

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-395-EL-SSO
Approval of Its Electric Security Plan	)	

In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-396-EL-ATA
Approval of Revised Tariffs	)	

In the Matter of the Application of	)	
The Dayton Power and Light Company for	)	Case No. 16-397-EL-AAM
Approval of Certain Accounting Authority	)	
Pursuant to Ohio Rev. Code § 4905.13	)	

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**REPLY BRIEF OF INDUSTRIAL ENERGY USERS-OHIO**

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**May 15, 2017**

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CERTIFICATE OF SERVICE

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**I. INTRODUCTION**

On March 14, 2017, an Amended Stipulation and Recommendation (“Stipulation”) was submitted in this proceeding to establish the terms of the Dayton Power and Light Company’s (“DP&L”) third electric security plan (“ESP”).<sup>1</sup> Among other things, the Stipulation recommends approval of certain economic development provisions,<sup>2</sup> modification and approval of DP&L’s proposed Reconciliation Rider (“RR”) such that the rider is collected on a bypassable basis,<sup>3</sup> approval of a Transmission Cost Recovery Rider – Non-Bypassable (“TCRR-N”) pilot program that restores the procurement and billing of certain transmission services to how such service was procured and billed prior to the

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<sup>1</sup> Joint Ex. 1.

<sup>2</sup> Joint Ex. 1 at 9-12.

<sup>3</sup> Joint Ex. 1 at 13-14.

implementation of the TCRR-N,<sup>4</sup> and approval of a cost-allocation methodology for the proposed Distribution Modernization Rider (“DMR”).

In its Initial Brief, the Office of the Ohio Consumers’ Counsel (“OCC”) argues that the Commission should reject the Stipulation, in part on the basis that it violates the second and third prongs of the three-pronged test under which the Commission reviews stipulations. Under the three-prong test, the Commission addresses whether the stipulations are the product of serious bargaining among capable and knowledgeable parties, whether the stipulations, as a package, benefit ratepayers and the public interest, and whether the stipulations violate any important regulatory principles.<sup>5</sup>

According to OCC, the TCRR-N pilot program should be modified such that the pilot contains additional “parameters.”<sup>6</sup> OCC also opposes certain economic development provisions because they are not conditioned on an explicit requirement that additional jobs be created and because the economic development incentives are not available to all customers of DP&L.<sup>7</sup> OCC further argues if the Commission approves the DMR that the proposed cost-allocation methodology contained in the Stipulation be altered. Finally, if the Commission authorizes the RR, OCC argues that only charging the RR to the Standard Service Offer (“SSO”) customer would discriminate against customers that take service under the SSO.

The Commission should reject OCC’s claims and proposed modifications to these four aspects of the Stipulation because they are without merit.

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<sup>4</sup> Joint Ex. 1 at 14-17.

<sup>5</sup> *Office of the Consumers’ Counsel v. Pub. Utils. Comm’n of Ohio*, 64 Ohio St.3d 123, 126 (1992).

<sup>6</sup> OCC Initial Brief at 36.

<sup>7</sup> OCC Initial Brief at 38-39, 45-48.

## II. ARGUMENT

### A. **The Commission should reject the parameters OCC seeks to impose on the TCRR-N pilot program because they are unnecessary and unreasonable.**

The Stipulation recommends approval of the TCRR-N pilot program, which allows eligible customers to avoid the TCRR-N and take transmission service directly, or indirectly through a competitive retail electric services (“CRES”) provider, under PJM Interconnection’s (“PJM”) Open Access Transmission Tariff (“OATT”). As OCC witness Haugh recognized, this outcome is consistent with PJM’s OATT.<sup>8</sup> The Commission has also encouraged parties to develop a solution created by the implementation of DP&L’s TCRR-N recognizing “that a number of mercantile customers could benefit by shopping for all transmission services” and therefore “encourage[d] such customers, and IEU-Ohio, to work with Staff” to consider an alternative approach that “could enable these customers to receive an exemption from the TCRR-N and shop for transmission service.”<sup>9</sup> The TCRR-N pilot program does exactly this.

Although none of the initial briefs in this proceeding recommend that the pilot program be rejected, OCC’s brief recommends certain parameters be placed on the TCRR-N pilot program. As discussed below, the parameters OCC proposes are not necessary for the pilot program to satisfy the three-part test the Commission uses to evaluate Stipulations, and moreover, the parameters are unnecessary and unreasonable.

