BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

REPLY COMMENTS IN SUPPORT OF THE AMENDED SUPPLEMENTAL APPLICATION OF THE DAYTON POWER AND LIGHT COMPANY TO TRANSFER OR SELL ITS GENERATION ASSETS

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I. INTRODUCTION AND SUMMARY

The Dayton Power and Light Company ("DP&L") filed the Amended Supplemental Application of The Dayton Power and Light Company to Transfer or Sell Its Generation Assets ("Amended Supplemental Application") in response to Staff's comments seeking further details about DP&L's plans to divest its generation assets.[1] The Amended Supplemental Application (¶¶ 4-29) proposes two alternative tracks for divesting those assets: (1) transferring the generation assets to an affiliate ("Track 1") and (2) transferring the generation assets to an affiliate, which would then sell those assets to a third party ("Track 2").

As described in more detail in the Press Release attached to the Notice of Updated Developments by The Dayton Power and Light Company, AES has decided to retain DPL Inc.'s generation assets. Therefore, a Track 2 sale of DP&L's generation assets will not occur in 2014. These Reply Comments nevertheless address a Track 2 sale of DP&L's generation assets in the eventuality that such a sale becomes a possibility in the future.

In the Amended Supplemental Application, DP&L asks (¶¶ 34-35) that the hearing requirement be waived in this matter. Staff commented that "waiving the hearing requirement in this proceeding may be appropriate" if DP&L would (1) transfer its generation assets at net book value and (2) transfer all environmental liabilities associated with the plants with the assets. June 30, 2014 Comments on the Amended Supplemental Application Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio ("Staff Comments"), p. 5. DP&L is willing to agree to transfer its generation assets at net book value and transfer its future

[1] The Commission has ordered DP&L to divest its generation assets by January 1, 2017. 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, et al., Case Nos. 12-426-EL-SSO, et al. ("DP&L ESP Case"), Fourth Entry on Rehearing, ¶ 12 (June 4, 2014).

environmental liabilities with the generation assets if this concession results in the Commission granting DP&L's request to waive a hearing in this proceeding.[2]

The Office of the Ohio Consumers' Counsel ("OCC"), FirstEnergy Solutions Corp. ("FES"), Industrial Energy Users-Ohio ("IEU"), Ohio Energy Group ("OEG"), Ohio Manufacturers' Association Energy Group ("OMA"), and the City of Miamisburg, Ohio ("Miamisburg") have also filed Comments.[3] These Comments generally argue that the Amended Supplemental Application does not provide enough information about the transfer or sale of DP&L's generation assets. They also urge the Commission to reject various proposals by DP&L.

As demonstrated below, the Commission should reject those arguments. The Amended Supplemental Application describes Track 1 and Track 2 in substantial detail and provides all of the detail that DP&L can provide at this time. In addition, for the reasons that follow, the arguments against DP&L's various proposals are unfounded.[4] The Commission should, therefore, approve the Amended Supplemental Application.

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[2] As noted, this condition applies only to future environmental liabilities incurred by the generation affiliate.

[3] June 30, 2014 Comments on DP&L's Amended Supplemental Application by The Office of the Ohio Consumers' Counsel; June 30, 2014 Industrial Energy Users-Ohio's Comments on The Dayton Power and Light Company's Amended Supplemental Application; June 30, 2014 Initial Comments of FirstEnergy Solutions Corp. to DP&L's Amended Supplemental Application to Transfer or Sell Its Generation Assets; June 30, 2014 Comments of the OMA Energy Group; June 30, 2014 Initial Comments of the Ohio Energy Group to DP&L's Amended Supplemental Application to Transfer Its Generation Assets; June 30, 2014 City of Miamisburg's Comments on The Dayton Power & Light Company's Amended Supplemental Application.

