

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)	
Dayton Power and Light Company to)	Case No. 15-1830-EL-AIR
Increase Its Rates for Electric Distribution)	

In the Matter of the Application of The)	
Dayton Power and Light Company for)	Case No. 15-1831-EL-AAM
Accounting Authority)	

In the Matter of the Application of Dayton)	
Power and Light Company for Approval of)	Case No. 15-1832-EL-ATA
Revised Tariffs)	

**OBJECTIONS TO THE STAFF REPORT
OF WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

COMES NOW Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart"), by counsel, pursuant to Ohio Revised Code § 4909.19(C) and Rule 4901-1-28 of the Ohio Administrative Code, and files its Objections to the March 12, 2018 Staff Report of Investigation ("Staff Report") filed with the Public Utilities Commission of Ohio ("PUCO" or "Commission") in response to the Application for an Increase in its Electric Distribution Rates filed by Dayton Power and Light Company ("DP&L" or "Company") on November 30, 2015 ("Application") and states as follows:

I. INTRODUCTION

On October 30, 2015, DP&L filed a notice of intent to file an application to increase its electric distribution rates with the PUCO, and subsequently filed its Application on November 30, 2015. As required by statute, Commission Staff ("Staff") examined the Application and then

issued the Staff Report on March 12, 2018. Among other things, the Staff Report made the following recommendation and/or revisions to the Company's Application:

- Revenue Requirement: Staff proposed a revenue increase for DP&L in the range of \$23.2 million to \$28.1 million as compared to the Company's requested revenue increase of \$65.8 million. The Staff's recommended revenue increase represents an overall increase of between 10.58 percent and 12.8 percent.¹ The revenue requirement calculated by Staff does not incorporate any changes in the federal income tax rate.²
- Return on Equity ("ROE"): Staff recommended a cost of equity range of 9.59 percent to 10.61 percent.³
- Revenue Allocation: Although Staff was willing to accept the Company's Cost of Service Study ("COSS"), Staff made alterations to the proposed revenue allocation as between customer classes in an attempt to move classes closer to their levelized rate of returns.⁴ Indeed, Staff's proposal moves all but the Secondary and Primary classes to their cost of service. Staff's recommendation on revenue allocation represents a more aggressive movement of classes to cost than does that proposed by the Company.⁵

¹ See Staff Report, p. 6.

² See *id.* at 2.

³ *Id.* at 19.

⁴ *Id.* at 29-31.

⁵ *Id.* at 30-31

II. OBJECTIONS

A. Staff's Proposed ROE is Too High.

Walmart objects to both DP&L's proposed cost of equity of 10.5 percent⁶ and to Staff's equity range of 9.59-10.61 percent⁷ as they are inconsistent with the most recent national average return on equity awards. According to data from SNL Financial, a part of Regulatory Research Associates, the national average ROE awarded by regulatory authorities from 2015 through 2018 is 9.63 percent.⁸ During this same time frame, the national average ROE for distribution-only utilities and rate cases limited to distribution-only rates is even lower at 9.33 percent.⁹ Staff's recommended range is above the national average for distribution-only utilities, resulting in a greater impact on customers than is necessary to provide DP&L with the opportunity to earn a reasonable return on its investment.

B. Staff's Recommended Cost of Service and Revenue Allocation.

Walmart advocates for cost of service based rates and does not object to the movement of classes to their cost of service as quickly as possible; however, because Staff's proposal does not move the Primary and Secondary classes to their cost of service, Staff's proposal should be evaluated in light of the final revenue requirement authorized by the Commission. Where movement of the remaining classes to cost of service does not present excessive burden on the affected classes, the Commission should evaluate elimination of the remaining subsidy and move the remaining two classes to their respective cost of service.

⁶ Direct Testimony of Dr. Roger A. Morin ("Morin Direct") filed November 30, 2015, p. 5.

⁷ Staff Report, p. 19.

⁸ See Appendix A, Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2015 to Present.