The parameters OCC seeks to have imposed on the pilot program are: (1) an identification of the goals of the pilot; (2) an identification of the potential benefits to

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<sup>8</sup> Tr. Vol. III at 655.

<sup>9</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*, Opinion and Order at 10-11 (Aug. 26, 2016).

participants; (3) a calculation of the potential cost shifts to other customers; (4) and a requirement that the pilot be evaluated after two years.<sup>10</sup> OCC's proposal is without merit because the first two parameters have already been met and require nothing further and the latter two are not supported by the record.

OCC's first two parameters are unnecessary because the information is already known. The Stipulation itself states the goal of the pilot:

[T]he **purpose** of this pilot program is to explore whether certain customers could benefit from opting out of DP&L's TCRR-N and obtaining, directly or indirectly through a certified CRES provider registered in DP&L's territory, all transmission and ancillary services through the Open Access Transmission Tariff and other PJM governing documents ("OATT") approved by the Federal Energy Regulatory Commission ("FERC"), in effect from time to time, as modified by FERC, and applicable to the zone in which the end user is located or whether the administrative burden to DP&L, and the cost and risk to the customer, would render this option impractical.<sup>11</sup>

DP&L witness Schroder also testified that the TCRR-N pilot program was a competitive market enhancement "designed to promote the competitive market in Ohio" that will further "allow competitive generation suppliers to better serve their customers."<sup>12</sup> Thus, the Stipulation and supporting testimony identified the goals and potential benefits of the TCRR-N pilot program.

The record further identifies additional benefits of the pilot program. For example, OCC witness Haugh acknowledged the implementation of the TCRR-N required certain customers to pay more for transmission service, *i.e.* certain customers began to subsidize other customers, a result that the pilot program seeks to partially undo.<sup>13</sup> Mr. Haugh

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<sup>10</sup> OCC Initial Brief at 36; OCC Ex. 11 at 6.

<sup>11</sup> Joint Ex. 1 at 14-15.

<sup>12</sup> DP&L Ex. 3 at 15-16.

<sup>13</sup> Tr. Vol. III at 656; *see id.* at 611 (Mr. Haugh indicated he could not identify any specific differences between the TCRR-N pilot program and how costs were billed prior to the implementation of the TCRR-N).

further admitted that the pilot program could provide additional benefits to participants in the pilot including rate stability and certainty that was not possible under the TCRR-N.<sup>14</sup>

The record also establishes the potential benefit to participants in the pilot program as a result of the difference in billing methodologies between the TCRR-N and PJM's OATT.<sup>15</sup> The majority of transmission costs are billed under the OATT based on a customer's single coincident zonal transmission peak ("1 CP", also known as the Network Service Peak Load or NSPL) while DP&L's TCRR-N is billed based on monthly billing demand.<sup>16</sup> For those customers that can manage their service peak load, the benefits of being billed in accordance with the methodology in PJM's OATT is well known. For example, in a complaint case before FERC challenging AEP-Ohio's non-bypassable charge, OCC stated that the complaint "raise[d] serious concerns regarding the ability of retail customers and CRES providers in Ohio to access wholesale transmission services on the PJM system at Commission-approved Tariff rates."<sup>17</sup> OCC continued that the non-bypassable transmission charge could potentially require "Ohio retail customers, either directly or through their CRES providers, to pay more for transmission service than the filed rate authorized under the PJM Tariff . . . because the Ohio program bases charges for wholesale transmission services on a method that departs from the 1 CP method approved in PJM's Tariff."<sup>18</sup> The TCRR-N pilot program addresses the very issues OCC claimed were "serious concerns."

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<sup>14</sup> Tr. Vol. III at 605-606.

<sup>15</sup> Tr. Vol. III at 652-655.

<sup>16</sup> Tr. Vol. III at 597, 652-655.

<sup>17</sup> *Industrial Energy Users-Ohio v. Ohio Power Co.*, EL16-10-000, Response to Industrial Energy Users-Ohio's Motion to Dismiss Complaint by the Office of the Ohio Consumers' Counsel at 3 (Jan. 6, 2016).

<sup>18</sup> *Id.* at 3-4.

The benefits of the structure of the transmission billing methodology that the pilot program will allow has also been recognized by the Commission and FERC.<sup>19</sup> Both have found that billing transmission costs on a customer's 1 CP sends the appropriate price signals for customers to reduce consumption during times of peak demand on the transmission grid.<sup>20</sup> FERC has also rejected claims that moving towards a 1 CP allocation methodology for transmission services creates an improper cost-shift:

Access charges for use of PJM's transmission system should be allocated to network customers based on a network customer's actual use of PJM's system, consistent with the principle of cost causation.

