-4: Calculation of Threshold ROE.

1 **III. AES OHIO'S ADJUSTED ROE IN 2021 WAS 2.6%**

2 **Q. Please explain the calculations on Exhibit PJD-1, Calculations of Per Books Return**
3 **on Equity – With Adjustments?**

4 **A.** Exhibit PJD-1 is AES Ohio's recommended schedule that shows that AES Ohio earned
5 an ROE of 2.6% during 2021 after appropriate adjustments are made. The schedule
6 reflects the following adjustments:

- 7 a. Accrued Penalty in Account 426.3,
- 8 b. 2021 Property tax adjustment in 2022,
- 9 c. 2020 Property tax adjustment in 2021,
- 10 d. Loss on Disposition of Retired Asset,
- 11 e. Generation Asset Impairments, net of gain on sale, and
- 12 f. AES Equity contributions 2021.

13 **Q. Please explain the adjustment for Accrued Penalty in Account 426.3.**

14 **A.** The Accrued Penalties have been added back so that any amounts associated with those
15 penalties do not benefit AES Ohio in the SEET by reducing the earned return. The
16 Commission approved this adjustment most recently in Case No. 18-873-EL-UNC.

1 **Q. Please explain the adjustments for 2021 Property tax adjustment in 2022 and the**
2 **2020 Property tax adjustment in 2021.**

3 **A.** Property taxes are estimated and accrued throughout the year and a final assessment of
4 property taxes is typically completed and booked in the following year. The property tax
5 adjustments move the final assessments into the actual year they are incurred.

6 **Q. Please explain the adjustment for Loss on Disposition of Retired Asset.**

7 **A.** The Loss on Disposition of Retired Assets adjustment was made for two reasons. First, it
8 is a one-time nonrecurring charge. Second, it is related to retired generation assets and
9 including this loss would reduce AES Ohio's ROE inappropriately if left in. The
10 adjustment is made to add back this loss to both the Adjusted Earnings and Equity. The
11 Commission approved this adjustment most recently in Case No. 18-873-EL-UNC.

12 **Q. Please explain the adjustment for Generation Asset Impairments, net of gain on**
13 **sale.**

14 **A.** The Generation Asset Impairments adjustment are non-recurring, special and
15 extraordinary items that should be removed for SEET purposes. These asset generation
16 write-offs are extraordinary from an economic perspective. And the Commission has
17 acknowledged this in the past. Specifically, the Commission found that AES Ohio's
18 divestiture of the generation assets constitutes an extraordinary event and that its financial
19 impact should be excluded from AES Ohio's SEET:

20 "Further, we agree that the sale of the divestiture of the generation assets
21 constitutes an extraordinary event. Consistent with our past practice, the financial

1 impact of the divestiture should be excluded from the SEET test. *See In re Ohio*
2 *Edison Co., Cleveland Elec. Illum. Co., and Toledo Edison Co.*, Case No. 10-
3 1265-EL-UNC, Opinion and Order (November 22, 2010) at 3.”¹

4 Adjusting for AES Ohio’s prior asset generation write-downs is consistent with the
5 Commission’s stated intention that the financial impact of AES Ohio’s asset generation
6 divestitures be excluded from the SEET. Additionally, the Commission has excluded the
7 effects of extraordinary items, including fixed-asset impairments in prior proceedings.
8 For example, in Case No. 13-1495-EL-UNC, an adjustment removing a fixed asset
9 impairment loss was made in AES Ohio’s annual filing.²

10 **Q. Please explain the adjustment for AES Equity contributions 2021.**

11 **A.** AES Ohio plans to make very large investments in its service territory over the next five
12 years, and those investments would not be possible without the \$300 million that The
13 AES Corporation (“AES”) has invested in AES Ohio. I understand that the Commission
14 is required to “[c]onsider[.]... the capital requirements of future committed investments in
15 this state” when conducting the SEET (R.C. 4928.143(F)), and the Commission should
16 do so by adding to AES Ohio’s equity balance the \$300 million investment that AES has
17 made in AES Ohio. In the second quarter of 2020, AES invested \$150 million in AES

¹ *In the Matter of the Application of The Dayton Power and Light Company for Authority to Transfer or Sell its Generation Assets*, Case No. 13-2420-EL-UNC, September 17, 2014, p. 9. (Emphasis added.)

