

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of : Case No. 16-0395-EL-SSO
The Dayton Power and Light Company for
Approval of Its Electric Security Plan :

In the Matter of the Application of : Case No. 16-0396-EL-ATA
The Dayton Power and Light Company for
Approval of Revised Tariffs :

In the Matter of the Application of : Case No. 16-0397-EL-AAM
The Dayton Power and Light Company for
Approval of Certain Accounting Authority :
Pursuant to Ohio Rev. Code § 4905.13

**THE DAYTON POWER AND LIGHT COMPANY'S
MEMORANDUM IN OPPOSITION TO THE MOTION TO TAKE ADMINISTRATIVE
NOTICE BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION AND SUMMARY

The Office of Ohio Consumers Counsel ("OCC") argues that the Commission should take administrative notice of the Form 8-K that was recently filed by The Dayton Power and Light Company ("DP&L"), and should lower the Distribution Modernization Rider ("DMR") amount in light of a potential asset sale announced in that Form 8-K. The Commission should reject OCC's argument for two reasons.

First, the Commission should not take administrative notice of events that occur after the hearing closed, since doing so would deprive DP&L of its right to present evidence addressing facts that were subject to the administrative notice. Second, in any event, the evidence at the hearing showed that a sale of DP&L's generation assets should not affect the DMR amount.

II. THE COMMISSION SHOULD NOT TAKE ADMINISTRATIVE NOTICE

The Supreme Court of Ohio has held that it is error for the Commission to take administrative notice of evidence not available at the time of hearing. Forest Hills Utility Co. v. Pub. Util. Comm'n, 39 Ohio St.2d 1, 3, 313 N.E.2d 801 (1974). The Court explained that "[e]ven though an administrative authority has statutory power to make independent investigations, it is improper for it to base a decision or findings upon facts so obtained, unless such evidence is introduced at a hearing or otherwise brought to the knowledge of the interested parties prior to decision, with an opportunity to explain and rebut." Id. (citation omitted). Thus, "the factors [the Court] deem[s] significant include whether the complaining party had prior knowledge of, and had an adequate opportunity to explain and rebut, the facts administratively noticed." Allen v. Pub. Util. Comm'n, 40 Ohio St.3d 184, 186, 532 N.E.2d 1307 (1988). Accord: Canton Storage & Transfer Co. v. Pub. Util. Comm'n, 72 Ohio St.3d 1, 8, 647 N.E.2d 136 (1995).

Following that precedent, the Commission refused to take administrative notice after the evidentiary record closed in an AEP-Ohio ESP case. Oct. 3, 2011 Opinion and Order, p. 9 (Case No. 08-917-EL-SSO). In that case, AEP-Ohio referred to POLR charges of other Ohio electric distribution utilities in its post-hearing briefs. Id. OCC and other intervenors argued that the Commission should not take administrative notice of those charges because it was "inappropriate to take administrative notice of the information after the record is closed, as it denies them the opportunity to explain and rebut the information through cross-examination, contrary to Ohio Supreme Court and Commission precedent." Id. The Commission agreed and held that "it would be improper to take administrative notice . . . at this stage in the proceedings." Id.

While it was known at the time of the hearing that an asset sale was possible (DP&L's evidence regarding a possible asset sale is discussed below), the specifics of such a sale (including the potential price and timing) were not known. The Commission thus would prejudice DP&L if it were to take administrative notice of the Form 8-K at this late stage of this proceeding. Id. The evidentiary hearing concluded over a month ago, and post-hearing briefs already have been filed. DP&L would not have any opportunity to explain the specific information in the document and rebut any erroneous interpretations of its contents in the evidentiary record. Thus, taking administrative notice would violate DP&L's right to explain whether the information in the Form 8-K demonstrated that the DMR amount should be reduced.

III. IF THE COMMISSION TAKES ADMINISTRATIVE NOTICE, THEN IT SHOULD NOT LOWER THE DMR AMOUNT

In the event the Commission were to take administrative notice of the Form 8-K, it should reject OCC's argument (p. 4) that the Commission should reduce the DMR amount, for two reasons.