...

PJM [, however,] maintains that if [] curtailed loads are not added back to the peak usage other customers would have to bear a greater proportion of the costs of the transmission system. But such a higher allocation is not unreasonable, as PJM suggests. The other customers are making greater use of the system during the system coincident peak and are therefore justifiably assigned a larger percentage of the costs. Indeed, . . . what is

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<sup>19</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan*, Case Nos. 12-426-EL-SSO, *et al.*, Opinion and Order at 36 (Sep. 4, 2013) (summarizing arguments against TCRR-N); *In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case Nos. 14-1693-EL-RDR, *et al.*, Opinion and Order at 28 (Mar. 31, 2016) (summarizing stipulation provision recommending the creation of a pilot program for AEP-Ohio's nonbypassable transmission rider where transmission costs would be billed on a 1 CP basis); *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 Nos. 08-1094-EL-SSO, *et al.*, Opinion and Order at 10-11 (Aug. 26, 2016) (recognizing benefits of a bypassable transmission charge); *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO, Opinion and Order at 94 (Mar. 31, 2016) (authorizing a transmission pilot program for FirstEnergy nearly identical to the pilot program proposed in this case).

<sup>20</sup> *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO, Opinion and Order at 94 (Mar. 31, 2016) (FirstEnergy's pilot program that is nearly identical to the proposed TCRR-N pilot program "will provide better price signals to industrial customers . . ."); *see also Occidental Chemical Corp. v. PJM*, 102 FERC 61,275 at ¶ 4, 14, 16 (Mar. 12, 2003) (finding that transmission cost allocation based on 1 CP methodology "encourage[s] load response during periods when generation or transmission are in short supply and prices are rising").



unreasonable is [the current allocation methodology] which charges customers a higher rate on peak than their actual usage would support.<sup>21</sup>

Consistent with FERC's requirements, the TCRR-N pilot program will allow customers in the pilot program to be billed based on this actual usage during the transmission peak. Customers that respond to these price signals not only reduce their own transmission costs but reduce the need for additional transmission investments. If additional transmission facilities are not required, all customers benefit.

Finally, the Commission should reject OCC's request for a formal evaluation of the pilot program after two years. Initially, OCC had the opportunity to present evidence seeking to challenge the merits of the pilot program, but voluntarily chose to not do so at the hearing. Additionally, as noted above, the pilot program is consistent with the Commission's prior recognition of a need to develop a solution for the problem created by the creation of the TCRR-N. Furthermore, the goals of the pilot program have been identified, there are multiple benefits of the pilot program which are supported by the record and known to the Commission and parties, and there is not an actual "cost-shift" created by the pilot program that needs studied. The cost-shift occurred when the TCRR-N was implemented and the pilot program works to reverse a portion of the prior cost-shift and does so in a manner consistent with FERC's requirements for "cost-shift." There is nothing to study two years down the road that would impact the lawfulness and reasonableness of the pilot program.

In sum, no party challenges the merits of the TCRR-N pilot program, which is a serious compromise among the parties to resolve issues that OCC itself recognized as

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<sup>21</sup> *Occidental Chemical Corp. v. PJM*, 102 FERC 61,275 at ¶ 16 (Mar. 12, 2003).

very “serious.” The TCRR-N pilot program, as proposed in the Stipulation, satisfied the Commission’s three-part test used to evaluate Stipulations. The additional parameters OCC proposed are unnecessary and unreasonable. Accordingly, the Commission should approve the TCRR-N pilot program as proposed.

**B. The Commission should not accept OCC’s request to strip out economic development incentives from the Stipulation.**

OCC argues that the economic development provisions in Sections IV and V of the Stipulation are not in the public interest and violate important regulatory practices and principles. These provisions include an Economic Development Rider (“EDR”) credit of \$0.004 per kilowatt hour (“kWh”) for certain businesses. Eligible businesses include very large manufacturers with a demand of 10 megawatts (“MW”) or greater with load factor on average of 80% or higher.<sup>22</sup> This credit is also available to large automakers in DP&L’s service territory with a demand of 4 MW or greater.<sup>23</sup> Finally, the credit is available to businesses headquartered in the state of Ohio with aggregate demand of at least 2 MW in DP&L’s service territory.<sup>24</sup> The Stipulation also provides economic development incentives funded by shareholders for certain businesses with facilities in DP&L’s service territory.<sup>25</sup> The record demonstrates that the businesses eligible for the credit are large Ohio employers that contribute significantly to the overall financial condition, jobs, and growth in DP&L’s service territory.<sup>26</sup> The record further demonstrates that the incentives are “designed to promote Ohio’s ability to create and retain jobs,” and “[n]ot only will the

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<sup>22</sup> Joint Ex 1. At 9-10.