² *In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2012 Under the Electric Security Plan of The Dayton Power and Light Company*, Case No. 13-1495-EL-UNC (“DP&L 2012 SEET Case”), Application of The Dayton Power and Light Company, Direct Testimony of Gregory S. Campbell, CPA, July 31, 2013, p. 5. In the DP&L 2012 SEET Case, the Commission approved a Stipulation and Recommendation between DP&L and Staff, which recommended that “the Commission determine that significantly excessive earnings did not occur with respect to DP&L’s ESP in 2012.” *DP&L 2012 SEET Case*, February 13, 2014, Opinion and Order, pp. 2-4. No parties intervened in that proceeding.

1 Ohio, which is reflected in the increase on Exhibit PJD-1 line 11 Proprietary Capital, and
2 line 20, which reflects the remaining \$150 million investment. AES announced its plan
3 to invest \$300 million in AES Ohio because AES Ohio needed those funds in order to
4 make the necessary capital investments so that AES Ohio could continue to provide safe
5 and reliable service to its customers. Pursuant to a Stipulation and Recommendation
6 approved by the Commission in Case No. 18-1875-EL-GRD, et al., AES Ohio has
7 committed and started to invest approximately \$249 million over four years to modernize
8 its distribution grid. AES Ohio and the signatories to that Stipulation agree that those
9 investments will provide significant benefits for customers, including improved
10 reliability. In addition to grid modernization, AES Ohio is planning to invest \$558
11 million over the next five years in its distribution system. AES Ohio is also planning to
12 construct approximately \$270 million in transmission enhancements as part of PJM's
13 overall RTEP plan over the next five years. Those amounts total \$828 million dollars of
14 investment into Ohio to benefit AES Ohio customers and improve reliability.

15 **Q. Please explain the calculations on Exhibit PJD-2, Calculations of Per Books Return**
16 **on Equity.**

17 **A.** Exhibit PJD-2 shows the per books ROE using the unadjusted per books amounts from
18 the FERC Form 1. The per books unadjusted ROE is 7.1%.

1 **Q. Please explain Exhibit PJD-3, Future Capital Expenditures.**

2 **A.** Exhibit PJD-3 shows the future estimated jurisdictional capital expenditures for the
3 calendar year 2022 through 2026.³ It is based on the AES Ohio’s current estimates of
4 future capital spending.

5 **IV. AES OHIO DID NOT HAVE SIGNIFICANTLY EXCESSIVE**
6 **EARNINGS IN 2021**

7 **Q. How did you determine whether AES Ohio had significantly excessive earnings in**
8 **2021?**

9 **A.** First, we determined the appropriate benchmark ROE (“Benchmark ROE”) and then
10 determined the appropriate amount by which the Benchmark ROE could be exceeded
11 before the return earned by AES Ohio would be deemed excessive (“Threshold ROE”).
12 The Benchmark ROE was calculated using the average 2021 ROE of a sample of peer
13 firms to AES Ohio. The spread that was added to the Benchmark ROE to arrive at the
14 Threshold ROE was based on two alternative approaches: the “1.5x Approach,” where
15 the threshold is determined by multiplying the Benchmark ROE by 1.5x; and the
16 “Standard Deviation Approach,” where the standard deviation of the peer group ROEs is
17 multiplied by 1.64x based on a 95% confidence threshold and then added to the
18 Benchmark ROE. Both of these approaches have been used by the Commission in past
19 proceedings.

³ The future estimated Capital Expenditures for 2022 through 2026 contained in PJD-3 is trade secret financial information that should be kept confidential. This information has not been shared outside the Company other than counterparties in negotiation subject to non-disclosure agreements and is not disseminated to internal employees unless those employees have a legitimate business need to know the information. Public disclosure of this information would have a negative competitive impact in Ohio’s market as well as the financial markets.