[4] Some of the Commenters incorporate by reference Comments that they made in response to the February 25, 2014 Supplemental Application of The Dayton Power and Light Company to Transfer or Sell Its Generation Assets. In response, DP&L incorporates by reference the comments that it made in the April 7, 2014 Reply Comments of The Dayton Power and Light Company.

II. WAIVER OF A HEARING; TRANSFER AT NET BOOK VALUE; TRANSFER OF FUTURE ENVIRONMENTAL LIABILITIES

In the Amended Supplemental Application (¶¶ 34-35), DP&L asks the Commission to waive a hearing under Ohio Admin. Code § 4901:1-37-09(D). That request is consistent with the Commission's Orders in AEP's and Duke's generation asset transfer cases, in which no hearing was required. In the Matter of the Application of Ohio Power Company for Approval of an Amendment to Its Corporate Separation Plan, Case No. 12-1126-EL-UNC, Opinion and Order, p. 11 (Oct. 17, 2012) ("The Commission finds good cause exist to waive any requirement to hold a hearing on the corporate separation application. Given the fact that we have already approved the divestiture of OP's generation assets as a component of the modified ESP 2 cases, subject to approval of the amended corporate separation plan, and that such decision was reached following an extensive hearing, which included testimony in support of divestiture of the generation assets, we find that the requirements of Rule 4901:1-37-09(D), O.A.C., do not apply to this proceeding."); In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications, and Tariffs for Generation Service, et al., Case Nos. 11-3549-EL-SSO, et al. ("Duke ESP Case"), Opinion and Order, p. 46 (Nov. 22, 2011).

As to DP&L's request to waive a hearing, Staff stated:

> "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."

Staff Comments, p. 5.

DP&L is willing to agree to the conditions identified by Staff, i.e., transfer its generation assets at net book value and transfer its future environmental liabilities with its generation assets, in order to carry out its separation and to maintain consistency with the Commission's Orders in AEP's and Duke's generation asset transfer cases, in which cases no hearing was required.

There is no need or reason for the Commission to conduct a hearing in this matter, since the Amended Supplemental Application provides all of the information that DP&L can provide at this time. The purpose of a hearing is to allow the Commission to take evidence so that it can resolve disputes of fact. None of the Commenters that have requested a hearing have explained why a hearing would be beneficial.

III. SEET

In the Amended Supplemental Application (¶ 23), DP&L explains that if a third party purchases DP&L's generation assets, then DP&L may realize an increase in its return on equity ("ROE") above the 12% Significantly Excessive Earnings Test ("SEET") threshold established by the Commission in the DP&L ESP Case. Opinion and Order, p. 26 (Sept. 4, 2014). DP&L asks (¶¶ 24-25) the Commission to exclude any financial impact from this extraordinary event from DP&L's annual SEET calculation.

OCC argues (p. 26) that the Commission should deny this request and accuses DP&L of seeking to "modify or void the 12% SEET threshold" by collateral attack. That assertion is false. DP&L does not seek to alter the 12% SEET threshold set by the Commission. To be clear, DP&L will still be subject to the 12% SEET threshold through the terms of its ESP, as ordered by the Commission. DP&L seeks only an acknowledgement that the process of generation separation may trigger a significant reduction in equity balance, and the SEET calculation should be adjusted for the extraordinary event. This request is completely consistent with the Commission's treatment in other SEET proceedings.

Specifically, DP&L asks the Commission to recognize that the transfer of the generation assets as an immediate precursor to a third-party sale and/or an impairment of the generation assets prior to their transfer will constitute an extraordinary event for purposes of DP&L's annual SEET filing. Past Commission precedent has been to exclude extraordinary items from annual SEET calculations. For example, in Case Number 09-786-EL-UNC, Staff recommended that extraordinary items be excluded from stated financial results. In the Matter of the Investigation into the Development of the Significantly Excessive Earnings Test Pursuant to S.B. 221 for Electric Utilities, Case No. 09-786-EL-UNC ("SEET Test Case"), Staff Recommendations, p. 3 (Nov. 18, 2009). The Commission ordered that annual SEET filings should show the effects on ROE both by including and excluding extraordinary items. SEET Test Case, Finding and Order, pp. 16, 18 (June 30, 2010).