<sup>23</sup> Joint Ex. 1 at 10.

<sup>24</sup> Joint Ex. 1 at 10.

<sup>25</sup> Joint Ex. 1 at 11-12.

<sup>26</sup> DP&L Ex. 3 at 12.

EDR assist those businesses to retain existing employees and hire new ones, but there would also be a multiplier effect in that those employees will support local businesses.”<sup>27</sup>

OCC, however, argues that these economic development incentives should not be approved. Initially, OCC claims that the economic development incentives are not tied to any explicit requirement that new jobs be created.<sup>28</sup> OCC also argues that the EDR credit will create “massive burdens on customers” because it will increase electricity costs for the government, schools, and residential customers.<sup>29</sup> OCC further claims that these “massive burdens” will reduce consumer purchasing power with less money being spent on locally-supplied goods and services.<sup>30</sup>

What OCC fails to mention, and despite all the doom and gloom it presents, is that the typical residential customer in DP&L’s service area, as well as many small businesses, will actually see rate decreases as a result of the Stipulation.<sup>31</sup> In contrast to OCC’s brief, OCC witness Kahal described the rate impacts from the Stipulation as “surprisingly modest,” and OCC witness Fortney conceded that customers would see a rate decrease under the Stipulation.<sup>32</sup> Thus, the Stipulation not only promotes economic development for some of the largest employers and biggest contributors to the local economy, but it does so while producing rate decreases.

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<sup>27</sup> DP&L Ex. 3 at 13.

<sup>28</sup> OCC Initial Brief at 39.

<sup>29</sup> OCC Initial Brief at 38-39.

<sup>30</sup> OCC Initial Brief at 39.

<sup>31</sup> DP&L Ex. 3 at 19-20; *see also id.* at Exhibit A.

<sup>32</sup> OCC Ex. 12 at 17; Tr. Vol. IV at 808.

Relying on R.C. 4905.33, OCC further argues that the economic development incentives should be rejected because they are discriminatory.<sup>33</sup> The statute prohibits undue discrimination where different customers are charged different rates for “contemporaneous service under substantially the same circumstances or conditions.”<sup>34</sup> As noted above, the record provides an objective basis for the EDR incentives. The record also supports the economic development incentives more broadly as well. Accordingly, there is no reasonable basis to conclude that the economic development incentives result in similarly situated customers being charged different rates under the same circumstances.

OCC’s brief also fails to recognize that the ESP statute explicitly authorizes what OCC claims is discriminatory treatment. R.C. 4928.143(B)(2)(i) authorizes an ESP to contain “provisions under which the electric distribution utility may implement economic development, job retention, and energy efficiency programs, *which provisions may allocate program costs across all classes of customers of the utility.*”<sup>35</sup> This statutory provision explicitly authorizes economic incentives in instances of “job retention” not only job creation (a condition OCC takes issues with in its brief), but also authorizes economic development incentives be collected from all customers. The record supports the economic development incentives, which may be authorized as a term of an ESP under R.C. 4928.143(B)(2)(i).

Finally, OCC’s discrimination claim as to the shareholder funded economic development incentives fails because OCC has no standing to claim it is injured. The

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<sup>33</sup> OCC Initial Brief at 47-48.

<sup>34</sup> R.C. 4905.33.

<sup>35</sup> R.C. 4928.143(B)(2)(i) (emphasis added).

undue discrimination prohibited by R.C. 4905.33 is premised on the complaining party paying more for the same service supplied under the same circumstances.<sup>36</sup> For those incentives funded by DP&L's shareholders, neither the residential customers represented by OCC nor any other customers will pay any increased rate as a result of the shareholder-funded economic development incentives. Accordingly, these incentives do not violate the anti-discrimination provisions of Ohio law.

In sum, the record demonstrates that the economic development benefits of the Stipulation will benefit energy-intensive employers operating in DP&L's service territory while reducing total bills for typical residential customers and smaller commercial and industrial customers. These provisions are in the public interest and do not violate any important regulatory principle and therefore the Commission should reject OCC's request to have the economic development incentives removed from the Stipulation.

