

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE DAYTON POWER AND LIGHT
COMPANY AND WRIGHT-PATTERSON
AIR FORCE BASE FOR APPROVAL OF A
UNIQUE ARRANGEMENT.

CASE No. 14-1217-EL-AEC

OPINION AND ORDER

Entered in the Journal on November 8, 2017

I. SUMMARY

{¶ 1} The Commission, having considered the record in this matter, and being otherwise fully advised, finds that the application for a unique arrangement between The Dayton Power and Light Company and Wright-Patterson Air Force Base is reasonable and should be approved.

II. FACTS AND PROCEDURAL BACKGROUND

{¶ 2} The Commission has the authority to approve a unique arrangement between an electric utility and a customer or group of customers upon application by the customer or the utility, pursuant to R.C. 4905.31 and Ohio Adm.Code 4901:1-38-05. On August 23, 2017, The Dayton Power and Light Company (DP&L) and Wright-Patterson Air Force Base (WPAFB) filed a joint application for a unique arrangement. WPAFB is a customer of DP&L, taking service under the High Voltage tariff. DP&L is an electric light company, as defined by R.C. 4905.03(A)(3), and a public utility, as defined under R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to Ohio Adm.Code 4901:1-38-05(F), interested persons had the opportunity to file comments or objections regarding the application for a unique arrangement. No comments or objections were filed in this proceeding.

{¶ 4} An evidentiary hearing was held on October 10, 2017, in order to consider the application extension. At the evidentiary hearing, testimony was provided by Jessica E. Kellie, Rate Analyst in the Regulatory Operations department at DP&L (Jt. Ex. 2).

A. Summary of the Joint Application

{¶ 5} In the joint application, DP&L and WPAFB explain that approval of the proposed unique arrangement is necessary to maintain the positive impact created by the existing unique arrangement. The joint application explains that WPAFB is Ohio's largest single-site employer, employing more than 28,000 people in the Dayton area, while contributing more than \$4.4 billion to the Dayton-area economy each year. The joint application notes that through the duration of the arrangement, WPAFB plans to expand its facility to accommodate approximately an additional 1,700 positions. (Jt. Ex. 1 at 1-2.)

{¶ 6} DP&L and WPAFB also summarize additional investments WPAFB is currently making. From Fiscal Year 2015 through March 31, 2017, WPAFB has awarded more than 500 facility and infrastructure capital improvement projects worth more than \$182 million dollars. For the remaining portion of Fiscal Year 2017, WPAFB has an additional 200 capital improvement projects, valued at more than \$200 million, planned to support WPAFB mission requirements. In addition, Fiscal Year 2017 National Defense Authorization Act (NDAA) authorizes \$12.6 million to consolidate Entry Control Points at WPAFB and an additional \$14.4 million for facilities upgrades, equipment installation, and other projects that increase energy efficiency. NDAA also authorizes approximately \$1.1 billion for Air Force Research and Development projects and programs controlled from the Air Force Research Laboratory at WPAFB. In December 2016, a 5-year contract valued at approximately \$76.5 million was awarded to provide additional construction and maintenance work at WPAFB. Lastly, a \$29.5 million Foreign Material Exploitation facility for the National Air and Space Intelligence Center is planned for completion in 2017 and a \$6.6 million Satellite Pharmacy with construction to be completed January 2019. (Jt. Ex. 1 at 1-2.)

{¶ 7} Under the unique arrangement, WPAFB will continue to take service under DP&L's approved distribution, transmission, and generation tariffs. WPAFB will receive an 11 percent discount on total monthly DP&L charges for up to 36 months. WPAFB and

DP&L request that the Commission approve the recovery of 100 percent of the delta revenues, as that is defined in Ohio Adm.Code 4901:1-38-01(C) and as permitted in R.C. 4905.31(E) and Ohio Adm.Code 4901:1-38-08, through DP&L's existing Economic Development Rider (EDR). (Jt. Ex. 1 at 3.)

{¶ 8} DP&L and WPAFB assert that the arrangement is not anti-competitive or discriminatory and, thus, does not violate R.C. 4905.33 and 4905.35. Moreover, the parties assert that the application is consistent with state policy set forth in R.C. 4928.02 by freeing up funds that WPAFB can use to support other programs. (Jt. Ex. 1 at 3-4.)

B. *Summary of the Testimony*

{¶ 9} Ms. Kellie explained that the proposed unique arrangement will foster the retention and creation of jobs in Ohio and specifically the Miami Valley region. She asserts that the arrangement ensures that economic conditions encouraging job growth and retention exist at WPAFB by maintaining reliable supply of electric generation, transmission, and distribution service at reasonable and predictable prices for use at the facility. (Jt. Ex. 2 at 3.) The unique arrangement includes terms that require WPAFB to provide an annual report to DP&L and Commission staff which complies with Ohio Adm.Code 4901:1-38-06. Finally, due to federal requirements, the unique arrangement allows WPAFB to unilaterally terminate the arrangement and contains various other clauses consistent with the Federal Acquisition Regulations and Defense Federal Acquisition Regulations. (Jt. Ex. 2 at 2-3.)

