BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of The Dayton Power and Light Company and Wright-Patterson Air Force Base for Approval of a Unique Arrangement.	))))	Case No. 11-1163-EL-AEC

OPINION AND ORDER

The Commission, having considered the record in this matter, and being otherwise fully advised, hereby issues its opinion and order.

APPEARANCES:

Judi L. Sobecki, 1065 Woodman Drive, Dayton, Ohio 45432, on behalf of Dayton Power and Light Company.

Mike DeWine, Ohio Attorney General, by Thomas W. McNamee, Assistant Attorney General, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the staff of the Public Utilities Commission of Ohio.

James D. Brubaker, 5135 Pearson Rd., Room 122, Wright Patterson AFB, Ohio, 45433, on behalf of Wright-Patterson Air Force Base.

OPINION:

I. Background

Dayton Power and Light Company (DP&L) is an electric light company, as defined by Section 4905.03(A)(3), Revised Code, and a public utility, as defined under Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission. The Commission has the authority to approve a unique arrangement between an electric utility and a customer or group of customers upon application by the customer or the utility, pursuant to Section 4905.31, Revised Code, and Rule 4901:1-38-05(A), Ohio Administrative Code (O.A.C.). On March 4, 2011, DP&L and Wright-Patterson Air Force Base (WPAFB) filed a joint application with the Commission requesting approval of a unique arrangement. An evidentiary hearing was held on May 5, 2011, in order to consider the joint application.

II. Summary of the Joint Application

In the joint application, DP&L and WPAFB contend that the proposed unique arrangement will encourage job growth and retention at WPAFB by providing WPAFB a long-term, reliable supply of electric generation, transmission, and distribution service at reasonable and predictable prices. The joint application explains that WPAFB is Ohio's largest single-site employer, employing more than 26,000 people in the Dayton area, while contributing more than $4.4 billion to the Dayton-area economy each year.

The joint application estimates that approximately 1,200 new full time jobs may be created at WPAFB within the next year. The joint application explains that the new jobs may include 275 technology-related positions requiring at least a bachelor's degree, with many of these positions requiring a master's or a doctorate degree. The average salary associated with these new technology-related positions is $74,650. The joint application also states that the creation of new jobs at WPAFB will enhance economic opportunities for local area businesses and individuals, such as equipment vendors, maintenance workers, and restaurants and stores. The joint application indicates that the projected job growth is also creating the need for the construction of approximately one million square feet of additional facilities, resulting in construction contracts of approximately $332 million, most of which were awarded entirely or jointly to Ohio companies. The joint application also notes that WPAFB is undertaking energy efficiency and renewable energy activities, consistent with Ohio's objectives of encouraging energy efficiency and development of renewable energy alternatives.

The proposed unique arrangement has an end date of December 31, 2011, with options to extend the term at the sole discretion of WPAFB. The total duration of the arrangement is not to exceed 42 months. WPAFB will take service under DP&L's approved Distribution, Transmission, and Generation rates, and all additional riders, with a ten percent discount on WPAFB's existing load of approximately 69 MW, and a twenty-five percent discount on the new load, which is projected to be approximately 20 MW.

Under the proposed arrangement, WPAFB shall be required to provide an annual report to DP&L and Staff, which complies with the reporting requirements of Rule 4901:1-38-06, O.A.C. The joint application requests that the Commission approve DP&L's recovery of costs associated with the unique arrangement, including one hundred percent of the delta revenues, as defined by Rule 4901:1-38-01(C), O.A.C. The joint application contends that this recovery is permitted under Section 4905.31(E), Revised Code, and Rule 4901:1-38-08, O.A.C., and by DP&L's existing economic development rider, which the Commission previously approved in *In the Matter of the Application of the Dayton Power and Light Company for Approval of its Electric Security Plan*, Case No. 08-1094-EL-SSO, Opinion and Order (June 24, 2009). Through the joint application, DP&L seeks recovery of all of its

revenue foregone as a result of the proposed unique arrangement, including any revenue relating to DP&L's statutory obligations to be the Provider of Last Resort (POLR).

