

FILE



**Public Utilities
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PUCO

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Joint Petition of Ohio Power Company, Duke Energy Ohio, Inc. and
The Dayton Power and Light Company for Approval of an Agreement Regarding the
Transfer of Utility Assets*

Dear Docketing Division:

Enclosed please find Staff's Review and Recommendation in regard to the joint petition
of Ohio Power Company, Duke Energy Ohio, Inc. and The Dayton Power and Light
Company for authority to transfer assets in Case No. 17-2520-EL-ATR.

Doris McCarter
Division Chief, Capital Recovery and Financial Analysis
Rates and Analysis Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Petition of)	
Ohio Power Company,)	
Duke Energy Ohio, Inc. and)	Case No. 17-2520-EL-ATR
The Dayton Power and Light Company)	
For Approval of an Agreement Regarding the)	
Transfer of Utility Assets)	

Staff Review and Recommendation

APPLICATION DESCRIPTION

Ohio Power Company ("Ohio Power"), Duke Energy Ohio, Inc. ("Duke Energy Ohio"), and The Dayton Power and Light Company ("DP&L") jointly filed a petition ("Joint Petition") under Ohio Revised Code ("R.C.") 4905.48 seeking approval for the transfer of ownership shares in transmission lines and substations that are commonly owned. As stated in the Joint Petition, the shared ownership of the transmission assets arose as the result of co-ownership of electric generating units. However, the co-owned electric generating units have since been transferred to other entities. Eliminating co-ownership, according to the Joint Petition, unites required maintenance and cost responsibilities under single ownership. According to the Joint Petition, the proposed transfer ends all joint ownership of transmission facilities among the companies that are parties to this case. The companies believe the transfer to be in the public interest as it will more closely reflect each individual owner's use as well as involve no change in prevailing market prices.

REVIEW AND ANALYSIS

The assets (transmission lines and substations) included in the Joint Petition were historically operated in conjunction with co-owned generating units. However, operating control of the assets has been ceded to the regional transmission organization, PJM Interconnection LLC. Hence, the original rationale for co-ownership is no longer valid. In addition, under the present arrangement, each owner has incurred expense for maintenance and repair for which it may not have budgeted. Instead, the outlays were undertaken at the behest of one of the other co-owners. Thus, the potential for disputes concerning the proper level of maintenance and the timing of upgrades is present.

The asset exchange involves the tendering of ownership in the assets plus cash payments. The cash payments include an allowance for intra-party costs incurred but not collected and to even up any differences in the book value of the assets transferred. Staff reviewed the planned accounting entries for the proposed transfers from both a financial and regulatory accounting perspective. Further, Staff validated there will be no change in the book value of the assets being transferred.

Staff also determined that the proposed transfer is consistent with similar exchanges approved by the Commission.¹ As put forth in the Joint Petition, the transaction is a reallocation of ownership in jointly owned facilities.

RECOMMENDATION

Having reviewed the Joint Petition, Staff believes the proposed transfer appears reasonable and therefore recommends to the Commission that it be approved.

¹ See *In the Matter of the Joint Petition of Columbus Southern Power Company, Duke Energy Ohio, and The Dayton Power & Light Company for Approval of an Agreement Regarding the Transfer of Utility Assets*, Case No. 07-779-EL-ATR, Finding and Order (Mar. 26, 2008); *In the Matter of the Joint Petition of Ohio Power Company, Duke Energy Ohio, Inc., and The Dayton Power & Light Company for Approval of an Agreement Regarding the Transfer of Utility Assets*, Case No. 13-2027-EL-ATR, Finding and Order (Jun. 11, 2014).