

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
The Dayton Power And Light Company	)	Case No. 13-2420-EL-UNC
For Authority to Transfer or Sell Its	)	
Generation Assets	)	

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**COMMENTS OF AEP GENERATION RESOURCES INC.**

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**I. Introduction**

On December 30, 2013, The Dayton Power & Light Company (“DP&L”) filed an application seeking authorization under Section 4928.17(E), Ohio Revised Code, to transfer, sell, or decommission some or all of its generation assets. On February 25, 2014, DP&L filed a supplemental application containing significantly more detail regarding its plan to divest its generation assets as required by the Commission.<sup>1</sup>

AEP Generation Resources Inc. (“AEP Generation”) supports the corporate separation of DP&L’s generation assets; the terms of that separation, however, should not impair the interests of the co-owners of certain DP&L generation assets. Specifically, AEP Generation believes that the outcome of DP&L’s corporate separation should ensure that the co-owners of the Zimmer unit 1, Beckjord unit 6, Stuart units 1-4 and Conesville 4 generating stations (collectively, the “CCD units”) are on comparable footing with regard to the value of their assets and the liabilities associated with those assets following separation.

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<sup>1</sup> *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Case No. 12-426-EL-SSO, Opinion and Order (September 4, 2013), *rehearing granted in part, denied in part*, Second Entry on Rehearing (March 19, 2014) (DP&L ordered, in relevant part, to complete the sale or transfer of its generation assets no later than January 1, 2016).

## II. Background

AEP Generation Resources Inc.<sup>2</sup> (“AEP Generation”) is an affiliate of American Electric Power Company formed to own and operate certain generation assets formerly owned by Ohio Power Company (“Ohio Power”) upon separation of Ohio Power’s generation and power marketing from its distribution and transmission businesses, as ordered by the Commission.<sup>3</sup> That separation was finalized on December 31, 2013. As of January 1, 2014, AEP Generation became the co-owner of several generation assets at issue in this proceeding that are jointly owned DP&L.

DP&L is in the process of completing full legal corporate separation. In its supplemental application for authority to transfer its generation assets, DP&L acknowledges that it is still evaluating various options and obstacles associated with transferring its generation assets on or before May 31, 2017. DP&L seeks authorization to transfer these assets at the fair market value<sup>4</sup> to an unregulated affiliate, but DP&L also raises the possibility of a sale to an unaffiliated third party.

In anticipation of a proposed transfer or sale, DP&L’s application seeks Commission approval of the following: 1) Service Stability Rider to continue throughout the term of DP&L’s current electric security plan (“ESP”); 2) Environmental liabilities to

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<sup>2</sup> AEP Generation filed a motion to intervene in this docket on March 18, 2014.

<sup>3</sup> See Case No. 12-1126-EL-UNC, *In the Matter of the Application of Ohio Power Company for Approval of Full Legal Corporate Separation Plan and Amendment to Its Corporate Separation Plan*, Opinion and Order (October 17, 2012) (“Ohio Power Order”).

<sup>4</sup> Ohio Power successfully sought waiver of Ohio Admin. Code Section 4901:1-37-09(C)(4) and the Commission approved the transfer of Ohio Power’s generation assets at net book value. Ohio Power Order, Case No. 12-1126-EL-UNC. Likewise, as part of a comprehensive settlement in its last ESP case, Duke agreed to transfer its generation assets at net book value. *In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Serv. Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Elect. Sec. Plan, Accounting Modifications, and Tariffs for Generation Serv.*, Docket No. 11-3549-EL-SSO, *et al.*, Opinion and Order (Nov. 22, 2011).

be retained by the regulated utility; 3) recovery of the costs of sale; 4) DP&L to retain its interest in OVEC; and 5) temporary adjustment of DP&L's approved capital ratio.

### **III. Comments**

AEP Generation's interest in this proceeding is limited to encouraging the Commission to promote consistent treatment and a level playing field for competition in Ohio. To that end, AEP Generation does not take a position on DP&L's specific requests with the exception of its proposal to retain environmental liabilities, as set out below. AEP Generation reserves the right to file additional comments in this proceeding if and when DP&L provides additional details regarding its corporate separation plans.

#### **A. Environmental liabilities should be transferred with the associated generation assets**

In its application, DP&L proposes to retain responsibility for future environmental liabilities associated with DP&L's generation facilities. AEP Generation takes no position on whether, as DP&L suggests, the utility should be permitted to seek rate recovery from standard service offer customers for such liabilities.

AEP Generation notes, however, that consistent with the Commission's direction to Ohio Power to divest all of its generation-related assets, Ohio Power transferred not only its generating units but also the land, contractual entitlements and liabilities associated with those units. Thus, AEP Generation assumed the environmental liabilities – known and unknown - associated with the Ohio Power generating assets that AEP Generation now owns, including future environmental liabilities associated with Ohio Power's historic ownership of the units AEP Generation now jointly owns with DP&L. AEP Generation suggests that, consistent with the precedent established in the Ohio Power separation proceedings, requiring DP&L to transfer the environmental liabilities

associated with its generation assets will ensure that the joint owners of the CCD units will be on equal footing with regard to the environmental liabilities associated with those assets.

#### **IV. Conclusion**

AEP Generation supports DP&L's request to transfer its generation assets, and respectfully requests that the Commission act in this proceeding consistent with its Ohio Power Order.

Respectfully submitted,

*s/ Anne M. Vogel*

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was provided to the persons listed below via electronic transmission this 24th day of March, 2014.

s/ Anne M. Vogel

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Summary: Comments of AEP Generation Resources Inc. electronically filed by Anne M Vogel  
on behalf of AEP GENERATION RESOURCES INC