

**BOEHM, KURTZ & LOWRY**

ATTORNEYS AT LAW  
36 EAST SEVENTH STREET  
SUITE 1510  
CINCINNATI, OHIO 45202  
TELEPHONE (513) 421-2255  
TELECOPIER (513) 421-2764

**Via E-File**

May 15, 2017

Public Utilities Commission of Ohio  
PUCO Docketing  
180 E. Broad Street, 10th Floor  
Columbus, Ohio 43215

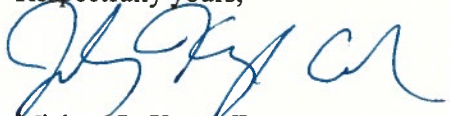
**In re: Case Nos. 16-0395-EL-SSO, 16-0396-EL-ATA and 16-0397-EL-AAM**

Dear Sir/Madam:

Please find attached the REPLY BRIEF OF THE OHIO ENERGY GROUP (OEG) e-filed today in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,



Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Jody Kyler Cohn, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkew

Encl.

Cc: Certificate of Service  
Bryce McKenney, Attorney Examiner  
Gregory Price, Attorney Examiner

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In The Matter Of The Application Of Dayton Power And Light Company For Approval of its Electric Security Plan.	:	Case No. 16-0395-EL-SSO
	:	
	:	
In The Matter Of The Application Of The Dayton Power And Light Company For Approval of Revised Tariffs.	:	Case No. 16-0396-EL-ATA
	:	
	:	
In The Matter Of The Application Of Dayton Power And Light Company For Approval Of Certain Accounting Authority Pursuant to Ohio Rev. Code §4905.13.	:	Case No. 16-0397-EL-AAM
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**REPLY BRIEF OF THE  
THE OHIO ENERGY GROUP**

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The Ohio Energy Group (“OEG”) submits this Reply Brief in support of its recommendations to the Commission. OEG’s decision not to respond to other arguments raised in this proceeding should not be construed as implicit agreement with those arguments.

**ARGUMENT**

**I. The Provisions of the Stipulation Addressing the Economic Development Rider are Reasonable.**

Only two parties - The Office of the Ohio Consumers’ Counsel (“OCC”) and Wal-Mart Stores East, LP, and Sam’s East, Inc. (collectively, “Walmart”) - contest the provisions of the Stipulation modifying DP&L’s Economic Development Rider (“EDR”).<sup>1</sup> The first, OCC, speculates that the EDR provisions will not promote economic development in Ohio.<sup>2</sup> However, that theory ignores the sound logic behind adopting such economic development provisions. By offering businesses a rate credit based upon their energy usage once they achieve a certain level of demand, the EDR incentivizes those businesses to maintain or even to increase their energy usage

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<sup>1</sup> Initial Post-Hearing Brief by the Office of the Ohio Consumers’ Counsel (“OCC Brief”); Wal-Mart Stores East, LP and Sam’s East, Inc.’s Post-Hearing Brief (“Walmart Brief”).

<sup>2</sup> OCC Brief at 39; Walmart Brief at 10.

(i.e. their manufacturing production) in order to benefit from the credit. For example, the Economic Improvement Incentive requires customers to have a demand of 10 MW or greater and an average load factor of at least 80%.<sup>3</sup> That load factor requirement incentivizes businesses to run multiple shifts on a near continuous basis, which entails maintaining or increasing production and employment levels. If businesses maintain or increase their production and employment levels in order to secure the EDR rate credit, then the State economy will also benefit through tax revenues and employee spending on local businesses. The other proposed EDR incentives would operate similarly to facilitate Ohio's effectiveness in the global economy.

The Commission should also reject OCC's attempt to impose additional criteria upon economic development provisions appropriately adopted in the context of an ESP pursuant to 4928.143(B)(2)(ii),<sup>4</sup> which is unfounded and which inappropriately seeks to rewrite the ESP statute.

Both OCC and Walmart take issue with the limited availability of the EDR provisions to only Signatory or Non-Opposing Parties. But provisions benefitting a limited number of parties are commonplace within settlements approved by the Commission, including one settlement that OCC recently joined.<sup>5</sup> Moreover, the Commission has already dismissed allegations that settlement provisions benefitting certain parties constitute "favor trading" that would justify rejection of a proposed settlement, explaining:

*With respect to the claims that the Stipulations represent mere "favor trading" and a lack of serious bargaining among the parties, the Commission notes that, while many signatory parties receive benefits under the Stipulations, we will not conclude that these benefits are the sole motivation of any party in supporting the Stipulations. We expect that parties to a stipulation will bargain in support of their own interests in deciding whether to support a stipulation. Further, we believe that parties themselves are best positioned to determine their own best interests and whether any potential benefits outweigh any potential costs...Moreover, the Commission notes that nothing in the Stipulations can be construed to represent "favor trading" with Staff. Staff receives no benefits whatsoever under the Stipulations.<sup>6</sup>*

OCC's claims of "favor trading" are therefore misplaced. Indeed, while many of the same economic development incentives provided for under the Stipulation were also available under the initial stipulation filed in these proceedings on January 30, 2017, OEG refused to sign on to that settlement because the overall package

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<sup>3</sup> Joint Ex. 1 at 9-10.