The Commission has excluded the effects of extraordinary items, including fixed asset and goodwill impairments, in several prior proceedings. In Case No. 13-1495-EL-UNC, an adjustment removing a fixed asset impairment loss was made in DP&L's annual filing. In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2012 Under

the Electric Security Plan of The Dayton Power and Light Company, Case No. 13-1495-EL-UNC ("DP&L 2012 SEET Case), Application of The Dayton Power and Light Company, Direct Testimony of Gregory S. Campbell, CPA, p. 5 (July 31, 2013).[4] Similarly, in Case No. 10-1265-EL-UNC, an adjustment removing impairments in the value of investments held in nuclear decommissioning trusts was made in FirstEnergy's annual filing. In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Administration of the Significantly Excessive Earnings Test Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code, Case No. 10-1265-EL-UNC ("FirstEnergy 2009 SEET Case"), Application, Direct Testimony of Harvey L. Wagner, p. 7 (Sept. 1, 2010).[5] Finally, in Case No. 11-4553-EL-UNC, an adjustment was made to remove the reduction in equity resulting from any write-off of goodwill and an actual adjustment to its net income was made to reflect, for the second consecutive year, the impairments in the value of investments in securities held in nuclear decommissioning trusts taken by FirstEnergy in 2009. In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2010 Under the Electric Security Plan of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company,

[4] In the DP&L 2012 SEET Case, the Commission approved a Stipulation and Recommendation between DP&L and Staff, which recommended that "the Commission determine that significantly excessive earnings did not occur with respect to DP&L's ESP in 2012." DP&L 2012 SEET Case, Opinion and Order, pp. 2-4 (Feb. 13, 2014). No parties intervened in that proceeding.

[5] In the FirstEnergy 2009 SEET Case, the Commission approved a Stipulation and Recommendation by and among Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, Ohio Partners for Affordable Energy, Ohio Energy Group, Citizen Power, Inc., and Staff, which recommended that "the Commission determine that significantly excessive earnings under Section 4928.143(F), Revised Code, did not occur with respect to each of the Companies' ESPs in 2009. FirstEnergy 2009 SEET Case, Opinion and Order, pp. 4-6 (Nov. 22, 2010). Although OCC and IEU intervened in that proceeding and did not join the Stipulation and Recommendation, neither opposed it. Id. at 3.

Case No. 11-4553-EL-UNC ("FirstEnergy 2010 SEET Case"), Application, Direct Testimony of Kevin R. Burgess, pp. 6-7 (July 29, 2011).[6]

Staff (p. 3) and OCC (p. 26) argue that it is premature for the Commission to grant DP&L's request. However, DP&L does not ask for a specific amount to be excluded from its SEET calculation at this time. Instead, DP&L merely seeks a ruling that the potential sale of DP&L's generation assets would be treated as an extraordinary event for purposes of DP&L's annual SEET filing.

IV. TERMS AND CONDITIONS OF SALE

Although DP&L cannot transfer its generation assets to an affiliate before 2017 due to structural limitations in its bonds and anticipated financial constraints on DP&L's ability to refinance those bonds, DP&L might be able to sell those assets to a third party before that date.

