**Before**

**the Public Utilities Commission of Ohio**

In the Matter of the Application of )

The Dayton Power and Light Company for ) Case No. 16-395-EL-SSO

Approval of Its Electric Security Plan )

In the Matter of the Application of )

The Dayton Power and Light Company for ) Case No. 16-396-EL-ATA

Approval of Revised Tariffs )

In the Matter of the Application of )

The Dayton Power and Light Company for ) Case No. 16-397-EL-AAM

Approval of Certain Accounting Authority )

Pursuant to Ohio Rev. Code § 4905.13 )

**Memorandum of Industrial Energy Users-Ohio   
Opposing the Third Assignment of Error of the Application for Rehearing of the Office of the Ohio Consumers’ Counsel**

Frank P. Darr (Reg. No. 0025469)

(Counsel of Record)

Matthew R. Pritchard (Reg. No. 0088070)

McNees Wallace & Nurick LLC

21 East State Street, 17TH Floor

Columbus, OH 43215

Telephone: (614) 469-8000

Telecopier: (614) 469-4653

fdarr@mwncmh.com

mpritchard@mwncmh.com

December 4, 2017 Attorneys for Industrial Energy Users-Ohio

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1. **Introduction**

The Public Utilities Commission of Ohio (“Commission”) issued an Opinion and Order (“Order”) approving an electric security plan for The Dayton Power and Light Company (“DP&L”) on October 20, 2017. Included in the approved provisions of the plan are EDR credits, the cost of which is recovered from customers through a nonbypassable rider, and other economic incentives that are shareholder funded. Order at 8-11 (summarizing the incentives). As part of a broader discussion concerning whether the Amended Stipulation and Recommendation benefits customers and the public interest, the Commission found that the economic development provisions support state policy. Order at 41.

Parties sought review of the Order by filing applications for rehearing on November 20, 2017. In the third assignment of error in its application for rehearing, the Office of the Ohio Consumers’ Counsel (“OCC”) alleged that the Order was unreasonable and unlawful because it requires customers to subsidize economic incentives, apparently a reference to the EDR credits.[[1]](#footnote-1) Application for Rehearing by the Office of the Ohio Consumers’ Counsel at 2 (Nov. 20, 2017) (“OCC Application for Rehearing”).

OCC’s rationale supporting its third assignment of error narrows as it progresses from the assignment of error to the supporting memorandum. In the assignment of error, OCC broadly alleges that the Order lacked evidentiary support as required by R.C. 4903.09, R.C. 4928.143(B)(2)(i), and case law. *Id.* In its supporting memorandum, OCC narrows its argument and alleges that the PUCO should not approve the economic development incentives without a demonstration of need or specific commitments by those receiving the incentives and then claims that that demonstration has not been made. *Id.* at 6.

OCC is required to demonstrate in its assignment of error that the Orderwas unreasonable or unlawful. R.C. 4903.10. Because OCC’s argument in support of the third assignment of error is based on unsupported factual and legal claims, OCC has not done so. Accordingly, the Commission should not grant rehearing based on OCC’s third assignment of error.[[2]](#footnote-2)

1. **OCC’s third assignment of error fails to demonstrate that the Order as it relates to the EDR credits is unreasonable or unlawful**
2. **The Commission’s finding that the EDR credits support state policy is supported by the record**

The Commission reviews stipulations under a three-part test. *Consumers’ Counsel v. Pub. Utils. Comm’n of Ohio*, 64 Ohio St. 3d 123, 126 (1992). Under the second part of the test, the Commission is to determine if the settlement, as a package, benefits ratepayers and the public interest. Order at 16. In this instance, the record supports the Commission’s finding that the economic development provisions benefit customers and the public interest.

As part of its discussion under the second part of the three-part test, the Commission reviewed the provisions of the Stipulation benefiting customers and the public interest including the EDR credits. It found that these economic development incentives support state policy by facilitating the State’s effectiveness in the global economy. Order at 41.[[3]](#footnote-3) In support of that finding, the Commission provided specific citations to the Stipulation and Exhibits concerning the incentives including the EDR credits. *Id*., citing DP&L Ex. 3 at 12-13 and Joint Ex. 1 at 9-12 & 33. The Commission might also have pointed to testimony in response to cross examination of Ms. Schroder, a witness for DP&L and a proponent of the Stipulation, who explained that the EDR credits were designed to assist businesses to retain existing business and hire new employees. Tr. Vol. II at 256. She also testified that there would be a multiplier effect. *Id*. Contrary to OCC’s broad claim that the EDR credits are not supported by the record in violation of R.C. 4903.09, the Commission’s finding that economic development incentives, including the EDR credits, is supported by the hearing record.