1 **Q. What data did was used for the analysis of the Benchmark ROE?**

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

4 **Q. How the sample peer group identified in developing the Benchmark ROE?**

5 **A.** The sample is comprised of firms in the SPDR Select Sector Fund – Utility (“XLU”)
6 (“Peer Group”). The XLU is a well-known exchange traded fund that consisted of 28
7 during 2021, entirely from the utility and energy sector, who are independently selected.
8 The XLU exchange fund has been used to select peer groups in the past by the
9 Commission.

10 **Q. What Threshold ROEs came out of the analysis?**

11 **A.** The Benchmark ROE based on the average ROEs for the Peer Group in 2021 was
12 11.17%. The Threshold ROE using the 1.5x Approach is thus 16.75%. The Threshold
13 ROE under the Standard Deviation Approach is 17.87%.

14 **Q. What is the “Safe Harbor” in SEET Analyses?**

15 **A.** I understand that in the 09-786-EL-UNC case, the Commission was willing to accept a
16 “safe harbor” threshold of 200 basis points above the mean of the comparable group,
17 whereby the electric utility will be found not to have significantly excessive earnings.

18 **Q. What is the Safe Harbor ROE for AES Ohio in 2021?**

19 **A.** The Safe Harbor threshold for AES Ohio in 2021, based upon the XLU Peer Group is
20 13.17%.

1 **Q. Does AES Ohio pass the Retrospective SEET for 2021?**

2 **A.** Yes. AES Ohio's adjusted ROE for 2021 was 2.6% as shown on line 21 of Exhibit PJD-
3 1, which is significantly lower than the Safe Harbor of 13.17% and the Threshold ROE
4 range of 16.75% to 17.87%. Additionally, the unadjusted ROE, shown on line 9 of
5 Exhibit PJD-2 is 7.1% which is also significantly lower than the Safe Harbor and
6 Threshold ROE range.

7 **V. CONCLUSION**

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

9 **A.** Yes, it does.