<sup>4</sup> OCC Brief at 39 and 45-47.

<sup>5</sup> Order on Global Settlement Stipulation, Case Nos. 10-2929-EL-UNC *et al.* (February 23, 2017) at 31-32.

<sup>6</sup> Opinion and Order, Case No. 14-1297-EL-SSO (March 31, 2016) at 44.

was unreasonable. OEG only agreed to the Stipulation after Staff had negotiated significant improvements which benefited all customers. Hence, neither of the contesting parties presented a valid reason for the Commission to modify or reject the Stipulation based upon the EDR provisions contained therein.

## **II. The Commission Should Adopt the DMR Cost Allocation Set Forth in the Stipulation.**

OCC asks the Commission to change the DMR cost allocation supported or not opposed by multiple parties in this proceeding (based 34% on demand, 33% on distribution revenue, and 33% on historical allocation of the currently charged non-bypassable rider) to an allocation that is more favorable for residential customers (based 50% on energy and 50% on demand).<sup>7</sup> OCC claims that its preferred allocation better embodies the concept of cost causation.<sup>8</sup> This argument ignores the stated purpose of the DMR, which is *“to provide stable and certain distribution service and to modernize [DP&L’s] distribution grid.”*<sup>9</sup> Hence, if anything, the DMR should be allocated entirely on the basis of distribution revenues, which would impose much higher costs on residential customers than the stipulated cost allocation. Instead, for purposes of settlement, the parties agreed upon an allocation that strikes a reasonable balance among the various interests involved. While that allocation differs from the DMR allocation adopted for the FirstEnergy operating companies in Case No. 14-1297-EL-SSO (and still subject to rehearing), the circumstances of this case also differ since the allocation here was resolved through a multi-party settlement rather than litigation. Accordingly, the balance reflected in the stipulated DMR cost allocation should be maintained.

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<sup>7</sup> OCC Brief at 41-42.

<sup>8</sup> Id. at 41.

<sup>9</sup> Joint Ex. 1 at 3.

## CONCLUSION

**WHEREFORE**, for the foregoing reasons, the Commission should approve the Stipulation without modification.

Respectfully submitted,

A handwritten signature in blue ink, reading "Michael L. Kurtz", is written over a horizontal line.

Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

**BOEHM, KURTZ & LOWRY**

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: (513) 421-2255 Fax: (513) 421-2764

E-Mail: [mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)

[kboehm@BKLawfirm.com](mailto:kboehm@BKLawfirm.com)


[jkylercohn@BKLawfirm.com](mailto:jkylercohn@BKLawfirm.com)

May 15, 2017

**COUNSEL FOR THE OHIO ENERGY GROUP**

## CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 15<sup>th</sup> day of May, 2017 to the following:

  
\_\_\_\_\_  
Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Jody Kyler Cohn, Esq.

DAYTON POWER & LIGHT COMPANY  
DONNA SEGER-LAWSON  
1065 WOODMAN DRIVE  
DAYTON OH 45432

\*DORTCH, MICHAEL D. MR.  
KRAVITZ, BROWN & DORTCH, LLC  
65 E. STATE STREET SUITE 200  
COLUMBUS OH 43215

\*HOWARD, STEPHEN M MR.  
VORYS, SATER, SEYMOUR AND PEASE LLP  
52 E. GAY STREET  
COLUMBUS OH 43215

\*O'ROURKE, RYAN P. MR.  
CARPENTER LIPPS & LELAND LLP  
280 N. HIGH STREET, SUITE 1300  
COLUMBUS OH 43215

\*DOUGHERTY, TRENT A MR.  
OHIO ENVIRONMENTAL COUNCIL  
1145 CHESAPEAKE AVE SUITE I  
COLUMBUS OH 43212

\*MOONEY, COLLEEN L  
OPAE  
231 WEST LIMA STREET  
FINDLAY OH 45840

\*WILLIAMS, JAMIE MS.  
OHIO CONSUMERS' COUNSEL  
10 W. BROAD STREET  
COLUMBUS OH 43215

\*KRAUSEN, SUZETTE N MS.  
MONITORING ANALYTICS, LLC  
2621 VAN BUREN AVENUE SUITE 160  
EAGLEVILLE PA 19403

\*PETRUCCI, GRETCHEN L. MRS.  
VORYS, SATER, SEYMOUR AND PEASE  
52 EAST GAY STREET, P.O. BOX 1008  
COLUMBUS OH 43216-1008