In support of DP&L's request to recover one hundred percent of its revenue foregone, the joint application explains that DP&L's Rate Stabilization Charge (RSC) is intended to compensate DP&L for providing stabilized rates for customers and POLR service. See *In the Matter of the Application of the Dayton Power and Light Company for the Creation of a Rate Stabilization Surcharge Rider and Distribution Rate Increase*, Case No. 05-276-EL-AIR. The joint application maintains the POLR risk exists under the terms of the proposed unique arrangement because WPAFB has the unilateral right to not only extend but also to terminate the contract for convenience at any time, creating the risk of that WPAFB might shop for a competitive supplier.

The joint application states that the arrangement is not anti-competitive or discriminatory and, thus, does not violate Sections 4905.33, and 4905.35, Revised Code. Finally, the joint application maintains that the proposed unique arrangement will create favorable economic conditions within Ohio to encourage additional expansion at WPAFB and is therefore consistent with the policy goals embodied in Section 4928.02, Revised Code.

III. Summary of the Testimony

Dona R. Seger-Lawson, director of regulatory operations, explained that the proposed unique arrangement is designed to foster the creation and retention of jobs in Ohio and the Miami Valley region. With regard to the cost of the proposed unique arrangement, Ms. Seger-Lawson testified that the annual discount will vary based on WPAFB's actual electricity consumption, energy efficiency measures, load growth, and DP&L's tariff rates. She estimated that DP&L would recover, through its economic development rider, approximately $4.7 million in delta revenues per year over the term of the unique arrangement. Ms. Seger-Lawson explained that if the unique arrangement ultimately remains in effect for 42 months, the delta revenue is estimated to be approximately $16.6 million. Ms. Seger-Lawson stated that DP&L will make a separate filing to adjust the economic development rider from its current level of zero to reflect this arrangement. Finally, Ms. Seger-Lawson testified that the typical bill impact of the delta revenue recovery for a typical residential customer using 750 kWh a month will be approximately $0.37 per month.

IV. Conclusion

Rule 4901:1-38-05, O.A.C., authorizes an electric utility, with one or more of its customers, to file an application for approval to enter into a unique arrangement. The applicant bears the burden of proof to show that the proposed arrangement is reasonable,

does not directly or indirectly provide rebates, special rates, and free service in violation of Section 4905.33, Revised Code, and does not provide an unreasonable advantage or prejudice towards any party under Section 4905.33, Revised Code.

Based on our review of the requirements for an electric utility to enter into a unique arrangement with one of its customers, the Commission finds the requirements are clearly met. The unique arrangement is reasonable in that it is cost-effective, and promotes State policy with the creation of jobs and economic investment in the Miami Valley region and the State of Ohio. Further, the unique arrangement does not violate Sections 4905.33, and 4905.35, Revised Code. Accordingly, we find that the unique arrangement is reasonable and should be adopted.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

(1) On March 4, 2011, DP&L and WPAFB filed a joint application requesting that the Commission approve a unique arrangement.

(2) An evidentiary hearing was held on May 5, 2011, in order to consider the application.

(3) Based on the application and the evidence presented at the hearing, the Commission finds that DP&L should be authorized to enter into a unique arrangement with WPAFB consistent with this order.

It is, therefore,

ORDERED, That the joint application for approval of a unique arrangement between DP&L and WPAFB be approved. It is, further,

ORDERED, That DP&L take all necessary steps to carry out the terms of this order. It is, further,

ORDERED, That nothing in this opinion and order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this opinion and order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Todd A. Snitchler, Chairman

Paul A. Centolella

Steven D. Lesser

Andre T. Porter

Cheryl L. Roberto

JJT/sc

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Betty McCauley
Secretary