

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The
Dayton Power and Light Company for
Authority to Modify its Accounting
Procedure for Certain Storm-Related
Service Restoration Costs.

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Case No. 12-2281-EL-AAM

**THE DAYTON POWER AND LIGHT COMPANY'S
MEMORANDUM IN OPPOSITION TO OCC'S
APPLICATION FOR REHEARING**

**I. THERE IS NO NEED TO ESTABLISH A PROCEDURE TO AMEND
CARRYING COSTS**

In its December 19, 2012 Finding and Order in this case, the Commission rejected OCC's argument that DP&L's carrying costs should be equal to DP&L's cost of long-term debt in DP&L's most recently proposed Electric Security Plan. Id. at ¶ 7. Instead, the Commission agreed with DP&L's argument and found "that the rate for the carrying costs should be set at the most recently approved cost of long-term debt, which is 5.86%, and to continue until the balance is recovered." Id. The Commission also stated that "when a new cost of long-term debt is approved, the carrying costs should then be amended to reflect the newly approved rate." Id.

OCC asserts in its Application for Rehearing, pp. 4-5, that the Commission erred because its Order "should specifically address the process for amending the carrying cost rate in order to reflect the most recently-approved cost of long-term debt." However, OCC does not describe a particular "process" that it claims to be required. In fact, OCC does not even give a

general description of such a process. However, as DP&L has proposed a regulated cost of long-term debt in its Storm Cost Recovery case (Case No. 12-3062-EL-RDR), the Commission should clarify that the carrying cost rate for this deferral should remain at the most recently approved cost of long-term debt, 5.86%, until an Order is issued in the Storm Cost Recovery case approving a cost of debt for storm costs. At that time, DP&L will apply the newly approved regulated cost of long-term debt to the remaining unrecovered storm deferral.

II. THE COMMISSION SHOULD NOT LIMIT CARRYING COSTS TO ONE YEAR

Without citing a single Commission precedent, OCC asks (pp. 5-6) the Commission to limit DP&L's ability to accrue carrying costs to one year. The Commission should not issue such an order for at least four separate and independent reasons:

First, the Commission can ensure that consumers are charged reasonable amounts by imposing reasonable carrying charges on costs that were reasonably and prudently incurred. Here, the carrying charges, equal to DP&L's approved long-term cost of debt, are reasonable, and consumers are protected.

Second, the purpose of carrying costs is to compensate the Company for the lost opportunity costs that the Company incurs on unrecovered cash expenditures. These carrying charges represent the time value of money, and applying an arbitrary time limit to accrue these costs simply defeats the purpose. The fact is that the Company does not stop incurring opportunity costs at a randomly selected date, but rather continues to incur such costs until the principal cash amount has been recovered. It is thus reasonable that the Company should accrue carrying charges until the storm costs are fully recovered.

Third, the issue of the recovery of carrying costs is not ripe for rehearing in this case, and OCC's argument that accruing carrying costs will overly burden customers is premature and misplaced. The prudence and reasonableness of the costs to be recovered, including carrying costs, are more appropriately addressed in the application for Storm Cost Recovery. It is therefore inappropriate to establish a capricious limit to the accrual of carrying costs in this case.

Finally, OCC argues (p. 6) that customers "should not bear the burden of ever increasing carrying charges for the years the Utility chooses not to seek recovery." This argument is not relevant to this case. At the time that OCC filed its Application for Rehearing, DP&L had already sought recovery of costs deferred in this case in the Storm Cost Recovery Case.

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing The Dayton Power and Light Company's Application for Rehearing has been served via electronic mail upon the following counsel of record, this 28th day of January, 2013:

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Summary: Memorandum The Dayton Power and Light Company's Memorandum in Opposition to OCC's Application for Rehearing electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company