

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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

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

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**POST-HEARING BRIEF  
OF  
THE GREATER EDMONT COMMUNITY COALITION  
AND  
OHIO PARTNERS FOR AFFORDABLE ENERGY**

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**I. Introduction**

The Greater Edgemont Community Coalition and Ohio Partners for Affordable Energy (“Edgemont-OPAE”) submit to the Public Utilities Commission of Ohio (“Commission”) this post-hearing brief in the above-referenced applications made by The Dayton Power and Light Company (“DP&L”) for an increase in electric distribution rates, accounting authority, and approval of revised tariffs. Edgemont-OPAE are both signatory parties to the Stipulation and Recommendation (“Stipulation”) filed June 18, 2018 and admitted into the hearing record as Joint Exhibit 1. Herein, Edgemont-OPAE urge the Commission to adopt the Stipulation in its entirety and reject any modifications.

**II. The Stipulation Satisfies the Commission's Three-part Test for the Reasonableness of Stipulations.**

DP&L's witness Sharon R. Schroder, Managing Director of Regulatory Affairs for DP&L, testified that the Stipulation satisfies the Commission's three-part test for the reasonableness of stipulations. DP&L Ex. 1. The Office of the Ohio Consumers' Counsel ("OCC") witness Wm. Ross Willis also testified that the Stipulation satisfies the three-part test. OCC Ex. 1.

With regard to the first part of the three-part test, the Stipulation is the product of serious bargaining among knowledgeable parties who represent a wide range of interests. In addition to DP&L, OCC, Edgemont-OPAE, and the Commission's Staff, signatories and non-opposing parties include organizations representing large industrial customers, supermarket chains, hospitals, and environmental groups. DP&L Ex. 1 at 5; OCC Ex. 1 at 5. DP&L invited all parties to the settlement negotiations, and numerous hours were devoted to the negotiating process. DP&L Ex. 1 at 6. Thus, the Commission should find that the Stipulation is a product of serious bargaining among capable, knowledgeable parties that represent diverse interests.

With regard to the second part of the three-part test, Ms. Schroder testified that the Stipulation benefits customers and the public interest. DP&L Ex. 1 at 7. One of the benefits cited by DP&L is the beginning of the implementation of the lowered federal income tax rate and the establishment of a framework for returning the savings resulting from the tax cut to customers. *Id.* The Stipulation recommends a revenue requirement that incorporates the lower federal income

tax rate for DP&L's federal income tax expense and gross revenue conversion factor. DP&L will commence a proceeding no later than March 1, 2019 to return to customers the distribution-related eligible excess Accumulated Deferred Income Tax ("ADIT") resulting from the tax cut and the full balance of the regulatory liability ordered by the Commission effective January 1, 2018 in Case No. 18-47-AU-COI over an amortization period no greater than ten years. DP&L also agreed to provide customers no less than \$4 million per year of that amount for the first five years of the amortization period. Id. at 9-10.

OCC witness Willis' testimony also describes the benefits of the tax cut provisions of the Stipulation. DP&L's new base rates will reflect a reduction in federal income tax expense to recognize the lower federal income tax rate; the gross revenue conversion factor also reflects the lower federal income tax rate; DP&L will promptly return to customers all excess ADIT and the full balance of the regulatory liability ordered in Case No. 18-47-AU-COI; and, customers will receive a minimum \$20 million in tax savings over five years with the remainder (if any) to be returned over the next five years. OCC Ex. 1 at 6.

Both DP&L and OCC cited the Stipulation's \$7.00 residential customer charge as another benefit of the Stipulation. Ms. Schroder testified that the \$7 residential customer charge may provide a financial incentive for energy conservation and moderates bill impacts for very low-usage residential customers. DP&L Ex. 1 at 11. OCC witness Willis also cited the \$7 residential customer charge as a benefit to the Stipulation. OCC Ex. 1 at 8.

With regard to the third part of the three-part test, the Stipulation does not violate any important regulatory principles. OCC witness Willis stated that the Stipulation does not violate any important regulatory principles because the downward adjustments for federal income taxes, the stipulated rate of return, and the residential customer charge mean that residential customers will be charged just and reasonable rates. OCC Ex. 1 at 9.

DP&L witness Schroder testified that the Stipulation does not violate any important regulatory principles, encourages compromise as an alternative to litigation, and advances state policies. For example, the Stipulation promotes the availability of DP&L's distribution system to customer generators by funding with shareholder dollars a distribution interconnect feasibility study for the solar farm in the Edgemont community of Dayton. DP&L Ex. 1 at 15. The Stipulation provides that DP&L will conduct a feasibility study for the solar farm at the 16-acre brownfield located in Edgemont on the former General Motors factory site at the intersection of Miami Chapel Road and Wisconsin Boulevard. Jt. Ex. 1 at 14-15.

A benefit for low-income customers secured by the City of Dayton in the Supplemental Stipulation is DP&L's contribution of \$50,000 in shareholder funds to DP&L's Gift of Power program within 30 days after the Commission's approval of the Stipulation and \$50,000 per year in 2019, 2020, 2021, and 2022 in addition to the contributions previously committed to by DP&L in Case Nos. 16-395-EL-SSO, et al. Jt. Ex. 1; Supplemental Stipulation at 3.

