



**Public Utilities
Commission**

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April 22, 2020

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

RE: *In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority, Case Nos. 20-0650-EL-AAM, 20-651-EL-UNC, 20-652-EL-WVR, 20-755-EL-AEC*

Dear Docketing Division:

Enclosed please find the Staff Recommendation in the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority, Case Nos. 20-650-EL-AAM, et al.

David Liphtratt
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Barbara Bossart
Chief, Reliability and Service Analysis Division
Service Monitoring and Enforcement Department

Enclosure
Cc: Parties of Record

The Dayton Power and Light Company
Case No. 20-0650-EL-AAM
Case No. 20-0651-EL-UNC
Case No. 20-0652-EL-WVR
Case No. 20-0755-EL-AEC

SUMMARY

On March 12, 2020, the Public Utilities Commission of Ohio (Commission) initiated Case No. 20-591-AU-UNC, *In the Matter of the Proper Procedures and Process for the Commission’s Operations and Proceedings During the Declared State of Emergency and Related Matters*, (State of Emergency Proceeding) and issued an Entry that, due to the declaration of a state of emergency, “directs all public utilities under its jurisdiction to review their service disconnection policies, practices, and tariff provisions and to promptly seek any necessary approval to suspend otherwise applicable requirements that may impose a service continuity hardship on residential and nonresidential customers or create unnecessary COVID-19 risks associated with social contact.”

On March 23, 2020, The Dayton Power and Light Company (DP&L or Company) filed an application proposing a comprehensive plan for the duration of the State of Emergency (Plan), seeking the Commission’s approval of the Plan and associated relief.

On April 15, 2020, DP&L filed a supplemental application (Supplemental Application) to add additional components to its Plan.

STAFF REVIEW OF DISCONNECTION AND CONTINUITY OF SERVICE PLAN AND WAIVERS OF ADMINISTRATIVE RULES

The Company is requesting to alter its disconnection policies and practices by suspending disconnection during the COVID-19 emergency. In addition, the Company is deferring or eliminating certain fees including reconnection fees, deposits, late fees, and credit card fees in order to encourage reconnection or continuity of service. The Company is also suspending the removal of PIPP Plus customers who fail to maintain PIPP eligibility at their anniversary date. The Company will also minimize social contacts by encouraging customers to avoid in person payment centers, suspending in person meter reading, and suspending in person energy efficiency activities. In order to facilitate fewer estimated meter reads, DP&L is attempting to develop a self-reporting mechanism for customers to report kWh readings from their meter. This will allow for accurate kWh billing and minimize estimations; however, customers will not be able to reset and self-report demand readings. Finally, the Company is requesting a waiver of the administrative rule as set forth in the table below.

| <u>Rule</u> | <u>Rule Description</u> | <u>Reason</u> | <u>DP&L Action</u> |
|-----------------|-------------------------|----------------|---|
| 4901:1-10-05(I) | Meter Reading | Social Contact | DP&L requests to read only interval and ERT meters. |

STAFF RECOMMENDATION - DISCONNECTION AND SERVICE CONTINUITY PLAN AND WAIVERS OF ADMINISTRATIVE RULES

Staff has no concerns with the Company's disconnection and continuity of service plan and believes suspending disconnections and removing financial barriers to reconnection or continuity of service such as charging deposits, reconnection fees, late fees and credit card processing fees are appropriate actions under the circumstances.

Staff does not oppose the temporary waiver of administrative rules referenced above or related tariff requirements regarding in person meter reading. Staff recommends that for customers who request an initial or final meter reading, DP&L should request and instruct the customer to provide a meter reading during the COVID-19 pandemic. In addition, Staff is not opposed to suspending the removal of Percentage of Income Payment Plan (PIPP) Plus customers at their anniversary date because during this time it may be more difficult for some customers to maintain eligibility by staying current on their PIPP Plus payments.

Finally, the Company did not specify an end-date for their waiver. Staff recommends that if the Commission approves the waivers requested by the Company they should be valid for a temporary period of time and if any additional time is necessary, the Company should be required to submit an additional application.