First, while the specifics of a potential sale were not known at the time of the hearing, the evidence at the hearing did demonstrate that a sale of the assets should not affect the DMR amount:

"Q. Mr. Malinak, you have been asked a number of questions about whether your modeling included the potential sale of certain generation assets that have been identified in the stipulation as being subject to the sale or the closure of Stuart and Killen. My question to you is would including those items in your modeling have any material effect on your results or conclusion?

A. No.

Q. Why not?

- A. Well, because with respect to the sale, I assume they are going to sell it at market price so that's going to be equal to the present value of the future free cash flows which is all -- which is what I currently included in my model, so it's really getting it early. You are getting it later. You know, you are still going to have a positive rating impact from those -- from those -- the sale of those assets."

Trans. Vol. I, pp. 224-25.

In other words, since the projected profits from the plants are already included in DP&L's financial projections, the sale of the plants does not make a material difference to DP&L's financial integrity issues. Id. There is thus no justification for lowering the DMR amount.

Second, Stipulation ¶ II.2.a (pp. 4-5) establishes that the DMR amount will be \$105 million for three years, and that DP&L can apply to extend the DMR for two additional years. Paragraphs II.1.d and e (p. 4) further provide that DP&L will commence a sale process for Conesville, Miami Fort and Zimmer Stations, and that any proceeds from any sale will be used to make discretionary debt payments. As Craig Jackson testified, he does not believe the DMR alone will be enough to reach an appropriate FFO to debt ratio. Trans. Vol. I, p. 45 ("I don't believe that the 105 will get us there."). There is no provision in the Stipulation that specifies that the DMR amount should be reduced if the sale process is successful.

Indeed, as described in the Form 8-K, the sale is subject to: (1) changes in the purchase price based upon inventories and other items; (2) approval by the Federal Energy Regulatory Commission; and (3) certain closing conditions. It thus is not known at this time whether the transaction will in fact close, and if so, what the price will be. The Commission thus should not lower the DMR amount even if it were to take administrative notice of the Form 8-K.

Respectfully submitted,

/s/Jeffrey S. Sharkey

Charles J. Faruki (0010417)

(Counsel of Record)

D. Jeffrey Ireland (0010443)

Jeffrey S. Sharkey (0067892)

FARUKI IRELAND COX

RHINEHART & DUSING P.L.L.

110 North Main Street, Suite 1600

Dayton, OH 45402

Telephone: (937) 227-3705

Telecopier: (937) 227-3717

Email: cfaruki@ficlaw.com

djireland@ficlaw.com

jsharkey@ficlaw.com

Attorneys for The Dayton Power
and Light Company

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing The Dayton Power and Light Company's Memorandum in Opposition to the Motion to Take Administrative Notice by The Office of the Ohio Consumers' Counsel has been served via electronic mail upon the following counsel of record, this 22nd day of May, 2017:

Thomas McNamee
Natalia Messenger
Public Utilities Commission of Ohio
30 East Broad Street, 16th Floor
Columbus, OH 43215-3793
Email:
thomas.mcnamee@ohioattorneygeneral.gov
natalia.messenger@ohioattorneygeneral.gov

Attorneys for PUCO Staff

Kimberly W. Bojko
James D. Perko, Jr.
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, OH 43215
Email: bojko@carpenterlipps.com
perko@carpenterlipps.com

Attorneys for The Ohio Manufacturers'
Association Energy Group

Kevin R. Schmidt
88 East Broad Street, Suite 1770
Columbus, OH 43215
Email: schmidt@sppgrp.com

Attorney for The Energy Professionals of Ohio

Frank P. Darr (Counsel of Record)
Matthew R. Pritchard
McNees Wallace & Nurick
21 East State Street, 17th Floor
Columbus, OH 43215
Email: fdarr@mwncmh.com
mpritchard@mwncmh.com

Attorneys for Industrial Energy Users – Ohio

David F. Boehm
Michael L. Kurtz
Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
Email: dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com
kboehm@BKLawfirm.com
jkylercohn@BKLawfirm.com

Attorneys for The Ohio Energy Group

Joseph Olikier (Counsel of Record)
Matthew White
Evan Betterton
IGS Energy
6100 Emerald Parkway
Dublin, OH 43016
Email: joliker@igsenergy.com
mswhite@igsenergy.com
Ebetterton@igsenergy.com

Attorney for IGS Energy

Jeffrey W. Mayes
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, PA 19403
Email: jeffrey.mayes@monitoringanalytics.com

