

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The )  
Dayton Power and Light Company for )  
Authority to Modify its Accounting ) Case No. 12-2281-EL-AAM  
Procedure for Certain Storm-Related )  
Service Restoration Costs. )

FINDING AND ORDER

The Commission finds:

- (1) The Dayton Power and Light Company (DP&L or the Company) is a public utility as defined by Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) On August 10, 2012, DP&L filed this application, as amended on October 19, 2012, seeking authority to defer, as a regulatory asset, the distribution-related Operation and Maintenance (O&M) expenses associated with restoring electric service as a result of damage by the storms that took place during the final weekend of June 2012. The Company proposes to defer, for future recovery, these O&M expenses, with carrying costs based on its actual cost of long-term debt of 5.86 percent, as approved in DP&L's last Electric Security Plan (ESP), Case No. 08-1094-EL-SSO, et al. As of September 30, 2012, the Company estimates the amount of the deferral to be approximately \$5.9 million.
- (3) The Company is not requesting, at this time, to commence recovery of the O&M expenses associated with repairing/replacing the distribution facilities damaged by the June storms. Rather, it seeks approval to defer the related O&M expenses, with carrying costs, for future recovery, over a period of time and beginning at a date to be determined by the Commission in a future proceeding.

- (4) On December 11, 2012, the Office of the Ohio Consumers' Counsel (OCC) filed comments to DP&L's application seeking authority to defer, as a regulatory asset, the distribution-related O&M expenses. OCC argues that the Commission should reject DP&L's deferral request because DP&L has not provided detailed information on the expense it seeks to defer. OCC further argues that if the deferral is granted, the amount should be reduced by the three-year average of O&M expenses associated with major storms, that if a carrying charge is authorized it should be set at 4.943 percent instead of the 5.86 percent requested, and that the accrual of carrying costs (on unamortized deferral balances) should be limited to 12 months.
- (5) On December 13, 2012, DP&L filed reply comments to OCC's comments. DP&L first notes in its reply comments that it filed this case in early August and that OCC waited four months to file comments, until the end of business on the day before this case was scheduled to go before the Commission. DP&L then notes that this case is not an application seeking storm cost recovery but an application for authority to defer the O&M costs as a result of the storm. DP&L argues that its O&M expenses should not be reduced by the three-year average of O&M expenses associated with major storms, that the 5.86 percent carrying costs should be approved because 5.86 percent is the approved cost of long-term debt in its current ESP, and that the carrying costs should continue until the balance is recovered.
- (6) The Commission finds that the application seeking authority to modify the Company's accounting procedures to defer incremental O&M expenses associated with the June 2012 wind storm is reasonable and should be approved.
- (7) DP&L seeks a carrying cost equal to its long term cost of debt in its most recently *approved* ESP, whereas OCC

comments that the carrying cost should be equal to DP&L's cost of long-term debt in its most recently *proposed* ESP. In Case No. 08-1332-EL-AAM, the Commission approved carrying costs at the rate of the cost of long-term debt found in the ESP that DP&L was proposing at the time. The Commission finds that the precedent set in Case No. 08-1332-EL-AAM is not sound regulatory policy and is not consistent with general ratemaking principles. Sound regulatory policy directs that the carrying cost rate should be set equal to the most recently approved cost of long-term debt. When a new cost of long-term debt is approved, the carrying costs should then be amended to reflect the newly approved rate. The Commission finds that the rate for the carrying costs should be set at the most-recently approved cost of long-term debt, which is 5.86 percent, and should continue until the balance is recovered.

- (8) On August 10, 2012, DP&L filed its original application indicating that the deferred O&M expenses should be reduced by the three-year average of O&M expenses associated with major storms. However, on October 19, 2012, DP&L amended its application to request deferral of the full costs. OCC argues in its comments that the deferred O&M expenses should be reduced by the three-year average of O&M expenses associated with major storms, as indicated in DP&L's original application. The Commission finds that DP&L's deferred O&M expenses should be reduced by the three-year average of O&M expenses associated with major storms.
- (9) DP&L is directed to separately identify and record in a sub-account of Account 182, Other Regulatory Assets, all O&M costs to be deferred by the Company.
- (10) The determination of the reasonableness of the deferred amounts and the recovery thereof, if any, will be examined and addressed in a future proceeding before the Commission. As the Supreme Court has previously held,

deferrals do not constitute ratemaking. *See Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio-4164, 871 N.E.2d 1176.

- (11) On August 30, 2012, the Office of the Ohio Consumers' Counsel (OCC) filed a motion and memorandum in support to intervene in this proceeding. No memorandum contra was filed. The Commission finds that the motion is reasonable and should be granted.

It is, therefore,

ORDERED, That the application, as amended, by DP&L to modify accounting procedures to defer incremental O&M costs related to the June, 2012, wind storm service restoration expenses is approved in accordance with finding (6). It is, further,

ORDERED, That the carrying costs associated with the deferral be set at 5.86 percent in accordance with finding (7). It is, further,

ORDERED, That the deferred O&M expenses be reduced by the three-year average of O&M expenses associated with major storms in accordance with finding (8). It is, further,

ORDERED, That DP&L separately identify and record in a sub-account of Account 182, Other Regulatory Assets, all O&M costs to be deferred in accordance with finding (9). It is, further,


ORDERED, That the motion to intervene filed by OCC is granted in accordance with finding (11). It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

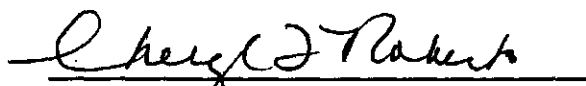
ORDERED, That a copy of this Finding and Order be served upon all parties of record.

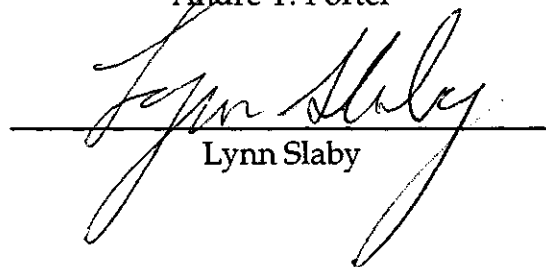
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Todd A. Snitchler, Chairman

  
Steven D. Lesser

  
Andre T. Porter

  
Cheryl L. Roberto

  
Lynn Slaby

BAM/sc

Entered in the Journal

**DEC 19 2012**

  
Barcy F. McNeal

Barcy F. McNeal  
Secretary