Several Comments argue that the Amended Supplemental Application is deficient because it does not identify various terms and conditions of the proposed sale of DP&L's generation assets, such as (1) the transfer price (IEU, p. 5; FES, p. 6; OMA, p. 3; Miamisburg, p. 2-3), (2) the transfer date (IEU, p. 5; FES (p. 6); OMA, p. 3; OEG, p. 1), and (3) the identity of the transferee (IEU, p. 5; FES, p. 6; OMA, p. 3; OEG, p. 1; Miamisburg, pp. 2-3). DP&L does

[6] In the FirstEnergy 2010 SEET Case, the Commission approved a Stipulation and Recommendation by and among Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison, and Staff, which recommended that "the Commission determine that significantly excessive earnings did not occur with respect to each of the Companies' ESOPs in 2010." FirstEnergy 2010 SEET Case, Opinion and Order, pp. 3-5 (Jan. 18, 2012). No parties intervened in that proceeding.

not know this information because, with the exception of one generation facility, no third party has agreed to purchase DP&L's generation assets.[7]

The Amended Supplemental Application provides as much detail of DP&L's plans to divest its generation assets as DP&L can currently provide. Unless and until a third party agrees to purchase DP&L's generation assets, DP&L cannot provide specific information about the transfer price, the transfer date, or the identity of the transferee.

FES (p. 7) and OMA (p. 3) demand more information about the structure of the proposed transfer of DP&L's generation assets to an affiliate, including the amount of debt that DP&L will transfer and the amount of cash that DP&L will receive in return for the generation assets. As demonstrated in the Amended Supplemental Application (¶ 10), however, the affiliate would have little or no debt-carrying capacity. Consequently, DP&L cannot plan to transfer any debt into or issue debt from that affiliate. Instead, DP&L plans to retire debt currently held in the utility prior to the time of transfer.

OMA argues that DP&L's proposal to transfer its generation assets by no later than May 31, 2017 is inconsistent with the Commission's order that those assets must be divested no later than January 1, 2017. OMA, p. 2. However, as explained in the Amended Supplemental Application (¶ 6, n. 2), DP&L used the May 31, 2017 date because that was the date it sought in its April 18, 2014 Application for Rehearing of The Dayton Power and Light Company as to the

[7] Duke Energy Kentucky, Inc. has agreed to purchase DP&L's interest in the power plant and related facilities in Rabbit Hash, Kentucky known as East Bend Unit 2, and DP&L is seeking the Commission's approval of that transaction. In the Matter of The Dayton Power and Light Company's Planned Sale of East Bend Unit 2, Case No. 14-1084-EL-UNC, Application of The Dayton Power and Light Company for Approval of East Bend Transaction (Jun. 13, 2014). IEU (p. 8) suggests that DP&L's "ignorance" of the terms and conditions of the transfer or sale of DP&L's remaining generation assets is inconsistent with the details included in DP&L's East Bend application. On the contrary, the East Bend application demonstrates what information becomes available once a third party agrees to purchase a generation asset. However, no third party has agreed to purchase DP&L's remaining generation assets.

Second Entry on Rehearing (Case Nos. 12-426-EL-SSO, et al.). The Commission subsequently established a deadline of January 1, 2017. DP&L ESP Case, Fourth Entry on Rehearing, ¶ 12. DP&L will comply with that deadline.

V. SSR

In the Amended Supplemental Application, ¶ 27(a), DP&L asks the Commission to find that the Service Stability Rider ("SSR") shall continue regardless of when DP&L is able to transfer the generation assets, and regardless of whether DP&L transfers its generation assets to a third party or to an affiliate. Staff (p. 3) states that it will not establish a position on the SSR charge until the rehearing process in the DP&L ESP Case is complete.

IEU (p. 10) argues that the SSR should terminate when DP&L divests its generation assets. The Commission has already rejected IEU's argument. In the DP&L ESP Case, "OEG, IEU-Ohio, and OCC each argue[d] that it is unreasonable for DP&L to collect the SSR after divestiture occurs." Fourth Entry on Rehearing, ¶ 15. The Commission denied rehearing on that issue, finding that the "arguments raised by OEG, IEU-Ohio and OCC rest on the false premise that the SSR and the SSR-E are generation-related charges intended to maintain the financial integrity of DP&L's generation business." Id. at ¶ 16. "As the Commission has previously noted, the SSR and the SSR-E are financial integrity charges intended to maintain the financial integrity of the entire company, not just the generation business." Id. (citing DP&L ESP Case, Second Entry on Rehearing, p. 3). "Therefore, when DP&L does, in fact, divest the generation assets, it does not necessarily follow that the SSR or the SSR-E must end." Id. The Commission thus should not revisit that already-decided issue in this case.

