

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 11-5730-EL-FAC

**TESTIMONY OF
NATHAN C. PARKE**

**IN SUPPORT OF THE STIPULATION
AND RECOMMENDATION**

- 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 Nathan C. Parke. My business address is 1065 Woodman Drive, Dayton,
4 Ohio 45432.

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

6 A. I am employed by The Dayton Power and Light Company ("DP&L" or "Dayton" or
7 the "Company") as Manager, Regulatory Operations.

8 **Q. Will you describe briefly your educational and business background?**

9 A. I received a Bachelor of Arts degree in Business Administration with a concentration
10 in Management from Wilmington College in Wilmington, Ohio in 2002. I have been
11 employed by DP&L since 2002.

12 **Q. How long have you been Manager of Regulatory Operations?**

13 A. I assumed my present position in November, 2010. Prior to that time, I held various
14 positions in the Regulatory Operations division including Supervisor and Rate
15 Analyst. Prior to Regulatory Operations, I spent over five years as an analyst in the
16 Power Production division. During that time, I was involved in O&M and Capital
17 spending plans, generation forecasting including modeling for the Corporate Plan,
18 power plant evaluations, and overall performance reporting of the generation fleet.

1 **Q. What are your responsibilities in your current position and to whom do you**
2 **report?**

3 A. I have overall responsibility for designing, tracking, and ensuring cost recovery for
4 several of DP&L's rate riders. I am involved in evaluating regulatory and legislative
5 initiatives, and regulatory commission orders that affect the Company's rates and
6 overall regulatory operations. I report to the Director of Regulatory Operations.

7 **Q. Have you previously provided testimony before the Public Utilities Commission**
8 **of Ohio ("PUCO" or the "Commission"), any other state commission or the**
9 **Federal Energy Regulatory Commission ("FERC")?**

10 A. Yes. I have sponsored testimony before the PUCO in the Company's Fuel Rider Case
11 No. 09-1012-EL-FAC and the Company's Standard Service Offer filing Case No.
12 12-0426-EL-SSO.

13 **Q. What is your involvement with the Fuel Rider specifically?**

14 A. I was one of the key members of a cross-functional team that implemented the Fuel
15 Rider in January 2010. I am the liaison for the Company to the Auditor, Interveners,
16 and Commission Staff regarding the Fuel Rider. I was a negotiator for the Company
17 during settlement discussions.

18 **II. PURPOSE OF TESTIMONY**

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

1 A. The purpose of this testimony is to support the Stipulation and Recommendation
2 ("Stipulation") filed in this matter on December 5, 2012, because it is the product of
3 serious negotiations among knowledgeable parties, benefits customers and the public
4 interest, and does not violate any important regulatory principle or practice.

5 **III. THE STIPULATION AND RECOMMENDATION**

6 **Q. Are you familiar with the Stipulation in this case?**

7 A. Yes. I was one of the negotiators for DP&L in the lengthy settlement negotiations in
8 which the following parties participated: the Company, the Commission's Staff, the
9 Office of the Ohio Consumers' Counsel ("OCC"), the Industrial Energy Users - Ohio
10 ("IEU-OH"), and FirstEnergy Solutions Corp ("FES").

11 **Q. Did IEU-OH and FES sign the Stipulation?**

12 A. No, but both committed that they would not oppose the Stipulation.

13 **Q. Did IEU-OH and FES have an opportunity to comment and participate in the**
14 **negotiations?**

15 A. Yes. IEU and FES were provided the opportunity to review and comment on draft
16 stipulation proposals, but were not active in negotiating all of the terms.

17 **Q. Can you describe the principal terms of the Stipulation?**

18 A. Yes. The Stipulation resolves all the findings and recommendations made in the
19 Management/Performance and Financial Audit of the Fuel and Purchased Power Rider

1 of The Dayton Power and Light Company filed on April 27, 2012 in this proceeding
2 (Audit Report). Additionally, the Stipulation addressed the Auditor's
3 recommendations contained in the Audit Report and provides clarity and scope for the
4 next audit. The Stipulation provides a credit to the Fuel Rider for \$2.0 million. The
5 Stipulation clarifies DP&L's optimization process by including more clarification
6 around the calculation methodology. The Stipulation ends the 75%/25% sharing
7 mechanism of optimization benefits for any optimizations that occur starting in
8 calendar 2013.

9 **IV. THE COMMISSION'S CRITERIA FOR EVALUATING**
10 **STIPULATIONS**

11 **Q. What criteria does the Commission use to decide whether to approve a**
12 **Stipulation and Recommendation?**

13 A. The Commission has in the past applied, and should use in considering this
14 Stipulation, the following three regulatory principles or criteria: First, is the
15 Stipulation a product of serious bargaining among capable, knowledgeable parties?
16 Second, taken as a package, does the Stipulation benefit ratepayers and the public
17 interest? Third, does the Stipulation violate any important regulatory principle or
18 practice?

19 **A. The Stipulation is the Product of Serious Bargaining**
20 **among Knowledgeable Parties**

21 **Q. For the first criterion or principle, was the Stipulation the product of serious**
22 **bargaining among capable, knowledgeable parties?**

1 A. Yes. The settlement negotiations involved a diverse group of experienced parties.
2 Numerous negotiating sessions were held. The Signatory Parties to the Stipulation,
3 and the parties that reviewed and are not opposed, represent a wide spectrum of
4 diverse interests including, without limitation, the interests of a regulated utility,
5 residential customers, industrial and commercial customers, and a Competitive Retail
6 Electric Service (CRES) provider. The Commission's Staff, which has broad public
7 interest responsibilities, is a Signatory Party. All of the Signatory Parties were
8 represented by skilled individuals with years of experience in regulatory matters
9 before this Commission who possessed extensive information, and the negotiations
10 were at arm's length. All had the benefit of experienced legal counsel. Numerous
11 hours were devoted to the negotiating process.

12 **Q. Did all parties have an opportunity to participate in the negotiations?**

13 A. Yes. As described above, there were settlement conferences and all Commission
14 approved intervenors were invited to participate. In addition, draft settlement
15 proposals were circulated to all parties for their review, comment, and consideration.

16 **B. The Stipulation Benefits the Public Interest**

17 **Q. Turning to the second criterion or principle, can you describe the benefits of the**
18 **Stipulation to ratepayers and the public interest?**

19 A. Yes. As already mentioned, the Stipulation addresses the issues and recommendations
20 contained in the Audit Report. Among other benefits, the Stipulation provides a credit
21 to the Fuel Rider to resolve issues. The Stipulation also clarifies and further defines

1 how the optimization methodology will be applied in 2012 and, as of January 1, 2013,
2 ends the 75/25 sharing mechanism for optimizations. The Stipulation also contains
3 commitments relating to efforts to reduce fuel costs and modifying processes and
4 computational methods that affect fuel rates.

5 **C. The Stipulation Does Not Violate any Important**
6 **Regulatory Principle**

7 **Q. With respect to the third criterion or principle, does the Stipulation violate any**
8 **important regulatory principle or practice?**

9 A. No. The Stipulation does not violate any important regulatory principle or practice.

10 **V. CONCLUSION AND RECOMMENDATION**

11 **Q. What is your recommendation with respect to the Stipulation?**

12 A. I recommend that the Commission approve it in its entirety and without modification.

13 **Q. Does this conclude your testimony in support of the Stipulation?**

14 A. Yes, it does.

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Summary: Testimony in support of the Stipulation electronically filed by Mrs. Jessica E Kellie on behalf of The Dayton Power and Light Company and Parke, Nathan C. Mr.