**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of The Dayton Power and Light Company for Authority to Transfer or Sell Its Generation Assets.  | :::: | Case No. 13-2420-EL-UNC |

**COMMENTS ON THE AMENDED SUPPLEMENTAL APPLICATION**

**SUBMITTED ON BEHALF OF THE STAFF OF**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

 On May 23, 2014, DP&L filed an Amended Supplemental Application in this docket to provide additional details regarding its plans to transfer or sell its generation assets. Staff will respond to various proposals and requests made by DP&L in their Amended Supplemental Application.

 DP&L proposes two alternative options in its Amended Supplemental Application, referred to as “Tracks,” to divest their generation assets. Track 1 proposes to transfer the generation assets to a newly formed subsidiary of DP&L via an Asset Contribution Agreement. In this Track 1 scenario, DP&L states the newly formed subsidiary will be transferred from DP&L to its parent company DPL, Inc., who will continue to own and operate the generation assets in a newly formed GenCo subsidiary. Track 2 is similar to Track 1 in that DP&L will form a subsidiary company in which to transfer the generation assets through an Asset Contribution Agreement, and then the subsidiary company will also be transferred from DP&L to its parent DPL, Inc. The distinguishing differences between the Tracks are two-fold. First, in the Track 2 scenario, DPL, Inc., will sell all of its interests in the GenCo subsidiary to a third party. The second distinction is the time frame of when the transfer and subsequent sale will take place.

 In either Track scenario, there are some basic underlying requests contained within DP&L’s Amended Supplemental Application. Staff will focus on these underlying simi­larities with these comments.

# Transfer at Fair Market Value

 DP&L has requested to consummate the transfer using a fair market value (FMV) approach to establish the value of the generation assets. As a matter of historical practice and precedence, this Commission has used net book value (NBV) approach to establish the value of an asset in a transfer. NBV not only provides a known and measurable value, but also protects the utility and ratepayers from excessive losses due to fluctuations in value based on ever changing market conditions. Rates are set on NBV, which means that customers pay for service based upon plant assets at NBV and the utility earns a return on plant assets at NBV regardless of fluctuations in market value over time. It seems only logical for DP&L to transfer its generation assets at NBV in keeping with Commission precedence and maintaining similar treatment as was afforded to the other utilities that have or are in the process of transferring their generation assets. If the Com­mission would deem the transfer using FMV, the Staff recommends that the Commission consider the necessity of a hearing. However, if assets are transferred at NBV, as Staff suggests, a hearing may not be necessary.

# Service Stability Rider (SSR) & SEET

 DP&L is requesting in their Amended Supplemental Application to continue the Service Stability Rider (SSR) authorized in Case No. 12-426-EL-SSO. Staff believes that it is premature to establish a position on DP&L’s SSR charge until the re-hearing process is complete in Case No. 12-426-EL-SSO. Staff also recognizes that the sale or transfer of the generation assets is a unique occurrence, however, the impacts of such transaction on the SEET are unknown at this time and Staff recommends that the Commission does not address any SEET issues until an actual SEET filing is made by DP&L.

# Environmental Liabilities

 DP&L is requesting authority to retain responsibility for future environmental lia­bilities associated with DP&L’s historic ownership of its generation facilities. The Com­pany’s request has not been changed in this Amended Supplemental Application from their request in their Supplemental Application filed in this docket on February 25, 2014. Staff’s position on DP&L’s request concerning environmental liabilities has not changed from the Supplemental Comments filed in this docket on March 25, 2014, and Staff con­tinues to recommend that all environmental liabilities associated with the plants should transfer with the assets. This is especially the case in considering DP&L’s request to waive the requirement of a hearing, as described below.

# Cost of Sale

 DP&L requests that it be permitted to recover all financing costs, redemption costs, amendment fees, investment banking fees, advisor costs, taxes, and related costs related to the separation of the generation assets. DP&L has included estimated costs of up to $10 million in the case of Track 1 and up to $45 million in the case of Track 2. It further states that costs incurred “exclusively” by the GenCo will be borne by the newly formed GenCo entity. Due to the wide range and variability in estimated transactional costs involved with the two possible Tracks, Staff recommends that the Commission instruct DP&L to meticulously document all costs incurred during the sale or transfer process and direct DP&L to make a separate filing in the future for all costs it seeks to recover. This will enable Staff the opportunity to more thoroughly review the prudency of the costs associated with the sale or transfer process and make a recommendation of those costs deemed eligible for recovery from DP&L customers.

# Ohio Valley Electric Corporation (“OVEC”)

 DP&L is requesting authority to retain its interest in OVEC due to anticipated dif­ficulty in obtaining the necessary consents from other OVEC members to allow DP&L’s share to be transferred to a stand-alone GenCo. The Company’s request has not been changed in this Amended Supplemental Application from their request in their Supple­mental Application filed in this docket on February 25, 2014. Staff’s position on DP&L’s request concerning OVEC has not changed from the Supplemental Comments filed in this docket on March 25, 2014, and DP&L should at a minimum make a good faith effort to sell or transfer its OVEC interests to the GenCo.

# Hearing Requirement

 As a final matter, DP&L requests that the Commission waive the requirement for a hearing in this proceeding. DP&L’s rationale for a hearing waiver in this proceeding rests upon the extensive evidentiary hearing in DP&L’s recent ESP case regarding the transfer of its generation assets as well as a request to receive consistent treatment given to other utility companies’ (AEP Ohio and Duke Energy Ohio) generation asset transfer cases. Staff believes waiving the hearing requirement in this proceeding may be appropriate provided the DP&L separation of generation assets is carried out in a similar manner to the other two cases referenced in its Amended Supplemental Application page 18, item #35, in terms of: a) transferring the generation assets at NBV; and b) all environ­mental liabilities associated with the generation plants transfer along with the assets.

Respectfully submitted,

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*/s/ Thomas W. McNamee*

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# PROOF OF SERVICE

 I hereby certify that a true copy of the foregoing **Comments on the Amended Supplemental Application** submitted on behalf of the Staff of the Public Utilities Com­mis­sion of Ohio,was served by email, upon the following Parties of Record, this 30th day of June, 2014.

*/s/ Thomas W. McNamee*

**Thomas McNamee**

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**Parties of Record:**

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