⁹ *Id.*

C. The Staff Report Does Not Incorporate the Tax Cuts and Jobs Act of 2017.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017 ("TCJA"). Among other modifications to the tax code, the TCJA reduced the federal income tax rates for utilities such as DP&L from 35 percent to 21 percent effective January 1, 2018. In the Staff Report, Staff does not address any corporate tax rate changes as a result of the TCJA.¹⁰ Instead, Staff acknowledges the change in the corporate tax rate as a result of the TCJA, but states that the Staff Report is subject to the outcome of Case No. 18-0047-AU-COI.¹¹ Walmart objects to the exclusion of the impact of the TCJA on the Company's revenue requirement in this case. Rates that do not reflect the prevailing tax rates, by definition, do not reflect DP&L's actual cost and therefore cannot be just and reasonable. The Commission should reject the revenue requirement proposed by both DP&L and Staff to the extent the revenue requirement does not incorporate the current federal income tax rate applicable to DP&L. If, however, the Commission approves rates which do not reflect the impact of the TCJA on the revenue requirement, it should also order that those rates are subject to refund based on the outcome of Case No. 18-0047-AU-COI, or other related proceeding.

¹⁰ See Staff Report, p. 2.

¹¹ *Id.*

Walmart reserves the right to supplement or modify these objections in the event that Staff makes additional findings, conclusions, or recommendations with respect to the Staff Report. Walmart also reserves the right to respond to objections or other issues (either in support or opposition) raised by other parties in this proceeding.

Respectfully submitted,

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By /s/Carrie M. Harris

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Counsel to Wal-Mart Stores East, LP and Sam's East, Inc.

Dated: April 11, 2018

Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2015 to Present

State	Utility	Docket	Decision Date	Vertically Integrated (V)/Distribution (D)	Return on Equity (%)
Wyoming	PacifiCorp	20000-446-ER-14	1/23/2015	V	9.50%
Colorado	Public Service Co. of CO	14AL-0660E	2/24/2015	V	9.83%
New Jersey	Jersey Central Power & Light Co.	ER-12111052	3/18/2015	D	9.75%
Washington	PacifiCorp	UE-140762	3/25/2015	V	9.50%
Minnesota	Northern States Power Co.	E-002/GR-13-868	3/26/2015	V	9.72%
Michigan	Wisconsin Public Service Corp.	U-17669	4/23/2015	V	10.20%
Missouri	Union Electric Co.	ER-2014-0258	4/29/2015	V	9.53%
West Virginia	Appalachian Power Co.	14-1152-E-42-T	5/26/2015	V	9.75%
New York	Central Hudson Gas & Electric	14-E-0318	6/17/2015	D	9.00%