1. **R.C. 4928.143(B)(2)(i) provides for provisions permitting economic incentives in an electric security plan, but it does not require a demonstration of customer “need” or “commitments” to support such a provision**

In its supporting memorandum urging rehearing of the EDR credits, OCC narrows its argument and alleges that approval of the credits was “improper” because the Commission approved the credits “without any demonstration of need or specific commitments.” *Id.* at 6. Ohio law, however, does not require proponents of the EDR credits to make such a showing. Thus, the failure to find that the proponents needed the EDR credits or had made commitments for them is not a basis for granting rehearing.

Because the Commission is a creature of statute, the Commission may not add to or subtract from the applicable legal requirements regarding the provisions of an electric security plan. *In re Application of Columbus Southern Power Co.*, 128 Ohio St. 3d 512, 519-20 (2011); *see, also, Time Warner Axs v. Pub. Utils. Comm’n of Ohio*, 75 Ohio St. 3d 229, 234 (1996) (Commission is a creature of statute). Thus, the terms of the statute govern the “demonstration” a proponent must make to support adoption of a provision of an electric security plan. *In re Application of Columbus Southern Power Co.*, 138 Ohio St. 3d 448, 453-54 (2014) (rejecting the claim that utility had the burden of proving that costs were “necessary” under R.C. 4928.143(B)(2)(d) because the division did not require such a showing).

R.C. 4928.143(B)(2)(i) provides the governing language for a term of an electric security plan addressing economic development. Under that subdivision, the Commission may authorize as a term of an electric security plan provisions “under which the electric distribution utility may implement economic development [and] job retention.” Further, the “provisions may allocate program costs across all classes of customers of the utility.” Contrary to OCC’s claim, R.C. 4928.143(B)(2)(i) does not contain any requirement for the proponent of a provision authorized by that subdivision to demonstrate either “need” or “commitments.”

The Commission’s rule concerning the filing requirements applicable to R.C. 4928.143(B)(2)(i) also does not provide OCC any support for its claim. The Commission’s rule addressing what the electric distribution utility must provide in support of a provision of the plan under R.C. 4928.143(B)(2)(i) states:

Division (B)(2)(i) of section 4928.143 of the Revised Code authorizes an electric utility to include provisions for economic development, job retention, and energy efficiency programs. *Pursuant to this section, the electric utility shall provide a complete description of the proposal, together with cost-benefit analysis or other quantitative justification, and quantification of the program’s projected impact on rates.*

Rule 4901:1-35-03((C)(9)(h), OAC (emphasis added). Completely absent from the rule is any reference to a requirement that there be a demonstration of customer “need” or “commitments.”[[4]](#footnote-4)

Moreover, OCC itself does not explain in either its assignment of error or the supporting memorandum what supports its legal claim that proponents must demonstrate “need” or “commitments.” OCC Application for Rehearing at 6. In substance, then, OCC is asking the Commission to superimpose an additional requirement for approval of economic development provisions of an electric security plan. The Commission must reject this request because the Commission is without authority to expand the “plain language of the statute.” *In re Application of Columbus Southern Power Co.*, 128 Ohio St. 3d at 520.

Based on its attempt to have the Commission unlawfully rewrite R.C. 4928.143(B)(2)(i), OCC further compounds its legal error by claiming that there is no “record support” of “need” or “commitments” that would justify approval of the economic development programs. OCC Application for Rehearing at 6. The Commission, however, was not required by R.C. 4928.143(B)(2)(i) to make a finding regarding “need” or “commitments” of the proponents of the EDR credits since they were irrelevant to the decision.[[5]](#footnote-5) *In re Application of Columbus Southern Power Co.*, 138 Ohio St. 3d at 453-54.

