

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE JOINT
APPLICATION 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**

CASE NO. 17-2520-EL-ATR

FINDING AND ORDER

Entered in the Journal on May 16, 2018

I. SUMMARY

{¶ 1} The Commission approves the joint application of Ohio Power Company, Duke Energy Ohio, Inc., and The Dayton Power and Light Company for approval to transfer certain electrical facilities.

II. DISCUSSION

{¶ 2} Ohio Power Company, Duke Energy Ohio, Inc., and The Dayton Power and Light Company (collectively Petitioners) are Ohio corporations and public utilities as defined in R.C. 4905.02, and electric light companies, as defined in R.C. 4905.03(A)(3), and are subject to the jurisdiction of this Commission.

{¶ 3} On December 19, 2017, Petitioners, under R.C. 4905.48, filed a joint application for authority to complete a transfer of ownership shares in transmission lines and substations commonly owned by Petitioners. Petitioners aver that these facilities are co-owned by the parties as a historic result of a co-ownership of electric generating units. Petitioners state that the co-owned, electric generating units have since been transferred to other entities. Petitioners state that under the current agreement, each Petitioner is 100 percent responsible for completing the work necessary to maintain and repair certain of the jointly owned transmission facilities and each is

100 percent responsible for NERC compliance with respect to certain transmission facilities. Petitioners further state that cost responsibility is split among the owners based on ownership share. In effect, Petitioners aver that each owner has had the experience of being billed for work that it had not performed and for which it may not have budgeted. Furthermore, Petitioners state that where an upgrade on a co-owned line is thought by one owner to be useful to meet load growth in that owner's retail service territory but provides no benefit to the other owner or owners, controversy can arise as to the appropriate assignment of costs among the owners. Petitioners argue that by eliminating co-owned lines, the potential for dispute is minimized. Petitioners assert that the proposed agreement ends all joint ownership of transmission facilities among the companies that are parties to this case. Further, since the time the transmission facilities at issue were initially placed in service, the PJM Interconnection, L.L.C. (PJM) has become a Regional Transmission Organization (RTO), and the transmission facilities at issue are largely under the operation control of PJM. Petitioners believe the transfer is in the public interest as it will more closely reflect each owner's use as well as involve no change in prevailing market prices. Ultimately, Petitioners argue that the proposed transfer of ownership shares in the transmission facilities will more appropriately reflect each Petitioner's use, operational needs, and maintenance and North American Electric Reliability Corporation compliance responsibilities of the transferring transmission facilities and related interests in land. Petitioners argue that the above factors eliminate the original basis for having jointly owned transmission lines.

{¶ 4} On February 7, 2018, Staff filed its review and recommendation. In its review, Staff notes the assets were historically operated in conjunction with co-owned generation units; however, operating control of the assets has been ceded to PJM. Staff states that the original rationale for co-ownership is no longer valid and that under the present arrangement, each owner has incurred expense for the maintenance and repair for which it may not have budgeted. As a result, Staff states that the expenditures were

undertaken at the behest of one of the other co-owners. Staff believes the potential for disputes concerning the proper level of maintenance and the timing of upgrades is present. Staff further notes that the asset exchange involves the tendering of ownership in the assets plus cash payments. Staff states that 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 avers that it reviewed the planned accounting entries for the proposed transfers from both a financial and regulatory accounting perspective. Further, Staff validated that 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. Staff states that as put forth in Petitioners' application, the transaction is a reallocation of ownership in jointly owned facilities. Staff believes that Petitioners' application appears to be reasonable and recommends its approval.

{¶ 5} The Commission has reviewed the application in this case and finds that the proposed transaction will not interfere with the Petitioners' provision of adequate electric service to their customers. Accordingly, the Commission finds that the application is reasonable and should be approved.

III. ORDER

{¶ 6} It is, therefore,

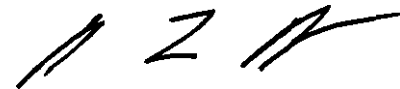
{¶ 7} ORDERED, That Petitioners' application for approval of the transaction between the parties be granted. It is, further,

{¶ 8} ORDERED, That the proposed transaction be recorded by Petitioners in accordance with the Uniform System of Accounts for Electric Companies, which the Commission has prescribed for use by electric companies in Ohio. It is, further,

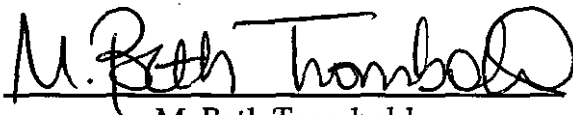
{¶ 9} ORDERED, That nothing in this decision shall be binding upon this Commission in any future proceeding or investigation involving justness or reasonableness of any rate, charge, rule, or regulation. It is further,

{¶ 10} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



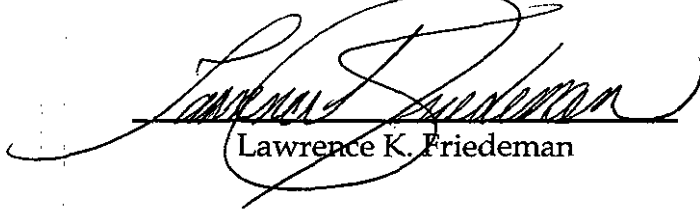
Asim Z. Haque, Chairman



M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

GAP/LLA/sc

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MAY 16 2018



Barcy F. McNeal
Secretary