**C. The Commission should reject OCC's claim that the proposed allocation of DMR costs is not in the public interest.**

The Stipulation provides for a division of revenue responsibility for the DMR: 34% will be allocated based on five coincident peaks, 33% will be allocated based on distribution revenue, and 33% will be allocated based on the historic allocation of the current non-bypassable rider.<sup>37</sup> OCC urges the Commission to reject the allocation because it "harms consumers" and recommends an allocation of the revenue requirement

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<sup>36</sup> Statutes prohibiting undue discrimination are common across many jurisdictions. In a case addressing a similar discrimination claim, the Alaska Public Utilities Commission concluded that discrimination claims could not be sustained where the complaining party was not paying increased rates as a result of the alleged discriminatory actions. *In re Amerada Hess Pipeline Corporation*, 13 APUC 448, Case No. P-86-2, Order No. 41 at 6-9 (Oct. 29, 1993).

<sup>37</sup> Joint Ex. 1 at 5.

for the DMR based on 50%-energy and 50%-demand.<sup>38</sup> OCC rests its argument on three complaints. First, according to OCC witness Fortney, a 50-50 split of the revenue responsibility is appropriate because the principle service offered by DP&L is the provision of electricity.<sup>39</sup> Second, OCC complains that residential customers incur too high a responsibility for DMR revenue because “representatives of residential customers did not sign onto the Settlement.”<sup>40</sup> Third, OCC further claims that the assignment will make DP&L’s rates unaffordable. It concludes its argument by pointing to the Commission’s approval of a staff proposal using OCC’s preferred 50-50 split of the revenue responsibility.<sup>41</sup> OCC’s claim that the recommended allocation should be rejected for its preferred outcome is without merit.

OCC’s first complaint that cost allocation principles do not support the proposed allocation of revenue and that the allocation can be based on energy and demand ignores the unique nature of the rider and the fact that DP&L will not be a generation owner and is not supplying company-owned generation services to its customers.<sup>42</sup> As OCC witness Fortney conceded, there was no guidance based on traditional allocation methodologies for the DMR.<sup>43</sup> As became clear during OCC witness Fortney’s cross examination, moreover, the rationale offered by OCC witness Fortney was itself not consistent with the operations of DP&L. The electric distribution utility (“EDU”) is moving toward becoming

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<sup>38</sup> OCC Initial Brief at 41.

<sup>39</sup> OCC Ex. 14 at 9.

<sup>40</sup> OCC Initial Brief at 54.

<sup>41</sup> *Id.* at 55.

<sup>42</sup> See Joint Ex. 1 at 3-4 (DP&L agrees to transfer for sale its generation assets); DP&L Ex. 3 at 9 (DP&L will continue to provide SSO service through a competitive bidding process).

<sup>43</sup> Tr. Vol. IV at 809.

solely a transmission and distribution utility.<sup>44</sup> The Stipulation, if approved, would require DP&L to transfer its generation facilities within 180 days of Commission approval of the Stipulation.<sup>45</sup> Further, DP&L has not used its own generation facilities to provide SSO service for several years.<sup>46</sup> Thus, the claim that the Commission should apply generation related criteria to assign revenue responsibility because it is tied to the provision of electricity is tenuous at best.

OCC's second complaint, that the proposed allocation is the result of the fact that residential customer representatives did not sign the Stipulation, is counter-factual. Although OCC did not sign the Stipulation, People Working Cooperatively, Inc.; Ohio Partners for Affordable Energy; the City of Dayton; and Edgemont Neighborhood Coalition did sign.<sup>47</sup> Each of these parties either directly or indirectly represent residential customers. Because direct and indirect representatives of residential customers did sign the Stipulation, OCC's suggestion of a perverse motive underlying the proposed allocation does not stand the test of the record.

OCC's third complaint, that the allocation will result in unaffordable prices, is equally unavailing. OCC made no showing that current residential rates are unaffordable, but admitted that average customer bills would decline under the Stipulation.<sup>48</sup> The record thus demonstrates that OCC's claim that the allocation should be rejected because

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<sup>44</sup> Tr. Vol. IV at 815.

<sup>45</sup> Joint Ex. 1 at 4.

<sup>46</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan*, Case Nos. 12-426-EL-SSO, *et al.*, Opinion and Order at 16 (Sep. 4, 2013).

<sup>47</sup> Joint Ex. 1 at 39-41

<sup>48</sup> Tr. Vol. IV at 808.

residential rates will become unaffordable again does not withstand the weight of the record.