\*GHILONI, DANIELLE M MS.  
CARPENTER LIPPS & LELAND LLP  
280 N. HIGH STREET SUITE 1300  
COLUMBUS OH 43215

\*SHARKEY, JEFFREY S MR.  
FARUKI IRELAND & COX P.L.L.  
500 COURTHOUSE PLAZA, S.W., 10 N. LUDLOW ST.  
DAYTON OH 45402

MAYES, JEFFREY W  
MONITORING ANALYTICS LLC  
2621 VAN BUREN AVENUE, SUITE 160  
VALLEY FORGE CORPORATE CENTER  
EAGLEVILLE PA 19403

\*GAUNDER, DEBRA A  
CARPENTER LIPPS & LELAND LLP  
280 N HIGH STREET, SUITE 1300  
COLUMBUS OH 43215

\*ORAHOD, TERESA  
BRICKER & ECKLER LLP  
100 SOUTH THIRD STREET  
COLUMBUS OH 43215-4291

\*SAHLI, RICHARD C. MR.  
RICHARD SAHLI LAW OFFICE LLC  
981 PINWOOD LANE  
COLUMBUS OH 43230-3662

\*SCHMIDT, KEVIN R MR.  
THE LAW OFFICES OF KEVIN R. SCHMIDT, ESQ.  
88 EAST BROAD STREET, SUITE 1770 MAIL STOP 01  
COLUMBUS OH 43215

\*PRITCHARD, MATTHEW R. MR.  
MCNEES WALLACE & NURICK  
21 EAST STATE STREET #1700  
COLUMBUS OH 43215

\*FLEISHER, MADELINE  
ENVIRONMENTAL LAW AND POLICY CENTER  
21 W. BROAD ST., SUITE 500  
COLUMBUS OH 43215

\*DARR, FRANK P MR.  
MCNEES, WALLACE & NURICK LLC  
21 E. STATE STREET 17TH FLOOR  
COLUMBUS OH 43215

CITY OF DAYTON  
101 W. THIRD STREET  
DAYTON OH 45401

ELECTRIC POWER SUPPLY ASSOCIATION  
DAN DOLAN VICE PRESIDENT,  
1401 NEW YORK AVE, N.W. 11TH FLOOR  
WASHINGTON DC 20005

OHIO HOSPITAL ASSOCIATION  
RICHARD SITES  
155 E. BROAD STREET 3RD FLOOR  
COLUMBUS OH 43215-3620

SIERRA CLUB  
CHRISTOPHER ALLWEIN  
65 E STATE STREET SUITE 1800  
COLUMBUS OH 43215-4295

\*FARUKI, CHARLES J. MR.  
FARUKI IRELAND & COX PLL  
110 NORTH MAIN STREET SUITE 1600  
DAYTON OH 45402

\*OLIKER, JOSEPH E. MR.  
IGS ENERGY  
6100 EMERALD PARKWAY  
DUBLIN OH 43016

\*KUHNELL, DIANNE  
DUKE ENERGY BUSINESS SERVICES  
139 E. FOURTH STREET EA025 P.O. BOX 960  
CINCINNATI OH 45201

\*COFFEY, SANDRA  
PUBLIC UTILITIES COMMISSION OF OHIO  
180 E. BROAD ST.  
COLUMBUS OH 43215

\*HUNTER, DONIELLE M MS.  
PUCO  
180 EAST BROAD STREET 11TH FLOOR  
COLUMBUS OH 43215

\*ALEXANDER, NATHANIEL TREVOR MR.  
CALFEE, HALTER & GRISWOLD, LLP  
21 E. STATE ST., SUITE 1100  
COLUMBUS OH 43215

HONDA OF AMERICA MANUFACTURING INC  
24000 U.S. ROUTE 33  
MARYSVILLE OH 43040-9251

PJM POWER PROVIDERS GROUP  
GLEN THOMAS  
1060 FIRST AVENUE SUITE 400  
KING OF PRUSSIA PA 19406

\*SAHLI, RICHARD C. MR.  
RICHARD SAHLI LAW OFFICE LLC  
981 PINWOOD LANE  
COLUMBUS OH 43230-3662

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Summary: Brief Reply Brief of the Ohio Energy Group (OEG) electronically filed by Mr. Michael L. Kurtz on behalf of Ohio Energy Group