Attorneys for Monitoring Analytics, LLC as
The Independent Market Monitor for PJM

Trent Dougherty (Counsel of Record)
Miranda Leppla
Ohio Environmental Council
1145 Chesapeake Ave., Suite 1
Columbus, OH 43212-3449
Email: tdougherty@the OEC.org
mleppla@the OEC.org

Attorney for the Ohio Environmental
Council and Environmental Defense Fund

William J. Michael (Counsel of Record)
Kevin F. Moore
Ajay Kumar
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
Email: william.michael@occ.ohio.gov
kevin.moore@occ.ohio.gov
ajay.kumar@occ.ohio.gov

Attorneys for the Ohio Consumers' Counsel

Michael D. Dortch
Richard R. Parsons
Kravitz, Brown & Dortch, LLC
65 East State Street, Suite 200
Columbus, OH 43215
Email: mdortch@kravitzllc.com
rparsons@kravitzllc.com

Attorneys for Calpine Energy Solutions LLC

Joel E. Sechler (Counsel of Record)
Carpenter Lipps & Leland
280 N. High St., Suite 1300
Columbus, OH 43215
Email: sechler@carpenterlipps.com

Gregory J. Poulos
EnerNOC, Inc.
P.O. Box 29492
Columbus, OH 43229
Email: gpoulos@enernoc.com

Attorneys for EnerNOC, Inc.

Angela Paul Whitfield
Carpenter Lipps & Leland LLP
280 Plaza, Suite 1300
280 North High Street
Columbus, OH 43215
Email: paul@carpenterlipps.com

Attorney for The Kroger Co.

Colleen Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, OH 45839-1793
Email: cmooney@ohiopartners.org

Attorney for Ohio Partners for Affordable
Energy

Madeline Fleisher
Kristin Field
Environmental Law & Policy Center
21 West Broad Street, Suite 500
Columbus, OH 43215
Email: mfleisher@elpc.org
kfield@elpc.org

Attorneys for The Environmental Law &
Policy Center

Richard C. Sahli
Richard C. Sahli Law Office, LLC
981 Pinewood Lane
Columbus, OH 43230-3662
Email: rsahli@columbus.rr.com

Christopher M. Bzdok (pro hac vice)
Olson Bzdok & Howard, P.C.
420 East Front Street
Traverse City, MI 49686
chris@envlaw.com

Tony G. Mendoza, Staff Attorney (pro hac vice)
Kristin Henry, Senior Staff Attorney (pro hac vice)
Sierra Club Environmental Law Program
2101 Webster Street, 13th Floor
Oakland, CA 94612
Email: tony.mendoza@sierraclub.org
kristin.henry@sierraclub.org

Attorneys for Sierra Club

Michael J. Settineri
Stephen M. Howard
Gretchen L. Petrucci
Ilya Batikov
William A. Sieck
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street
Columbus, OH 43215
Email: mjsettineri@vorys.com
smhoward@vorys.com
glpetrucci@vorys.com
ibatikov@vorys.com
wasieck@vorys.com

Attorneys for Dynegy Inc.,
PJM Power Providers Group, and
Retail Energy Supply Association

Michelle Grant
Dynegy Inc.
601 Travis Street, Suite 1400
Houston, TX 77002
Email: michelle.d.grant@dynegy.com

Attorneys for Dynegy Inc.

Steven D. Lesser
James F. Lang
N. Trevor Alexander
Mark T. Keaney
Calfee, Halter & Griswold LLP
41 South High Street
1200 Huntington Center
Columbus, OH 43215
Email: slesser@calfee.com
jlang@calfee.com
talexander@calfee.com
mkeaney@calfee.com

Attorneys for The City of Dayton and
Honda of America Mfg., Inc.

Lisa M. Hawrot
Spilman Thomas & Battle, PLLC
Century Centre Building
1233 Main Street, Suite 4000
Wheeling, WV 26003
Email: lhawrot@spilmanlaw.com

Derrick Price Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
Email: dwilliamson@spilmanlaw.com

Carrie M. Harris
Spilman Thomas & Battle, PLLC
310 First Street, Suite 1100
P.O. Box 90
Roanoke, VA 24002-0090
Email: charris@spilmanlaw.com

Steve W. Chriss
Senior Manager, Energy Regulatory Analysis
Greg Tillman
Senior Manager, Energy Regulatory Analysis
Wal-Mart Stores, Inc.
2001 SE 10th Street
Bentonville, AR 72716-0550
Email: Stephen.Chriss@walmart.com
Greg.Tillman@walmart.com
Attorneys for Wal-Mart Stores East, LP
and Sam's East, Inc.