OCC’s narrower claim that the Order is unlawful and unreasonable because the Commission approved the credits “without any demonstration of need or specific commitments” is based on a flawed legal claim and flawed logic based on that claim. Accordingly, the Commission should reject OCC’s narrower claim that the record does not support the Order’s findings.

1. **Conclusion**

Because OCC’s third assignment of error is based on misstatements of law and fact, it does not state lawful grounds for rehearing and should be denied.

Respectfully submitted,

*/s/ Frank P. Darr*

Frank P. Darr (Reg. No. 0025469)

(Counsel of Record)

Matthew R. Pritchard (Reg. No. 0088070)

McNees Wallace & Nurick LLC

21 East State Street, 17TH Floor

Columbus, OH 43215

Telephone: (614) 469-8000

Telecopier: (614) 469-4653

fdarr@mwncmh.com

mpritchard@mwncmh.com

**Certificate of Service**

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO’s e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Memorandum of Industrial Energy Users-Ohio Opposing the Third Assignment of Error of the Application for Rehearing of the Office of the Ohio Consumers’ Counsel*was sent by, or on behalf of, the undersigned counsel for IEU-Ohio to the following parties of record this 4th day of December 2017, *via* electronic transmission.

*/s/ Frank P. Darr*

Frank P. Darr

Jeffrey S. Sharkey

(Counsel of Record)

D. Jeffrey Ireland

Faruki Ireland Cox Rhinehart   
& Dusing PLL

110 North Main Street, Suite 1600

Dayton, OH 45402

jsharkey@ficlaw.com

djireland@ficlaw.com

**Counsel for The Dayton Power and**

**Light Company**

Madeline Fleisher

Kristin Field

Environmental Law & Policy Center

21 West Broad St., Suite 500

Columbus, OH 43215

mfleisher@elpc.org

**Counsel for the Environmental Law &**

**Policy Center**

Jeffrey W. Mayes

General Counsel

Monitoring Analytics, LLC

2621 Van Buren Avenue, Suite 160

Valley Forge Corporate Center

Eagleville, PA 19403

jeffrey.mayes@monitoringanalytics.com

**Counsel for Monitoring Analytics, LLC**

Evelyn R. Robinson

PJM Interconnection, L.L.C.

2750 Monroe Boulevard

Audubon, PA 19403

evelyn.robinson@pjm.com

**Counsel for PJM Interconnection, L.L.C.**

David F. Boehm, Esq.

Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

Boehm, Kurtz & Lowry

36 East Seventh Street, Suite 1510

Cincinnati, OH 45202

dboehm@BKLlawfirm.com mkurtzt@BKLlawfirm.com

kboehm@BKLlawfirm.com

jkylercohn@BKLlawfirm.com

**Counsel for Ohio Energy Group**

Kevin R. Schmidt (Reg. No. 0086722)

Strategic Public Partners

88 East Broad Street, Suite 1770

Columbus, OH 43215

schmidt@sppgrp.com

**Counsel for Energy Professionals of Ohio**

BRUCE J. WESTON (0016973)

OHIO CONSUMERS’ COUNSEL

William J. Michael (0016973)

Counsel of Record

Kevin F. Moore (0089228)

10 West Broad Street, Suite 1800

Columbus, OH 43215-3485

William.Michael@occ.ohio.gov

Kevin.Moore@occ.ohio.gov

**Counsel for Office of the Ohio Consumers’ Counsel**

Angela Paul Whitfield

Carpenter Lipps & Leland LLP

280 Plaza, Suite 1300

280 North High Street

Columbus, OH 43215

paul@carpenterlipps.com

**Counsel for The Kroger Co.**

Kimberly W. Bojko

James D. Perko, Jr.