AES Ohio
Case No. 22-0514-EL-UNC

Calculation of Per Books Return on Equity - With Adjustments

PJD-1
Witness Responsible: Donlon

| Line No. | Description | Calendar 2021 Income Statement | Balance Sheet December 31, 2020 | Balance Sheet March 31, 2021 | Balance Sheet June 30, 2021 | Balance Sheet September 30, 2021 | Balance Sheet December 31, 2021 | Average Beginning and Ending Balances | Comments |
|----------|---|-----------------------------------|------------------------------------|---------------------------------|--------------------------------|-------------------------------------|------------------------------------|---|--|
| (A) | (B) | (C) (\$000's) | (D) (\$000's) | (E) (\$000's) | (F) (\$000's) | (G) (\$000's) | (H) (\$000's) | (Col. (D)+(E)+(F)+(G)+(H))/5 = (I) (\$000's) | (J) |
| 1 | Earnings for Common | | | | | | | | |
| 2 | Net Income | 47,067 | | | | | | | 2021 FERC Form 1, Page 114-117, Line 78, Col (C) |
| 3 | Preferred Dividends | - | | | | | | | 2021 FERC Form 1, Page 118, Line 29, Col (C) |
| 4 | Earnings for Common | 47,067 | | | | | | | Sum of Lines 2 and 3 |
| 5 | Accrued Penalty in Account 426.3 | 411 | | | | | | | 2021 FERC Form 1, Page 114-117, Line 47, Col (C) |
| 6 | 2021 Property tax adjustment in 2022 | (43) | | | | | | | Accounting Records |
| 7 | 2020 Property tax adjustment in 2021 | (710) | | | | | | | Accounting Records |
| 8 | Loss on Disposition of Retired Asset | - | | | | | | | Accounting Records |
| 9 | Adjusted Earnings for Common | 46,725 | | | | | | | Sum of Lines 4 thru 8 |
| 10 | Common Equity | | | | | | | | |
| 11 | Proprietary Capital | | 616,569 | 635,869 | 638,427 | 642,865 | 781,988 | 663,144 | 2021 FERC Form 1, Page 112, Line 16 |
| 12 | Preferred Stock Outstanding | | - | - | - | - | - | - | 2021 FERC Form 1, Page 112, Line 3 |
| 13 | Common Equity | | 616,569 | 635,869 | 638,427 | 642,865 | 781,988 | 663,144 | Sum of Lines 11 and 12 |
| 14 | Accrued Penalty in Account 426.3 | 22 | 433 | 433 | 433 | 433 | 433 | 351 | Accounting Records |
| 15 | 2021 Property tax adjustment in 2022 | - | (43) | (43) | (43) | (43) | (43) | (34) | Accounting Records |
| 16 | 2020 Property tax adjustment in 2021 | (710) | - | - | - | - | - | (142) | Accounting Records |
| 17 | Generation Asset Impairments, net of gain on sale | 1,008,281 | 1,008,281 | 1,008,281 | 1,008,281 | 1,008,281 | 1,008,281 | 1,008,281 | Accounting Records |
| 18 | Loss on Disposition of Retired Asset, | 9,738 | 9,738 | 9,738 | 9,738 | 9,738 | 9,738 | 9,738 | Line 8 plus Prior Year |
| 19 | AES Equity contributions 2021 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | - | 120,000 | Accounting Records |
| 20 | Adjusted Common Equity | 1,783,900 | 1,804,278 | 1,806,836 | 1,811,274 | 1,800,397 | 1,801,338 | | Sum of Lines 13 thru 19 |
| 21 | Return on Equity - Base with Adjustment | | | | | | | 2.6% | Line 9 divided by Line 20, Col (O) |

AES Ohio
Case No. 22-0514-EL-UNC
Calculation of Per Books Return on Equity - Base

PJD-2
Witness Responsible: Donlon

| Line No. | Description | Calendar 2021 Income Statement | Balance Sheet December 31, 2020 | Balance Sheet March 31, 2021 | Balance Sheet June 30, 2021 | Balance Sheet September 30, 2021 | Balance Sheet December 31, 2021 | Average Beginning and Ending Balances | Comments |
|----------|---|-----------------------------------|------------------------------------|---------------------------------|--------------------------------|-------------------------------------|------------------------------------|--|--|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (Col. (D)+(E)+(F)+(G)+(H))/5 = (I) | (J) |
| | | (\$000's) | (\$000's) | (\$000's) | (\$000's) | (\$000's) | (\$000's) | (\$000's) | |
| 1 | <u>Earnings for Common</u> | | | | | | | | |
| 2 | Net Income | 47,067 | | | | | | | 2021 FERC Form 1, Page 114-117, Line 78, Col (C) |
| 3 | Preferred Dividends | - | | | | | | | 2021 FERC Form 1, Page 118, Line 29, Col (C) |
| 4 | Earnings for Common | <u>47,067</u> | | | | | | | Sum of Lines 2 and 3 |
| 5 | <u>Common Equity</u> | | | | | | | | |
| 6 | Proprietary Capital | | 616,569 | 635,869 | 638,427 | 642,865 | 781,988 | 663,144 | 2021 FERC Form 1, Page 112, Line 16 |
| 7 | Preferred Stock Outstanding | | - | - | - | - | - | - | 2021 FERC Form 1, Page 112, Line 3 |
| 8 | Common Equity | | <u>616,569</u> | <u>635,869</u> | <u>638,427</u> | <u>642,865</u> | <u>781,988</u> | <u>663,144</u> | Sum of Lines 6 and 7 |
| 9 | Return on Equity - Base with Adjustment | | | | | | | <u>7.1%</u> | Line 4 divided by Line 8, Col (O) |