New York	Consolidated Edison Co. of NY	15-E-0050	6/17/2015	D	9.00%
Missouri	Kansas City Power & Light	ER-2014-0370	9/2/2015	V	9.50%
Kansas	Kansas City Power & Light	15-KCPE-116-RTS	9/10/2015	V	9.30%
New York	Orange & Rockland Utlts Inc.	14-E-0493	10/15/2015	D	9.00%
Michigan	Consumers Energy Co.	U-17735	11/19/2015	V	10.30%
Wisconsin	Wisconsin Public Service Corp.	6690-UR-124	11/19/2015	V	10.00%
Wisconsin	Northern States Power Co.	4220-UR-121	12/3/2015	V	10.00%
Illinois	Ameren Illinois	15-0305	12/9/2015	D	9.14%
Illinois	Commonwealth Edison Co.	15-0287	12/9/2015	D	9.14%
Michigan	DTE Electric Co.	U-17767	12/11/2015	V	10.30%
Oregon	Portland General Electric Co.	UE 294	12/15/2015	V	9.60%
Texas	Southwestern Public Service Co	43695	12/17/2015	V	9.70%
Idaho	Avista Corp.	AVU-E-15-05	12/18/2015	V	9.50%
Wyoming	PacifiCorp	20000-469-ER-15	12/30/2015	V	9.50%
Washington	Avista Corp.	UE-150204	1/6/2016	V	9.50%
Arkansas	Entergy Arkansas Inc.	15-015-U	2/13/2016	V	9.75%
Indiana	Indianapolis Power & Light Co.	44576	3/16/2016	V	9.85%
Massachusetts	Fitchburg Gas & Electric Light	15-80	4/29/2016	D	9.80%
Maryland	Baltimore Gas and Electric Co.	9406	6/3/2016	D	9.75%
New Mexico	El Paso Electric Co.	15-00127-UT	6/8/2016	V	9.48%
New York	NY State Electric & Gas Corp.	15-E-0283	6/15/2016	D	9.00%
New York	Rochester Gas & Electric Corp.	15-E-0285	6/15/2016	D	9.00%
Indiana	Northern Indiana Public Service Co.	44688	7/18/2016	V	9.98%
Tennessee	Kingsport Power Company	16-00001	8/9/2016	V	9.85%
Arizona	UNS Electric Inc.	E-04204A-15-0142	8/18/2016	V	9.50%
New Jersey	Atlantic City Electric Co.	ER-16030252	8/24/2016	D	9.75%
Washington	PacifiCorp	UE-152253	9/1/2016	V	9.50%
Michigan	Upper Peninsula Power Co.	U-17895	9/8/2016	V	10.00%
New Mexico	Public Service Co. of NM	15-00127-UT	9/28/2016	V	9.58%
Massachusetts	Massachusetts Electric Co.	15-155	9/30/2016	D	9.90%
Wisconsin	Madison Gas and Electric Co.	3270-UR-121	11/9/2016	V	9.80%
Oklahoma	Public Service Company of OK	PUD 201500208	11/10/2016	V	9.50%
Maryland	Potomac Electric Power Co.	9418	11/15/2016	D	9.55%
Wisconsin	Wisconsin Power and Light Co	6680-UR-120	11/18/2016	V	10.00%
Florida	Florida Power & Light Co.	160021-EI	11/29/2016	V	10.55%
California	Liberty Utilities CalPeco	A15-05-008	12/1/2016	V	10.00%
Illinois	Ameren Illinois	16-0262	12/6/2016	D	8.64%
Illinois	Commonwealth Edison Co.	16-0259	12/6/2016	D	8.64%
South Carolina	Duke Energy Progress Inc.	2016-227-E	12/7/2016	V	10.10%
New Jersey	Jersey Central Power & Light Co.	ER-16040383	12/12/2016	D	9.60%
Connecticut	United Illuminating Co.	16-06-04	12/14/2016	D	9.10%
Colorado	Black Hills Colorado Electric	16AL-0326E	12/19/2016	V	9.37%
Maine	Emera Maine	2015-00360	12/19/2016	D	9.00%

Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2015 to Present

State	Utility	Docket	Decision Date	Vertically Integrated (V)/Distribution (D)	Return on Equity (%)
North Carolina	Virginia Electric & Power Co.	E-22 Sub 532	12/22/2016	V	9.90%
Nevada	Sierra Pacific Power Co.	16-06006	12/22/2016	V	9.60%
Idaho	Avista Corp.	AVU-E-16-03	12/28/2016	V	9.50%
Wyoming	MDU Resources Group Inc.	2004-117-ER-16	1/18/2017	V	9.45%
New York	Consolidated Edison Co. of NY	16-E-0060	1/24/2017	D	9.00%
Michigan	DTE Electric Co.	U-18014	1/31/2017	V	10.10%
Maryland	Delmarva Power & Light Co.	9424	2/15/2017	D	9.60%
New Jersey	Rockland Electric Company	ER-16050428	2/22/2017	D	9.60%
Arizona	Tucson Electric Power Co.	E-01933A-15-0322	2/24/2017	V	9.75%
Michigan	Consumers Energy Co.	U-17990	2/28/2017	V	10.10%
Minnesota	Otter Tail Power Co.	E-017/GR-15-1033	3/2/2017	V	9.41%
Oklahoma	Oklahoma Gas & Electric Co.	PUD 201500273	3/20/2017	V	9.50%
Florida	Gulf Power Co.	160186-EI	4/4/2017	V	10.25%
New Hampshire	Liberty Utilities Granite St	DE-16-383	4/12/2017	D	9.40%
New Hampshire	Unitil Energy Systems Inc.	DE-16-384	4/20/2017	D	9.50%
Missouri	Kansas City Power & Light	ER-2016-0285	5/3/2017	V	9.50%
Minnesota	Northern States Power Co.	E-022/GR-15-826	5/11/2017	V	9.20%
Arkansas	Oklahoma Gas & Electric Co.	16-052-U	5/18/2017	V	9.50%
Delaware	Delmarva Power & Light Co.	16-0649	5/23/2017	D	9.70%
North Dakota	MDU Resources Group Inc.	PU-16-666	6/16/2017	V	9.65%
Kentucky	Kentucky Utilities Co.	2016-00370	6/22/2017	V	9.70%
Kentucky	Louisville Gas & Electric Co.	2016-00371	6/22/2017	V	9.70%
District of Columbia	Potomac Electric Power Co.	FC-1139	7/24/2017	D	9.50%
Arizona	Arizona Public Service Co.	E-01345A-16-0036	8/15/2017	V	10.00%
New Jersey	Atlantic City Electric Co.	D-ER-17030308	9/22/2017	D	9.60%
Texas	Oncor Electric Delivery Co.	45957	9/28/2017	D	9.80%
Maryland	Potomac Electric Power Co.	9443	10/20/2017	D	9.50%
California	Pacific Gas & Electric Co.	Advice No. 5148-E	10/26/2017	V	10.25%
California	San Diego Gas & Electric Co.	Advice No. 3120-E	10/26/2017	V	10.20%
California	Southern California Edison Co.	Advice No. 3665-E	10/26/2017	V	10.30%
Florida	Tampa Electric Co.	20170210-EI	11/6/2017	V	10.25%
Alaska	Alaska Electric Light Power	U-16-086	11/15/2017	V	11.95%
Massachusetts	NSTAR Electric Co.	17-05	11/30/2017	D	10.00%
Massachusetts	Western Massachusetts Electric	17-05	11/30/2017	D	10.00%
Washington	Puget Sound Energy Inc.	UE-170033	12/5/2017	V	9.50%
Illinois	Ameren Illinois	17-0197	12/6/2017	D	8.40%
Illinois	Commonwealth Edison Co.	17-0196	12/6/2017	D	8.40%
Wisconsin	Northern States Power Co. - WI	D-4220-UR-123	12/7/2017	V	9.80%
Texas	El Paso Electric Co.	46831	12/14/2017	V	9.65%
Texas	Southwestern Public Service Co	46449	12/14/2017	V	9.60%
Oregon	Portland General Electric Co.	UE 319	12/18/2017	V	9.50%
New Mexico	Public Service Co. of NM	16-00276-UT	12/20/2017	V	9.58%
Idaho	Avista Corp.	AVU-E-17-01	12/28/2017	V	9.50%
Nevada	Nevada Power Co.	17-06003	12/29/2017	V	9.40%
Vermont	Green Mountain Power Corp	17-3112-INV	12/21/2017	V	9.10%
Kentucky	Kentucky Power Co.	C-2017-00179	1/18/2018	V	9.70%
Oklahoma	Public Service Co. of OK	Ca-PUD201700151	1/31/2018	V	9.30%
Iowa	Interstate Power & Light Co.	D-RPU-2017-0001	2/2/2018	V	9.98%
North Carolina	Duke Energy Progress Inc.	D-E-2, Sub 1142	2/23/2018	V	9.90%
Minnesota	ALLETE (Minnesota Power)	D-E-015/GR-16-664	3/12/2018	V	9.25%
New York	Niagara Mohawk Power Corp.	C-17-E-0238	3/15/2018	D	9.00%
Michigan	Consumers Energy Co.	C-U-18322	3/29/2018	V	10.00%

Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2015 to Present

State	Utility	Docket	Decision Date	Vertically Integrated (V)/Distribution (D)	Return on Equity (%)
Entire Period					
		104			
					9.63%
					9.33%
					9.77%
					9.60%
					8.40%
					11.95%
2015					
		23			
					9.60%
					9.17%
					9.19%
					9.75%
2016					
		32			
					9.60%
					9.31%
					9.45%
					9.77%
2017					
		42			
					9.68%
					9.43%
					9.61%
					9.80%
2018					
		6			
					9.59%
					9.00%
					10.00%
					9.69%

Source: SNL Financial LC, April 10, 2018

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Objections to the Staff Report of Wal-Mart Stores East, LP and Sam's East, Inc., was served by electronic mail, upon the following Parties of Record on this 11th day of April, 2018.

/s/ Carrie M. Harris

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Case No(s). 15-1830-EL-AIR, 15-1831-EL-AAM, 15-1832-EL-ATA

Summary: Objection to the Staff Report of Wal-Mart Stores East, LP and Sam's East, Inc. electronically filed by Derrick P Williamson on behalf of Wal-Mart Stores East, LP and Sam's East, Inc.