Glen Thomas
1060 First Avenue, Suite 400
King of Prussia, PA 19406
Email: gthomas@gtpowergroup.com

Sharon Theodore
Electric Power Supply Association
1401 New York Ave. NW 11th Floor
Washington, DC
Email: stheodore@epsa.org

Laura Chappelle
201 North Washington Square, Suite 910
Lansing, MI 48933
Email: laurac@chappelleconsulting.net

Attorneys for PJM Power Providers Group

Ellis Jacobs
Advocates for Basic Legal Equality, Inc.
130 West Second Street, Suite 700 East
Dayton, OH 45402
Email: ejacobs@ablelaw.org

Attorney for Edgemont Neighborhood Coalition

Amy B. Spiller
Jeanne W. Kingery
Elizabeth H. Watts
Duke-Energy Ohio, Inc.
139 East Fourth Street
1303-Main
Cincinnati, OH 45202
Email: amy.spiller@duke-energy.com
jeanne.kingery@duke-energy.com
elizabeth.watts@duke-energy.com

Attorneys for Duke-Energy Ohio, Inc.

Evelyn R. Robinson
2750 Monroe Boulevard
Audubon, PA 19403
Email: evelyn.robinson@pjm.com

Attorney for PJM Interconnection, L.L.C.

Richard L. Sites
Ohio Hospital Association
155 East Broad Street, 3rd Floor
Columbus, OH 43215-3620
Email: rick.sites@ohiohospitals.org

Matthew W. Warnock
Dylan F. Borchers
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
Email: mwarnock@bricker.com
dborchers@bricker.com

Attorneys for The Ohio Hospital Association

Terrence N. O'Donnell
Raymond D. Seiler
Christine M.T. Pirik
William V. Vorys
Dickinson Wright PLLC
150 East Gay Street, Suite 2400
Columbus, OH 43215
Email: todonnell@dickinsonwright.com
rseiler@dickinsonwright.com
cpirik@dickinsonwright.com
wvorys@dickinsonwright.com

Attorneys for Mid-Atlantic Renewable
Energy Coalition

Devin D. Parram
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
Email: dparram@bricker.com

Attorney for People Working
Cooperatively, Inc.

Carl Tamm
President
Classic Connectors, Inc.
382 Park Avenue East
Mansfield, OH 44905
Email: crtamm@classicconnectors.com

C. David Kelley, Prosecutor
Dana N. Whalen
110 West Main Street
West Union, OH 45693
Email: prosecutorkelley@usa.com
dana.whelen@adamscountyoh.gov

Attorneys for Monroe Township, Ohio, Sprigg
Township, Manchester Local School District,
and Adams County Ohio Valley School District

John R. Doll
Matthew T. Crawford
Doll, Jansen & Ford
111 West First Street, Suite 1100
Dayton, OH 45402-1156
Email: jdoll@djflawfirm.com
mcrawford@djflawfirm.com

Attorneys for Utility Workers of
America Local 175

John F. Stock
Orla E. Collier
Benesch, Friedlander, Coplan & Aronoff LLP
41 South High Street, 26th Floor
Columbus, OH 43215
Email: jstock@beneschlaw.com
ocollier@beneschlaw.com

Attorneys for Murray Energy Corporation and
Citizens to Protect DP&L Jobs

Mark Landes
Brian M. Zets
Isaac Wiles Burkholder & Teetor, LLC
Two Miranova Place
Suite 700
Columbus, OH 43215
Email: mlandes@isaacwiles.com
bzets@isaacwiles.com

Attorneys for Adams County Commissioners

/s/ Jeffrey S. Sharkey
Jeffrey S. Sharkey

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Summary: Response The Dayton Power and Light Company's Memorandum in Opposition to the Motion to Take Administrative Notice by the Office of the Ohio Consumers' Counsel electronically filed by Mr. Jeffrey S Sharkey on behalf of The Dayton Power and Light Company