Carpenter Lipps & Leland LLP

280 North High Street, Suite 1300

Columbus, OH 43215

Bojko@carpenterlipps.com

perko@carpenterlipps.com

**Counsel for the Ohio Manufacturers’ Association Energy Group**

Michael J. Settineri

Stephen M. Howard

Gretchen L. Petrucci

Ilya Batikov

Vorys, Sater, Seymour and Pease LLP

52 E. Gay Street

Columbus, OH 43215

mjsettineri@vorys.com

smhoward@vorys.com

glpetrucci@vorys.com

ibatikov@vorys.com

**Counsel for Dynegy Inc., PJM Power Providers Group and the Electric Power Supply Association and the Retail Energy Supply Association**

Joseph Oliker

IGS Energy

6100 Emerald Parkway

Dublin, OH 43016

joliker@igsenergy.com

**Counsel for IGS Energy**

Michael D. Dortch

Richard R. Parsons

Kravitz, Brown & Dortch, LLC

65 East State Street, Suite 200

Columbus, OH 43215

mdortch@kravitzllc.com

rparsons@kravitzllc.com

**Counsel for Noble Americas Energy Solutions LLC**

Colleen L. Mooney

231 West Lima Street

PO Box 1793

Findlay, OH 45839-1793

cmooney@ohiopartners.org

**Counsel for Ohio Partners for Affordable Energy**

Miranda Leppla (0086351)

1145 Chesapeake Ave., Suite I

Columbus, OH 43212-3449

mleppla@theoec.org

**Counsel for the Environmental Defense Fund**

Trent Dougherty (0079817)

1145 Chesapeake Ave., Suite I

Columbus, OH 43212-3449

tdougherty@theOEC.org

**Counsel for the Ohio Environmental Council**

Joel E. Sechler

Carpenter Lipps & Leland LLP

280 North High Street, Suite 1300

Columbus, OH 43215

Sechler@carpenterlipps.com

**Counsel for EnerNOC, Inc.**

Richard L. Sites

Regulatory Counsel

Ohio Hospital Association

155 East Broad Street, 3rd Floor

Columbus, OH 43215-3620

rick.sites@ohiohospitals.org

Matthew Warnock

Dylan Borchers

Bricker & Eckler LLP

100 South Third Street

Columbus, OH 43215-4291

mwarnock@bricker.com

dborchers@bricker.com

**Counsel for The Ohio Hospital Association**

Richard C. Sahli

Richard Sahli Law Office, LLC

981 Pinewood Lane

Columbus, OH 43230-3662

rsahli@columbus.rr.com

Tony Mendoza

Kristin Henry

Gregory E. Wannier

Sierra Club Environmental Law Program

2101 Webster St., 13th Floor

Oakland, CA 94612

Tony.mendoza@sierraclub.org

Kristin.henry@sierraclub.org

greg.wannier@sierraclub.org

Christopher M. Bzdok

Olson Bzdok & Howard, P.C.

