BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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 No. 16-0395-EL-SSO
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs.	:	Case No. 16-0396-EL-ATA
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority.	:	Case No. 16-0397-EL-AAM

REPLY BRIEF AFTER WITHDRAWAL
SUBMITTED ON BEHALF OF THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

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INTRODUCTION

Having reviewed the initial brief of IGS, there is very little new and nothing that warrants a departure from the prior decision of this Commission. While the Commission is certainly not bound to follow the decision previously made in this case, the reasoning used therein is just as persuasive here.

For simplicity, the arguments presented in the IGS initial brief will be rebutted in the order presented therein.

ARGUMENT

I. Collateral Requirements

IGS claims that the DP&L's collateral requirements have no evidentiary support and place an undue burden on privately held companies with strong balance sheets. IGS's argument actually shows the very problem. There is no way to know if IGS has a strong balance sheet. IGS has no credit rating. Thus there is no independent verification or estimate of its creditworthiness. While IGS may indeed have a strong balance sheet, it is not reasonable to simply take IGS's word for this. In the absence of some other indication of creditworthiness, DP&L's approach is reasonable and will protect the public and DP&L itself in the event of an IGS default.

II. Fees

IGS objects that the historic usage and switching fees have not been substantiated in this case. As noted in our initial brief, these objections misunderstand the nature of this proceeding. It was not incumbent on DP&L to substantiate these charges in this case. That was done long ago when these charges were established. Because IGS wants to change these established rates, it bears the burden of proof to show that a change is warranted. It has not done so. It merely complains that there is no basis. This is merely an effort to reverse the burden of proof and does not justify any change at all.

III. Supplier Consolidated Billing

IGS argues that CRES providers should be required to purchase receivables at a discount in the pilot. The Commission has already reviewed this pilot extensively. See Opinion and Order, October 20, 2017, at 35-37. It found no reason for a change before and there is no reason now. Better to let the pilot proceed and make adjustments based on the actual experience as the pilot proceeds.

IV. Unbundling Rider

While Staff is not convinced that there are any significant SSO costs embedded in distribution rates, perhaps something can be identified in some future case. The Commission has already recognized that if a rider is to be established to deal with these costs, it must be done in an SSO proceeding. As this is an SSO proceeding, this is the correct venue to establish a zero rider to be populated in some future case based on evidence presented there.

V. DMR

IGS presents a number of arguments against the DMR. Most have already been rejected.

IGS says the DMR is not needed to allow the provision of reliable service. This argument harkens to the past, a dated view of reliability. The Commission has already indicated that it believes that significant new investment will be needed to provide the sort of reliability that consumers will need in the future. See Opinion and Order, October

20, 2017, at 27. Specifically the DMR is needed to allow for SmartGrid development. See Opinion and Order, October 20, 2017, at 26-27.

IGS claims that the DMR is not authorized under R.C. 4928.143. This is clearly incorrect. The Commission previously found that the DMR is authorized under that section. See Opinion and Order, October 20, 2017, at 47-49. The Commission's reasoning is still powerful. DP&L must be in a position to be able to obtain significant additional funds to initiate the new investment to modernize its distribution facilities, to "jump start" SmartGrid. While many steps are needed, and have been taken, to allow this to happen, the DMR is pivotal.

IGS claims that DP&L has access to capital markets and therefore the DMR is not needed. This is simply factually incorrect. The Commission has already explained the serious limitations on DP&L's access to capital. See Opinion and Order, October 20, 2017, at 25. Access is limited and the terms are onerous. This cannot stand if the DP&L distribution system is to move into the twenty-first century.

IGS claims that the DMR violates core regulatory principles. Again IGS looks to the past. The ESP regime that we are in is divorced from the historic rate base/rate of return structure. As noted in our initial brief, those statutes do not apply. R.C. 4928.143(B)(2)(h). Rather than being tethered to historic cost of service concepts, the Commission is charged to advance the ball, to modernize and move the distribution system forward. That is the exact role of the DMR. As in the initial decision in this case, the Commission should look forward not back as IGS would argue.