AES Ohio
Case No. 22-0514-EL-UNC

Future Estimated Capital Expenditures

PJD-3
Witness Responsible: Donlon
CONFIDENTIAL

| Line No. | Description | 2022 | 2023 | 2024 | 2025 | 2026 | Comments |
|----------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| | | (\$ millions) | (\$ millions) | (\$ millions) | (\$ millions) | (\$ millions) | |
| 1 | Estimated Capital Expenditures | <u><u>██████████</u></u> | <u><u>██████████</u></u> | <u><u>██████████</u></u> | <u><u>██████████</u></u> | <u><u>██████████</u></u> | |

AES Ohio
Case No. 22-0514-EL-UNC
Calculation of Threshold ROE

PJD-4
Witness Responsible: Donlon

| Line No. (A) | Utilities ¹ (B) | Ticker (C) | Currency (D) | Adjusted Net Income (E) | Adjusted 2020 Common Equity (F) | Adjusted 2021 Common Equity (G) | Average Common Equity Col. ((F)+(G)) / 2 = (H) | Return on Equity ² Col. (E) / (H) = (I) | Comments (J) |
|-----------------|-------------------------------|---------------|-----------------|----------------------------|------------------------------------|------------------------------------|---|---|-----------------|
| 1 | NEXTERA ENERGY INC | NEE US | USD | 4,899,300,000.00 | 36,513,000,000.00 | 37,202,000,000.00 | 36,857,500,000.00 | 13.29% | |
| 2 | SOUTHERN CO/THE | SO US | USD | 3,618,000,000.00 | 27,972,000,000.00 | 27,874,000,000.00 | 27,923,000,000.00 | 12.96% | |
| 3 | EXELON CORP | EXC US | USD | 2,544,200,000.00 | 32,585,000,000.00 | 34,393,000,000.00 | 33,489,000,000.00 | 7.60% | |
| 4 | DOMINION ENERGY INC | D US | USD | 4,420,900,000.00 | 23,730,000,000.00 | 25,525,000,000.00 | 24,627,500,000.00 | 17.95% | |
| 5 | DUKE ENERGY CORP | DUK US | USD | 4,298,000,000.00 | 46,002,000,000.00 | 47,334,000,000.00 | 46,668,000,000.00 | 9.21% | |
| 6 | PPL CORP | PPL US | USD | 786,000,000.00 | 13,373,000,000.00 | 13,723,000,000.00 | 13,548,000,000.00 | 5.80% | |
| 7 | AES CORP | AES US | USD | | | | | | Excluded |
| 8 | CENTERPOINT ENERGY INC | CNP US | USD | 730,000,000.00 | 5,985,000,000.00 | 8,628,000,000.00 | 7,306,500,000.00 | 9.99% | |
| 9 | FIRSTENERGY CORP | FE US | USD | 1,555,600,000.00 | 7,237,000,000.00 | 8,675,000,000.00 | 7,956,000,000.00 | 19.55% | |
| 10 | XCEL ENERGY INC | XEL US | USD | 1,597,000,000.00 | 14,575,000,000.00 | 15,612,000,000.00 | 15,093,500,000.00 | 10.58% | |
| 11 | PUBLIC SERVICE ENTERPRISE GP | PEG US | USD | 1,216,900,000.00 | 15,984,000,000.00 | 14,438,000,000.00 | 15,211,000,000.00 | 8.00% | |
| 12 | AMERICAN ELECTRIC POWER | AEP US | USD | 2,382,100,000.00 | 20,596,100,000.00 | 22,476,500,000.00 | 21,536,300,000.00 | 11.06% | |
| 13 | NISOURCE INC | NI US | USD | 576,400,000.00 | 4,872,200,000.00 | 5,400,800,000.00 | 5,136,500,000.00 | 11.22% | |
| 14 | EDISON INTERNATIONAL | EIX US | USD | 1,772,000,000.00 | 14,048,000,000.00 | 15,888,000,000.00 | 14,968,000,000.00 | 11.84% | |