Indeed, the Commission authorized AEP to continue to collect its stability rider after its generation assets were transferred. Specifically, in AEP's ESP case, the Commission authorized AEP to continue to recover its stability charge until May 31, 2015, but approved AEP's plan to transfer its generation assets by January 1, 2014. In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, et al., Case Nos. 11-346-EL-SSO, et al., Opinion and Order, pp. 36 and 57 (Aug. 8, 2012). The Commission should similarly allow DP&L to recover its SSR even if it transfers its generation assets before the SSR expires.[8]

OCC argues (pp. 14-15) that DP&L is attempting to relitigate when the SSR and SSR-E will terminate. The Commission has ordered that the SSR will end on December 31, 2016, and that the SSR-E, if authorized, will end on April 30, 2017. DP&L ESP Case, Second Entry on Rehearing, ¶ 51 (Mar. 19, 2014). To clarify, DP&L's Amended Supplemental Application does not seek to extend the dates for either charge.

VI. DEBT RATIO

In the Amended Supplemental Application, ¶ 27(e), DP&L asks the Commission to allow DP&L to temporarily maintain total long-term debt of $750 million or total debt equal to 75% of rate base, whichever is greater, after the transfer of DP&L's generation assets. DP&L asks to maintain this debt level through 2018, where additional debt reduction will be conditioned on market recovery and an ability to reallocate debt to its non-regulated affiliate if

[8] The Commission authorized similar recovery for Duke. Duke ESP Case, Case Nos. 11-3549-EL-SSO, et al., Stipulation and Recommendation § VII.A. (Oct. 24, 2011) (Duke to collect electric service stability charge for years 2012, 2013 and 2014), § VIII.A. (Duke to transfer generation assets "on or before December 31, 2014"). The Commission approved that Stipulation. Duke ESP Case, Opinion and Order (Nov. 22, 2011).

the assets are transferred to an affiliate (Track 1) or until a third-party sales process is complete (Track 2). Amended Supplemental Application, ¶ 27(e). DP&L seeks a waiver of the Commission's Order that DP&L maintain a capital structure that includes an equity ratio of at least 50%. In the Matter of the Application of The AES Corporation, Dolphin Sub, Inc., DPL Inc. and The Dayton Power and Light Company for Consent and Approval for a Change of Control of The Dayton Power and Light Company, Case No. 11-3002-EL-MER ("DP&L Merger Case"), Finding and Order, ¶ 19(e) (Nov. 22, 2011).

Some Commenters (OCC, p. 10; IEU, p. 14) ask the Commission not to waive the requirement that DP&L maintain an equity ratio of at least 50%. OCC argues (p. 10) that DP&L cannot relitigate the issue of its debt ratio under the doctrine of collateral estoppel. However, it is well-settled that the Commission may reconsider its prior orders, provided that it explains its reason for doing so. Ohio Consumers' Counsel v. Pub. Util. Comm., 114 Ohio St.3d 340, 2007-Ohio-4276, 872 N.E.2d 269, ¶ 14 ("The commission may change or modify earlier orders as long as it justifies any changes."). In this case, circumstances have changed since the Commission's ordered DP&L to maintain an equity ratio of at least 50% because the Commission subsequently ordered DP&L to separate its generation assets. It is, therefore, appropriate for the Commission to consider this issue. Contrary to the position of OCC, the DP&L Merger Case does not establish DP&L's capital ratio in perpetuity regardless of future events.