STAFF REVIEW OF THE APPLICATION FOR A REASONABLE ARRANGEMENT

The Company's Supplemental Application requested approval of a reasonable arrangement under Section R.C. 4905.31 that will provide several billing modifications to reduce the financial burden of its commercial and industrial customers. For commercial and industrial customers served pursuant to the Company's Secondary and Primary Schedules and whose meters cannot be read at this time to avoid face to face contact between employees and customers, DP&L proposes to charge these customers an energy-only rate equivalent to the County Fair Rate that is currently included in the Company's Rates and Riders that include demand charges.

For commercial and industrial customers served pursuant to the Company's Secondary and Primary Schedules whereby the Company does not have to read the customer's meter manually each month, the company will reduce the current maximum charge rate to reflect the current County Fair Rate.

For all commercial and industrial customers subject to the Company's minimum demand provisions, the Company will waive the minimum demand provisions.

STAFF RECOMMENDATION - REASONABLE ARRANGEMENT

Staff has reviewed the reasonable arrangement application and believes that the Company's proposal to provide relief for the hardships that commercial and industrial customers may face as a result of meter reading issues and the minimum billing demand provisions is reasonable and recommends that the Commission approve the application. The Company did not specify an end-date for their proposed plan; however, Staff recommends that the Commission direct the Company to provide their proposed program for a temporary period of ninety days, unless otherwise continued by the Commission for an extended period of time.

STAFF REVIEW OF DEFERRAL REQUEST

The Company is requesting authority to defer as a regulatory asset for subsequent recovery, the incremental operating costs incurred and foregone revenue that result from implementing the various components of the Plan. Staff acknowledges the Plan is currently in its early stages of implementation, and the scope of incremental costs and foregone revenues that may result is not known at this time. Additionally, the exact amount of incremental costs and revenues to be deferred is unknown. The Company's Application describes several examples of potential incremental expenses and foregone revenues which may be included in the deferred amounts:

- IT-related modifications made to ensure PIPP customers maintain eligibility;
- Foregone revenues associated with waiving or suspending late fees and reconnection fees;
- Credit card fees waived;
- Incremental operational costs incurred in protecting the health and safety of employees;
- Temporary waiver of minimum demand provisions for Secondary, Primary, Primary Substation, and High Voltage Class customers.

Staff historically evaluates applications for authority to defer expenses by applying the following six criteria in its evaluation:

1. *Whether the utility's current rates or revenues are sufficient to cover the costs associated with the requested deferral?*
2. *Whether the costs requested to be deferred are material in nature.*
3. *Whether the problem was outside of the Company's control.*
4. *Whether the expenditures are atypical and infrequent*
5. *Whether the costs would result in financial harm to the Company.*
6. *Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of the deferral authority.*

Given the unique circumstances facing the Company in responding to the COVID-19 pandemic, Staff's evaluation of the six criteria must be modified to accommodate the various uncertainties associated with the implementation of the Plan, such as the fact that the total costs to be deferred is unknown. Additionally, the Company's Plan is still fluid in order to adapt to changes as the State of Emergency evolves over the duration of the pandemic. With this in mind, Staff's evaluation of the six criteria is as follows:

Whether the current level of costs included in the last rate case is insufficient.

Staff finds that the costs included in rates are insufficient. Although the exact amount of the deferral is unknown, Staff's position is that many of the expenses incurred as part of the Plan are above and beyond what is included in base rates; however, Staff avers that some expenses incurred in implementing the Plan may represent costs currently collected in rates, and thus not incremental to rates. An example would be an IT employee, whose labor cost is fully recovered base rates, works on implementing the necessary IT changes to ensure PIPP customers maintain their eligibility as part of the Plan. Staff finds that although this is new work directly attributable to the Plan, deferring this cost would result in double-recovery of the employee's labor expense.

With this concern in mind, Staff notes that the Company has advised it will work with Staff to ensure that all costs are indeed incremental to base rates. Staff agrees that this approach is reasonable, as a significant portion of the costs incurred as part of the Plan will be incremental to base rates; however, Staff must perform its due diligence to ensure double-recovery does not occur as result of the deferral while simultaneously avoiding any hindrance to the implementation of the Plan.