Therefore, the Commission should find that the Stipulation satisfies its three-part test for the reasonableness of stipulations. The Commission should approve the Stipulation in its entirety and without modification.

**III. The Commission Should Reject the Proposal of RESA and IGS.**

The Retail Energy Supply Association (“RESA”) and Interstate Gas Supply (“IGS”) presented the testimony of J. Edward Hess to support objections to the Staff Report of Investigation (“Staff Report”) that were not addressed in the Stipulation. RESA-IGS Ex. 2 at 4. Mr. Hess recommended that DP&L be required to unbundle the distribution costs required to process and administer the standard service offer (“SSO”) and allocate these costs only to SSO customers rather than to all distribution customers.

Mr. Hess claims that this proposal would ensure that SSO customers pay for all the services they receive, that shopping customers are not charged for services they do not receive, and that the “subsidy that artificially lowers the price of SSO service” would be eliminated. *Id.* at 4-5. He claims that his proposal provides “a more level playing field between the SSO and services available in the competitive market.” *Id.* at 5. He would establish a credit rider for all customers allowing them to avoid distribution costs that support the SSO administrative and processing functions and an avoidable cost-recovery rider that collects these costs only from SSO customers. *Id.*

Edgemont-OPAE strongly oppose the RESA-IGS proposal and assert that the Stipulation’s omission of such a proposal is an important factor in Edgemont-OPAE’s support of the Stipulation and the Stipulation satisfying the

Commission's three-part test for the reasonableness of stipulations. The Staff Report states that, in Case Nos. 16-395-EL-SSO et al., it was determined that there would be in this rate case an evaluation of costs contained in distribution rates that may be necessary to provide SSO service. Staff Report at 28. DP&L was unable to quantify different costs between shopping and SSO customers and expressed that it would be prohibitively expensive to track costs for the functions of administering the competitive retail market separately from providing SSO service. DP&L stated that all costs DP&L incurs to provide particular services to or on behalf of shopping and SSO customers are appropriately assigned to the distribution function because a distribution utility is required by law to offer the SSO and has obligations with regard to administering aspects of the competitive market. Id.

Staff witness Craig Smith, a member of the Staff's Reliability and Service Analysis Division of the Service Monitoring and Enforcement Department, testified on behalf of the Staff. Staff Ex. 5. Mr. Smith testified that the Staff, upon inquiry with DP&L through data requests, could not determine whether the shopping customer or the SSO customer resulted in increased or different levels of service for the distribution utility. Whether a customer is SSO or shopping, the costs to administer the competitive retail market and the SSO are similar. All distribution customers use DP&L's call center, communication channels, accounting resources, information technology, and legal, administrative, and regulatory resources. Id. at 8.

Mr. Smith also testified that the RESA-IGS cost of service allocation methodology presented by Mr. Hess was flawed because there was no investigation of embedded costs and no cost causation study. Id. at 11-12. Mr. Smith also disagreed with the RESA-IGS assertion that shopping customers pay costs twice, once through distribution rates and again in the supplier's charges. All customers pay for distribution costs in distribution rates. Generation service is not paid through distribution rates. Id. at 13. The Commission has no jurisdiction over what shopping customers pay for generation.

While the provision of SSO service uses shared administrative and operating expenses of DP&L, the provision of shopping service also uses similar if not greater amounts of administrative and operating expenses of DP&L. Id. The distribution utility provides billing for SSO and shopping customers, and the cost of this billing is paid by all customers. The RESA-IGS proposal is attempting to isolate the cost to provide SSO service; but, under the RESA-IGS cost allocation methodology, the cost of billing for shopping customers is still paid by all customers, not only by shopping customers. Tr. 162-167. RESA-IGS has not consistently assigned to each group of customers the costs to serve them.

For DP&L, all customers are distribution customers. A customer may be an SSO or a shopping customer at any given time as the choice of generation service is fluid from month to month. Therefore, the distinction of which generation service a distribution customer chooses is not a definable class for cost allocation when a customer can choose the SSO or shopping at any time. DP&L is required to provide the SSO and shopping. The embedded costs to the

distribution utility to maintain SSO and shopping are for assets used jointly and should be recovered from all distribution customers. Therefore, the Commission should reject the RESA-IGS proposal.

#### **IV. Conclusion**

The Stipulation satisfies the Commission's three-part test for the reasonableness of stipulations, and therefore, the Commission should approve the Stipulation in its entirety. The proposal presented by RESA-IGS ignores the fact that the distribution utility must make both the SSO and shopping available to all distribution customers at all times so that costs should not and cannot be allocated to each of these services separately but must be collected from all distribution customers.

Respectfully submitted,

/s/Ellis Jacobs

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## **CERTIFICATE OF SERVICE**

A copy of this Post-Hearing Brief of the Greater Edgemont Community Coalition and Ohio Partners for Affordable Energy will be served electronically by the Commission's Docketing Division on the persons who are electronically subscribed to these cases on this 17th day of August 2018.

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Summary: Brief Post-Hearing electronically filed by Colleen L Mooney on behalf of Greater Edgemont Community Coalition and Ohio Partners for Affordable Energy