420 E. Front Street

Traverse City, MI 49686

chris@envlaw.com

**Counsel for Sierra Club**

Steven D. Lesser

James F. Lang

N. Trevor Alexander

Mark T. Keaney

Calfee, Halter & Griswold LLP

41 S. High St.

1200 Huntington Center

Columbus, OH 43215

slesser@calfee.com

jlang@calfee.com

talexander@calfee.com

mkeaney@calfee.com

**Counsel for the City of Dayton and Honda of America Mfg., Inc.**

Amy B. Spiller

Elizabeth H. Watts

Jeanne W. Kingery

139 East Fourth Street

1303-Main

Cincinnati, OH 45202

Amy.Spiller@Duke-Energy.com

elizabeth.watts@duke-energy.com

Jeanne.kingery@duke-energy.com

**Counsel for Duke energy Ohio, Inc.**

Lisa Hawrot

Spilman Thomas & Battle, PLLC

Century Centre Building

1233 Main Street, Suite 4000

Wheeling, WV 26003

lhawrot@spilmanlaw.com

Derrick Price Williamson

Spilman Thomas & Battle, PLLC

1100 Bent Creek Blvd., Suite 101

Mechanicsburg, PA 17050

dwilliamson@spilmanlaw.com

Carrie M. Harris

Spilman Thomas & Battle, PLLC

310 First Street, Suite 1100

P.O. Box 90

Roanoke, VA 24002-0090

charis@spilmanlaw.com

**Counsel to Wal-Mart Stores East, LP and Sam’s East, Inc.**

Terrence O’Donnell

Raymond Seiler

Christine M.T. Pirik

William V. Vorys

Dickinson Wright PLLC

150 E. Gay Street, Suite 2400

Columbus, OH 43215

todonnell@dickinsonwright.com

rseiler@dickinsonwright.com

cpirik@dickinsonwright.com

wvorys@dickinsonwright.com

**Counsel to Mid-Atlantic Renewable Energy Coalition**

Ellis Jacobs

130 West Second Street, Suite 700 East

Dayton, OH 45402

ejacobs@ablelaw.org

**Counsel to Edgemont Neighborhood Coalition and Advocates for Basic Legal Equality**

John R. Doll

Matthew T. Crawford

111 W. First Street, Suite 1100

Dayton, OH 45402-1156

jdoll@djflawfirm.com

mcrawcord@djflawfirm.com

**Counsel for Utility Workers of America, Local 175**

Devin Parram

Bricker and Eckler LLP

100 South Third Street

Columbus, OH 43215

dparram@bricker.com

**Counsel for People Working   
Cooperatively, Inc.**

Carl Tamm

Classic Connectors, Inc.

382 Park Avenue East

Mansfield, OH 44905

crtamm@classicconnectors.com

**On Behalf of Classic Connectors, Inc.**

C. David Kelley

Dana N. Whalen

Adams County Prosecutor’s Office

110 W. Main Street

West Union, OH 45693

prosecutorkelley@usa.com

dana.whalen@adamscountyoh.gov

**On Behalf of Monroe Township, Manchester Local School District, Adams County Ohio Valley School District, and Sprigg Township**

John F. Stock

Orla Collier

Benesch Friedlander Coplan & Aronoff LLP

41 S. High Street, 26th Floor

Columbus, OH 43215

jstock@beneschlaw.com

ocollier@beneschlaw.com

**On Behalf of Murray Energy Corporation and Citizens to Protect DP&L Jobs, Rick Adamson, Don Bowles, Steve Cacaro, John Condon, Alan Foster, Richard Foster, Kent Gulley, Marty Huntley, John Lawler, Brad McFarland, David McFarland, Mike Pell, Kim Rogers, Tony Staggs and Liz Lafferty**

Mark Landes (0027227)

Briand M. Zets (0066544)

Isaac Wiles Burkholder & Teetor, LLC

Two Miranova Place, Suite 700

Columbus, OH 43215

mlandes@isaacwiles.com

bzets@isaacwiles.com

**Counsel for Adams County Commissioners**

Thomas McNamee

Assistant Attorneys General

Public Utilities Section

Office of the Attorney General

30 E. Broad St, 16th Floor

Columbus, OH 43215

Thomas.mcnamee@ohioattorneygeneral.gov

**Counsel for the Staff of the Public Utilities Commission of Ohio (PUCO)**

Nicholas Walstra

Gregory Price

Attorney Examiners

Legal Department

Public Utilities Commission of Ohio

180 East Broad Street, 12th Floor

Columbus, OH 43215

Nicholas.walstra@puc.state.oh.us

gregory.price@puc.state.oh.us

**Attorney Examiners**

1. OCC’s complaint regarding the economic development provisions addresses whether customers should be required to “subsidize” the incentives. Based on its focus on “subsidies,” OCC apparently does not oppose the shareholder supported Economic Development Grant Fund also recommended by the supporting parties. Stipulation at 10-12. [↑](#footnote-ref-1)
2. Although this memorandum addresses only OCC’s third assignment of error, the failure to respond to OCC’s other assignments of error does not indicate support of them. [↑](#footnote-ref-2)
3. Additionally, the Commission noted that the programs would address the joblessness affecting the Dayton area. *Id.* at 57. [↑](#footnote-ref-3)
4. OCC’s position apparently confuses the requirements regarding reasonable arrangements under Commission rules with the requirements for economic development provisions under an electric security plan. Compare, *e.g.*, Rule 4901:1-38-03, OAC, with Rule 4901:1-35-03(C)(9)(h), OAC. [↑](#footnote-ref-4)
5. OCC’s argument is an example of the strawman fallacy. Having set up as a strawman a faulty legal standard that the Commission must make a finding of “need” or “commitments,” OCC then proceeds to knock down the strawman it created. For a discussion of the strawman fallacy, see http://www.fallacyfiles.org/strawman.html (“As the ‘straw man’ metaphor suggests, the counterfeit position attacked in a Straw Man argument is typically weaker than the opponent’s actual position, just as a straw man is easier to defeat than a flesh-and-blood one.”). [↑](#footnote-ref-5)