Whether the costs requested to be deferred are material in nature.

At this time, Staff cannot determine whether or not the costs are material in nature; however, Staff avers that there is a reasonably probable chance that the total costs will end up being material. The potential for the deferred amounts to be material is even more likely given that a portion of the deferral request represents foregone revenues associated with the Company's plan to suspend or waive customer fees. Staff has concluded that combining the effects of the expenses incurred and revenues foregone as part of the Plan will more likely than not be material in nature.

Whether the problem was outside of the Company's control.

Staff finds that the COVID-19 pandemic is not within the Company's control. As the implementation of the Plan represents the actions the Company can control in its response to the pandemic taken by the Company. At the time recovery is sought, Staff will review the expenses to ensure they are prudent and incremental in nature and that the foregone revenues are appropriate for recovery

Whether the expenditures are atypical and infrequent.

Pandemics of this scale are exceedingly rare, therefore, Staff finds the expenditures and foregone revenues that result from implementing the Plan are undeniably atypical and infrequent.

Whether the costs would result in financial harm to the Company.

At this time, Staff cannot conclude whether not the expenses and foregone revenues will result in financial harm to the Company; however, Staff finds that there is a realistic chance the Company would be financially harmed if deferral is denied.

Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of the deferral authority.

Staff finds that granting deferral authority could encourage utilities to undertake certain actions in response to the pandemic that would not otherwise be done.

Staff finds that certain components of the Plan are foregone revenues, thus they represent a deferral of revenues and not a deferral of costs. Examples of these foregone revenues include the temporary waiving of customer fees and minimum demand provisions. Based on this conclusion, Staff avers that the Financial Accounting Standards Board (FASB) requirements for revenue deferral contained in Accounting Standards Codification (ASC) 980-605 apply to the various components of the plan that amount to forgone revenues. More specifically, ASC 980-605-25-4 requires all of the following to be met:

- An order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulatory would not preclude the adjustment from being considered automatic.

- The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.

Staff has concluded that in order for the Company to satisfy these requirements and defer the foregone revenues from the Plan, a clear recovery mechanism must be established. If no clear recovery mechanism is not established, then the foregone revenues would not be eligible for deferral under accounting principles generally accepted in the United States of America (US GAAP).

The Company has proposed to defer the resulting costs of the charges avoided by customers for future recovery. In the alternative, the Company has sought approval of a reasonable arrangement pursuant to R.C. 4905.31, whereby delta revenues associated with reasonable arrangements are generally recovered through the Company's Economic Development Rider (EDR). Recovery of the delta revenue through the EDR would socialize the recovery to all customer classes as is typically done with delta revenues associated with Reasonable Arrangements under R.C. 4905.31. However, this is not a typical reasonable arrangement, but rather, is a result of the current COVID-19 Emergency. If the Commission believes the recovery of the foregone revenue resulting from the proposed reasonable arrangement should not be recovered from all customers through the EDR, then the Commission could consider other options for recovery, such as recovering through the EDR from the non-residential classes that were provided relief as part of the reasonable arrangement. Another potential option, if administratively feasible, would be a payment plan mechanism, whereby the customers receiving relief under the reasonable arrangement during the COVID-19 Emergency would ultimately repay the benefits they received at some point in the future.

STAFF RECOMMENDATION - DEFERRAL REQUEST

Based on Staff's analysis of the Company's application, responses to Staff data requests, and evaluation of the six criteria, Staff recommends that deferral authority be granted. Staff recommends that the Commission order recovery of deferred revenues in conformity with US GAAP requirements. Additionally, Staff recommends that the Company track expenses and foregone revenues associated with the Plan in FERC accounts that are separate and distinct from accounts used in the course of normal operations. Finally, Staff requests that the Commission emphasize through its order that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in the appropriate future proceeding(s) before the Commission. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, reasonableness, and any potential double-recovery, will be considered when DP&L files the application(s) to recover the deferred amounts.

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Summary: Staff Review and Recommendation in the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority electronically filed by Zee Molter on behalf of PUCO Staff