IGS claims that the DMR causes the amended stipulation to fail the MRO/ESP test. This argument is thoroughly discredited. See Opinion and Order, October 20, 2017, at 44-46. The DMR has no effect on the MRO/ESP test. The simple reality is that DP&L needs the money represented by the DMR to be able to modernize its distribution facilities. That need simply exists regardless of the form of the standard service offer whether MRO or ESP. If there were no ESP, those funds would still need to be provided under either the MRO itself, an AIR, or some other proceeding. The modernization is needed and it will not happen without these monies. As the money would have to be allowed regardless, the DMR is irrelevant to the test. The Commission found this before and should again.

IGS claims that the DMR does not relate to distribution service. Clearly this is incorrect. The Commission's entire point in creating the DMR was to jump start the modernization of the distribution system. See Opinion and Order, October 20, 2017, at 25. While it would have been desirable if DP&L had already been in a position to be able to move immediately into construction of modern facilities, we do not live in such a world. Significant financial shoring up must be provided to allow this to occur. That is the purpose of the DMR. There will be no modernization without it.

IGS claims that DPL's financial health does not impact DP&L. The record shows this is incorrect. See Opinion and Order, October 20, 2017, at 25. In the view of financial markets the two are tied. Helping one, helps the other. Hurting one, hurts the other. It is unavoidable.

IGS makes a very curious argument. It asserts that a DPL bankruptcy would be a good thing. Surely this cannot be a basis upon which the Commission would determine anything. The Commission can hardly advocate for the bankruptcy of anything.

IGS restates its argument that the DMR violates cost of service ratemaking. The argument is no more convincing than it was the first time it was presented in its brief.

IGS argues that the DMR should be treated as contributions in aid of construction. This argument has already been discussed in Staff's initial brief, and there is no need to restate it here.

IGS argues that the amount of the DMR should be adjusted for the recent change in the federal income tax rate. Staff believes that this is unnecessarily risky. The amount of the DMR is crafted to allow the financial situation of DP&L to improve so that it is positioned to be able to make significant investments. It is a temporary measure. Adjusting the amount at this time would work at cross-purposes to the goals of establishing the DMR at all.

In sum, the various objections made by IGS to the amended stipulation are not significant and are not supported by evidence. To the extent that the Commission has seen these arguments before, its reasoning in rejecting them remains valid.

VI. RR

IGS claims that the RR is not a hedge. The Commission specifically found the DMR is a hedge. See Opinion and Order, October 20, 2017, at 34. Simple logic shows that the RR will operate as a hedge. It will move in the opposite direction from the

auction results, it has to. While one might quibble about whether it is too large or too small or various other structural details, really its nature as a hedge cannot reasonably be disputed.

IGS argues that the RR should be bypassable. This was in fact the proposal in the amended stipulation that the Commission explicitly modified. It explained its reasoning quite clearly. See Opinion and Order, October 20, 2017, at 35. This reasoning still holds.

IGS claims that the RR is a transition charge. This argument has been rejected by the Commission already. See Opinion and Order, October 20, 2017, at 55. Transition cost is a defined term. R.C. 4928.39. The OVEC assets simply do not fall within the definition as there was never an opportunity to recover any OVEC costs before restructuring. OVEC was never in rate base. Even if this were not true, the bar on recovery of transition costs does not apply in this context. R.C. 4928.143(B)(2)(h).

VII. Evidentiary Matters

IGS challenges several rulings made by the Attorney Examiners in the case. Staff disagrees with IGS in these regards. Particularly regarding the ONCOR information, that concerned a different situation, in a different state, operating under different laws and orders. It is simply not probative.

CONCLUSION

IGS presents nothing new other than its wish list of items that would benefit it. No reason has been presented for the Commission to deviate from its earlier order.

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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Initial Brief After Withdrawal** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail upon the following Parties of Record, this 30th day of May, 2019.

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Summary: Reply Brief After Withdrawal electronically filed by Ms. Yvette L Yip on behalf of the Public Utilities Commission of Ohio