Apart from the fact that OCC's complaints are not supported by the record, OCC's argument is further undermined by the fact that it failed to present sufficient evidence to support its alternative allocation proposal. As OCC witness Fortney conceded, he did not provide any bill impacts to support his proposal. This failure to support his claims with billing information is fatal to OCC's request.<sup>49</sup>

Because OCC's complaints about the proposed allocation of revenue responsibility and its alternative proposal are not supported by the record, the Commission should reject OCC's claim that the proposed allocation of DMR costs is not in the public interest.

**D. If the Commission approves the provision of the Stipulation that provides for the Reconciliation Rider, the rider should be bypassable.**

The Stipulation recommends that DP&L be permitted to recover its out-of-market costs of Ohio Valley Electric Corporation ("OVEC") through a bypassable rider.<sup>50</sup> Further, DP&L agrees to continue to pursue options to discharge its OVEC obligations.<sup>51</sup>

As part of its argument that the Stipulation is not in the public interest and violates regulatory principles, OCC argues that the RR discriminates against SSO customers because "residential and small commercial customers will bear the brunt of paying the rider, as they are the customers likely to take SSO service."<sup>52</sup> OCC further complains

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<sup>49</sup> *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO, *et al.*, Opinion and Order at 68 (Feb. 25, 2015).

<sup>50</sup> Joint Ex. 1 at 13.

<sup>51</sup> *Id.*

<sup>52</sup> OCC Initial Brief at 42.



that the rider is a violation of regulatory principles because SSO customers will pay for generation service they do not receive.<sup>53</sup> In testimony, OCC proposed that the RR be treated as a nonbypassable rider.<sup>54</sup>

If the rider burdens the SSO as OCC claims, the burden can be avoided if the customer shops for generation service. As the Interstate Gas Supply and the Retail Electric Supply Association (collectively, “RESA”) succinctly explained, “Shopping customers will not be forced to also pay for DP&L’s generation supply from OVEC, and will only pay for the generation that they use, avoiding a violation of state policy.”<sup>55</sup>

The Commission should also reject OCC’s solution to its concern, converting the rider to a nonbypassable charge, because conversion would not conform to Ohio regulatory policy. The state energy policy promotes customer choice.<sup>56</sup> Retail generation service has been deemed competitive,<sup>57</sup> and the Commission is no longer in the generation business.<sup>58</sup> As RESA correctly concluded, “[m]aking the Reconciliation Rider bypassable is reasonable ... and is in the public interest.”<sup>59</sup>

Accordingly, the Commission should reject OCC’s complaints concerning the Reconciliation Rider.

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<sup>53</sup> *Id.* at 55.

<sup>54</sup> OCC Ex. 12 at 38.

<sup>55</sup> Joint Initial Brief of Interstate Gas Supply, Inc. and Retail Energy Supply Association at 12.

<sup>56</sup> R.C. 4928.02.

<sup>57</sup> R.C. 4928.03.

<sup>58</sup> “Haque Addresses OCC Board on PowerForward; NOPEC Warns of ‘Zero Emission’ Nuclear Credits, Hannah Report (May 10, 2017).

<sup>59</sup> Joint Initial Brief of Interstate Gas Supply, Inc. and Retail Energy Supply Association at 12.

### **III. CONCLUSION**

The Stipulation in this case recommends the creation of an economic development credit, shareholder-funded economic development incentives, a TCRR-N pilot program that allows participating customers to obtain transmission service in accordance with federal requirements and based on cost-causation principles, a bypassable RR, and a proposed cost allocation methodology for the proposed DMR. OCC takes issue with these aspects of the Stipulation for a variety of reasons, none of which have merit. Because these aspects of the Stipulation provide benefits to customers and the public interest and do not violate any important regulatory practice or principle, the Commission should reject OCC's arguments seeking to modify these aspects of the Stipulation.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that service copies of the foregoing *Reply Brief of Industrial Energy Users-Ohio* was sent by, or on behalf of, the undersigned counsel for IEU-Ohio to the following parties of record this 15th day of May 2017, *via* electronic transmission.

/s/ Frank P. Darr

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**This foregoing document was electronically filed with the Public Utilities**

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**5/15/2017 2:22:45 PM**

**in**

**Case No(s). 16-0395-EL-SSO, 16-0396-EL-ATA, 16-0397-EL-AAM**

Summary: Brief Reply Brief of Industrial Energy Users-Ohio electronically filed by Ms. Vicki L. Leach-Payne on behalf of Darr, Frank P. Mr.