| 15 | CONSOLIDATED EDISON INC | ED US | USD | 1,528,000,000.00 | 18,847,000,000.00 | 20,037,000,000.00 | 19,442,000,000.00 | 7.86% | |
| 16 | EVERSOURCE ENERGY | ES US | USD | 1,330,200,000.00 | 14,063,566,000.00 | 14,599,800,000.00 | 14,331,683,000.00 | 9.28% | |
| 17 | SEMPRA ENERGY | SRE US | USD | 2,585,000,000.00 | 20,226,000,000.00 | 25,072,000,000.00 | 22,649,000,000.00 | 11.41% | |
| 18 | WEC ENERGY GROUP INC | WEC US | USD | 1,300,300,000.00 | 10,469,700,000.00 | 10,913,200,000.00 | 10,691,450,000.00 | 12.16% | |
| 19 | CMS ENERGY CORP | CMS US | USD | 767,000,000.00 | 5,496,000,000.00 | 6,407,000,000.00 | 5,951,500,000.00 | 12.89% | |
| 20 | AMEREN CORPORATION | AEE US | USD | 990,000,000.00 | 8,938,000,000.00 | 9,700,000,000.00 | 9,319,000,000.00 | 10.62% | |
| 21 | ALLIANT ENERGY CORP | LNT US | USD | 659,000,000.00 | 5,688,000,000.00 | 5,990,000,000.00 | 5,839,000,000.00 | 11.29% | |
| 22 | NRG ENERGY INC | NRG US | USD | 704,200,000.00 | 1,680,000,000.00 | 3,680,000,000.00 | 2,680,000,000.00 | 26.28% | |
| 23 | EVERGY INC | EVERG US | USD | 810,500,000.00 | 8,733,400,000.00 | 9,244,400,000.00 | 8,988,900,000.00 | 9.02% | |
| 24 | ENTERGY CORP | ETR US | USD | 1,715,800,000.00 | 10,926,142,000.00 | 11,637,300,000.00 | 11,281,721,000.00 | 15.21% | |
| 25 | DTE ENERGY COMPANY | DTE US | USD | 1,325,400,000.00 | 12,425,000,000.00 | 8,705,000,000.00 | 10,565,000,000.00 | 12.55% | |
| 26 | AMERICAN WATER WORKS CO INC | AWK US | USD | 672,900,000.00 | 6,454,000,000.00 | 7,298,000,000.00 | 6,876,000,000.00 | 9.79% | |
| 27 | ATMOS ENERGY CORP | ATO US | USD | 665,600,000.00 | 6,791,203,000.00 | 7,906,900,000.00 | 7,349,051,500.00 | 9.06% | |
| 28 | PINNACLE WEST CAPITAL | PNW US | USD | 588,700,000.00 | 5,633,503,000.00 | 5,633,503,000.00 | 5,906,200,000.00 | 9.97% | |
| 29 | Total | | | 46,039,000,000.00 | 399,843,814,000.00 | 423,993,403,000.00 | 412,191,305,500.00 | 11.17% | |

¹ AES Corporation is excluded

² Calculated as 2021 Net Income after deduction of all expenses but before any non-recurring, special, discontinued, and extraordinary items, divided by the average of the Q4 2020 and Q4 2021 adjusted Common Equity. All adjusted figures are as determined

Standard Deviation Approach

| | |
|---------------------------|---|
| Standard Deviation | 4.09% |
| 95% Confidence | 1.64 |
| Adder | 6.70% |
| 2021 Threshold ROE | 17.87% Line 29, Col. (I) + Line 34, Col. (I) |

1.5x Approach

| | |
|---------------------------|---|
| Adder | 1.5 |
| 2021 Threshold ROE | 16.75% Line 29, Col. (I) multiplied by Line 38, Col. (I) |

Safe Harbor Approach

| | |
|---------------------------|---|
| Adder | 2% |
| 2021 Threshold ROE | 13.17% Line 29, Col. (I) + Line 42, Col. (I) |

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Case No(s). 22-0514-EL-UNC

Summary: Testimony Direct Testimony of Patrick Donlon - Public Version
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Light Company d/b/a AES Ohio