OCC also argues (p. 10) that DP&L should not be permitted to pay dividends to its parent company "until completion of the generation divestiture and until it restores its capital structure to reasonable levels as required under the merger settlement." That comment is unreasonable and would constitute an unlawful taking because it would effectively deprive DP&L's shareholders of the benefit of their investments. It is well-settled that utility investors

are entitled to an opportunity to earn a reasonable return on their investment and denying DP&L the right to pay dividends would constitute a taking. Ohio Edison Co. v. Pub. Util. Comm., 63 Ohio St.3d 555, 562-63, 589 N.E.2d 1292 (1992) (per curiam) (quoting Fed. Power Comm. v. Hope Natural Gas Co., 320 U.S. 591, 603, 64 S. Ct. 281 (1944)).

FES complains (pp. 4) that DP&L "has not yet conclusively determined whether it will transfer the generation assets subject to debt." In the Amended Supplemental Application (¶ 10), however, DP&L explains that the corporate affiliate receiving the generation assets would have no debt-carrying capacity. In other words, the affiliate to whom the generation assets would be transferred could not support any debt (i.e., lenders would not loan it money). DP&L thus cannot transfer any debt to an affiliate.

VII. COSTS OF TRANSFER OR SALE

In its Amended Supplemental Application, ¶ 27(c), DP&L asks that it be permitted to recover all financing costs, redemption costs, amendment fees, investment banking fees, advisor costs, taxes and related costs that it incurs to comply with the Commission's Order that DP&L separate its generation assets. DP&L cannot identify the amounts of these costs at this point in time, since no sale is currently contemplated. However, DP&L has estimated those costs to be up to $10 million in the case of Track 1. Amended Supplemental Application, ¶ 27(c).

OCC (pp. 19-20) and IEU (p. 15) argue that DP&L should not be permitted to recover those costs because they are generation related. The Commission should reject those arguments. These expenses are costs that DP&L (not an affiliate of DP&L and not a third-party buyer) must incur pursuant to Ohio law (Ohio Rev. Code § 4928.17) and a Commission Order.

DP&L ESP Case, Entry Nunc Pro Tunc, p. 2 (Sept. 6, 2013). These expenses should thus be borne by DP&L (the party that must incur them as a matter of law) and are recoverable under Ohio Rev. Code § 4928.143(B)(2)(h), which authorizes a utility's ESP to include "[p]rovisions regarding the utility's distribution service, including, without limitation and notwithstanding any provision of Title XLIX of the Revised Code to the contrary, provisions regarding single issue ratemaking."

DP&L does not object to Staff's review of these expenses for reasonableness before recovery is authorized. DP&L further agrees – consistent with the comments of Staff (p. 4) and FES (p. 3) – to document all expenses associated with the sale or transfer process. Contrary to the position of Staff (p. 4) and FES (p. 3), however, DP&L maintains that its request for recovery should be filed in this docket.

VIII. OVEC

As to DP&L's interest in Ohio Valley Electric Cooperative ("OVEC"), DP&L's Amended Supplemental Application, ¶ 27(d), states that DP&L does not expect to be able to transfer its interests in OVEC because the OVEC Sponsoring Companies have refused to grant such consent to other utilities. DP&L does not propose that any of the retail rate issues relating to OVEC be resolved in this proceeding, but rather, will seek rate recovery in a separate proceeding. DP&L does ask that the Commission grant accounting authority pursuant to Ohio Rev. Code § 4905.13, to permit DP&L to defer the costs associated with OVEC that are not recovered through DP&L's fuel rider.

Staff (p. 4), OCC (pp. 21-22), and IEU (pp. 12-13) state that DP&L should seek authority from the OVEC Sponsoring Companies for permission for DP&L to transfer its

interests in OVEC. DP&L has no reason to believe or expect that the OVEC Sponsoring Companies, which would not grant permission to AEP just last year, would suddenly change course and consent to DP&L's transfer of its interests. Requiring DP&L to go through the timely process of seeking consent, with every reason to expect it will not be given, would only result in additional delay and a need to amend DP&L's plan once again. DP&L should not be required to perform a futile act.