{¶ 10} Ms. Kellie testified the term of the proposed unique arrangement is from January 1, 2018 through December 31, 2020. WPAFB will pay tariff rates for distribution, transmission, and generation services and will receive an 11 percent discount on total DP&L charges for up to 36 months (Jt. Ex. 3 at 2). While contract terms dictate the discount, it will vary based on WPAFB's actual electricity consumption, energy efficiency initiatives, load growth, timing and DP&L tariff rates. Based on WPAFB's 2016 billing determinants, DP&L estimates delta revenues to be approximately \$3.1 million annually. Ms. Kellie asserts that

based on a recovery of \$3.1 million, DP&L estimates that a typical residential customer that uses 1,000 kWh a month will have a per bill charge of approximately \$0.39 per month. (Jt. Ex. 3 at 5.)

III. COMMISSION CONCLUSION

{¶ 11} Ohio Adm.Code 4901:1-38-05 authorizes an electric utility, with one or more of its customers, to file an application for approval to enter into a unique arrangement. The applicant bears the burden of proof to show that the proposed arrangement is reasonable, does not directly or indirectly provide rebates, special rates, and free service in violation of R.C. 4905.33, and does not provide an unreasonable advantage or prejudice towards any party under R.C. 4905.35.

{¶ 12} Upon our review of the requirements for an electric utility to enter into a unique arrangement with one of its customers, the Commission finds that the requirements are clearly met here. The joint application for a unique arrangement is reasonable in that it is cost-effective and promotes State policy consistent with R.C. 4928.02 by facilitating the retention of 28,000 jobs in Ohio and specifically the Miami Valley region. Moreover, it has the potential to create an additional 1,700 positions due to WPAFB's mission requirements. The Commission finds that WPAFB's unique position as Ohio's largest single-site employer, with \$4.4 billion in contributions to the local economy each year, supports approval of this particular arrangement. Further, the agreement provides WPAFB with the ability to shop for generation and thus the potential for additional cost savings. Finally, we note the total discount over the term of the proposed arrangement is less than the discount provided in its current unique arrangement. *In re DP&L and WPAFB*, Case No. 14-1217-EL-AEC, Opinion and Order (Oct. 22, 2017) at 2. By fostering a favorable economic climate at WPAFB, the unique arrangement will encourage expansion at WPAFB, while furthering its substantial positive economic impact to the Miami Valley region and state of Ohio through 2020.

{¶ 13} We find that the unique arrangement does not directly or indirectly provide rebates, special rates, or free service in violation of R.C. 4905.33. Additionally, we find that the unique arrangement does not provide an unreasonable advantage or prejudice towards any party in violation of R.C. 4905.35. The application demonstrates that the unique arrangement does not violate R.C. 4905.33 or 4905.35, and is just and reasonable. Accordingly, we find that the proposed unique arrangement is reasonable and should be adopted.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 14} On August 23, 2017, DP&L and WPAFB filed a joint application requesting that the Commission approve a unique arrangement.

{¶ 15} Pursuant to Ohio Adm.Code 4901:1-38-05(F), interested persons had the opportunity to file comments or objections regarding the application. No comments or objections were filed.

{¶ 16} Based on the application, the Commission authorizes DP&L and WPAFB to enter into a unique arrangement consistent with this Order.

V. ORDER

{¶ 17} It is, therefore,

{¶ 18} ORDERED, That the joint application for a unique arrangement between The Dayton Power and Light Company and Wright-Patterson Air Force Base be approved. It is, further,

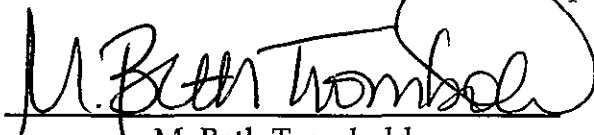
{¶ 19} ORDERED, That The Dayton Power and Light Company and Wright-Patterson Air Force Base take all necessary steps to carry out the terms of this Opinion and Order. It is, further,

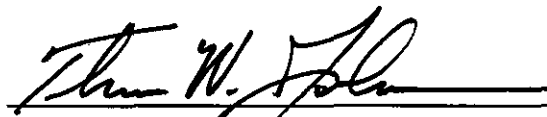
{¶ 20} ORDERED, That nothing in this Opinion and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

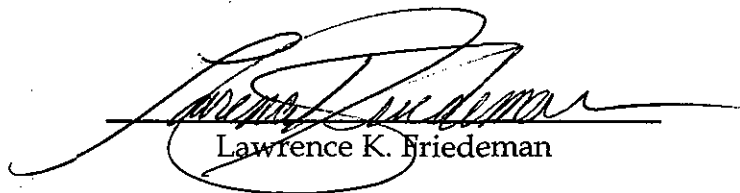
{¶ 21} ORDERED, That a copy of this Opinion and Order be served upon each party of record.

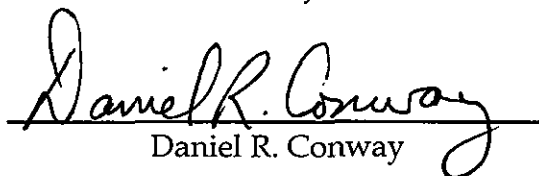
THE PUBLIC UTILITIES COMMISSION OF OHIO

Asim Z. Haque, Chairman


M. Beth Trombold


Thomas W. Johnson

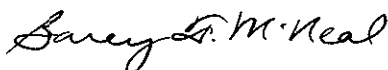

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Barcy F. McNeal
Secretary