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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

**THE DAYTON POWER AND LIGHT COMPANY
CASE NO. 05-276-EL-AIR**

**POST-STAFF REPORT
SUPPLEMENTAL TESTIMONY
OF GARY G. STEPHENSON
IN SUPPORT OF APPLICANT THE DAYTON POWER
AND LIGHT COMPANY'S OBJECTIONS TO
THE STAFFS REPORT OF INVESTIGATION**

SEPTEMBER 26, 2005

- 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.**

3 A. My name is Gary S. Stephenson.

4 **Q. Did you prepare Direct and Supplemental Testimony that has been filed in this**
5 **matter?**

6 A. Yes, I did.

7 **Q. What is the purpose of this Post-Staff Report testimony?**

8 A. The purpose of this testimony is to support Objection No. 3 from Applicant The Dayton
9 Power and Light Company's Objections to the Staff's Report of Investigation. In
10 addition, this testimony contains a correction to my previously filed Supplemental
11 Testimony.

12 **II. PURCHASED POWER**

13 **Q. In DP&L Objection No. 3, DP&L states "DP&L objects to the Staff's**
14 **recommendation (Staff Report, p. 7) that DP&L not be permitted to recover**
15 **increased fuel and emission allowance expenses associated with power purchased**
16 **from non-affiliated entities." Can you explain the basis of that objection?**

17 A. Yes. The increase in DP&L's fuel and emissions allowance expenses associated with
18 purchased power from non-affiliated entities should be recoverable because the expenses
19 were incurred by the Company in order to reduce the expenses that the Company incurred
20 on behalf of retail customers. DP&L purchases power from the market when the costs of

21 those purchases are less than the variable production cost of the Company's generation.
22 The Company makes those purchases in order to obtain the lowest overall mix of
23 generation and purchased power costs to meet its customers needs. Had DP&L elected to
24 run Company-or affiliate-owned generation to meet 100% of its customers needs at
25 higher costs, then the increased fuel and emission allowance costs would have been
26 eligible for recovery in this proceeding. The Company's ability to recover increased fuel
27 and emission allowance costs should not be reduced because of the Company's decision
28 to purchase economic power from the grid. Those economic purchases served to lower
29 the overall fuel and emission allowance costs incurred by the Company and saved our
30 customers money.

31 ***III. CORRECTION TO PREVIOUSLY-FILED SUPPLEMENTAL***
32 ***TESTIMONY***

33 **Q. Do you have any updates or corrections to make to your previously filed**
34 **Supplemental Testimony?**

35 A. Yes. Beginning on line 65, my Supplemental Testimony states "Purchase power (fuel
36 and emissions portion only) expenses decreased by \$91,421." This statement should be
37 changed to instead state that "Purchase power (fuel and emissions portion only) expenses
38 increased by \$91,421."

39 **Q. Does this conclude this supplemental testimony?**

40 A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of the Post-Staff Report Supplemental Testimony of Gary G. Stephenson has been served via regular U.S. mail, postage prepaid, upon the following counsel, this 26th day of September, 2005:

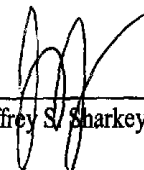
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