IEU (pp. 13) argues that the Amended and Restated Inter-company Power Agreement ("ICPA") authorizes DP&L to transfer its generation assets without consent of the Sponsoring Companies. Not so. Section 9.182 of the ICPA (which IEU quotes) states that the transfer must be "in form and substance acceptable to [OVEC]." (Excerpts attached to the March 25, 2014 Comments of Industrial Energy Users-Ohio). That section thus requires the consent of the Sponsoring Companies.

Section 9.183 (which IEU cites) grants DP&L certain rights to sell its OVEC interests to a third party, subject to certain rights of first refusal of the Sponsoring Companies; IEU does not claim that any of those conditions can be satisfied. More importantly, given OVEC's operating costs and the current generation market, DP&L is not aware of any third party that would be willing to purchase DP&L's interest in OVEC.

OCC argues (p. 22) that it is premature for the Commission to grant accounting authority to defer any OVEC costs. Prior to DP&L being at 100% CBP, DP&L seeks to defer the cost difference from OVEC invoices and the amount DP&L recovers through its Fuel Rider. This amount changes over time because of the CBP blending percentage, and deferral will begin upon Commission Order in this case. Once DP&L is at 100% CBP, DP&L will be deferring all

of the OVEC costs, net of the market value of that power. DP&L is incurring such costs now, so it is appropriate to defer them now.

IX. EFFECT ON SSO

Some Commenters (IEU, pp. 3-4, 9; FES, p. 3, 5-6) argue that DP&L has not identified the effect that the transfer or sale will have on the SSO. As explained in the Amended Supplemental Application, ¶ 30, 100% of DP&L's SSO will be supplied through competitive bidding before the deadline for DP&L to transfer its assets to an affiliate. Rates approved in the most recent ESP will not increase or decrease during the ESP term.

X. HUTCHINGS STATION

Miamisburg comments (p. 2) that DP&L has provided inconsistent information about the current operational status of the O.H. Hutchings Generating Station. DP&L has represented that it has not yet fully developed a plan for cleanup or closure of the facility and that "DP&L still has operating generation, transmission and distribution assets at Hutchings Station." The Dayton Power and Light Company's Fourth Supplemental Objections and Responses to Interrogatories and Request for Production of Documents by The Office of the Ohio Consumers' Counsel (First Set March 28, 2014), INT-92. Miamisburg alleges (p. 2), however, that earlier this year, DP&L and its environmental consultant, CH2M Hill, made a presentation to the Ohio EPA in which they represented that Hutchings was closed in 2012. Miamisburg claims that information is inconsistent. It is not inconsistent. The coal-fired generation units at Hutching ceased operation in 2012. Unit 7 at Hutchings is a combustion turbine that can operate on natural gas or fuel oil and has not been retired. Its operation, however, is minimal. There are also currently transmission and distribution assets in operation at the site.

XI. DISCOVERY

IEU (p. 7) complains about DP&L's responses to OCC's discovery requests. However, the party that posed those requests – OCC – makes no such complaints. (DP&L and OCC had an informal discovery conference to discuss and resolve disputed discovery issues). Further, IEU's claim that DP&L stated that it "will supplement" in response to OCC's discovery requests is misleading. DP&L produced its discovery responses to OCC on a rolling basis so that OCC would receive DP&L's answers as soon as possible. Some requests took more time to answer than others, and DP&L indicated that it would supplement those answers in earlier versions of its discovery responses. However, none of DP&L's responses remain to be supplemented (a fact that was true when IEU submitted its Comments).

XII. CONCLUSION

The Commission should approve DP&L's Amended Supplemental Application to transfer or sell its generation assets.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Reply Comments in Support of the Amended Supplemental Application of The Dayton Power and Light Company to Transfer or Sell Its Generation Assets has been served via electronic mail upon the following counsel of record, this 15th day of July, 2014:

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